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# The Impact of Psychological Capital and Mediation Role of Intrinsic Motivation on Employee Productivity on Manufacturing SMEs in Malaysia

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# **Abstract**

Present research aimed to address factors influencing employee productivity in Malaysia SMEs manufacturing. The decline in employee productivity could impact country GDP negatively. Present research examined the impact of psychological capital and intrinsic

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motivation on employee productivity, in the Malaysia Small and Medium (SMEs) manufacturing sector. Quantitative and descriptive techniques were adopted based on a cross-sectional research design. A self-administered questionnaire was used to collect data from 309 managers of manufacturing SMEs in Malaysia. Social Cognitive Theory provides a conceptual framework as well as an explanation of the relationship between variables. Preliminary studies were carried out to satisfy the assumptions, allowing us to examine the data using SPSS Version 26 and Smart PLS Version 3. Present research found a significant and positive relationship between psychological capital and employee productivity. In addition, this research also found Intrinsic motivation mediates the relationship between psychological capital and employee productivity. The research findings will provide valuable information for manager and policy makers in order to boost employee productivity in Malaysia SME manufacturing. The paper also discussed limitation of the research; some suggestion for future research.

**Keywords**: Employee Productivity, Psychological Capital, Intrinsic Motivation, SME Manufacturing, Social Cognitive Theory.

# Introduction

SMEs are essential to a nation's economic development in Malaysia (Hussain et al., 2022; Nordin et al., 2022; Razak et al., 2023). SMEs as a significant contributor to the GDP of the country, the Malaysia government has actively assisted and provide facilitation to support SMEs development in Malaysia (Masnan, 2021). One of the key drivers of the SMEs in Malaysian economy has been made through innovation, flexibility, efficiency, and the creation of jobs, have been instrumental in the economic development of emerging nations Ramdan et al., (2022). In the absence of the SMEs sector, unemployment rate may rise, and economic growth will be sluggish (Das et al., 2020). The establishment of a National SME Development Council (NSDC) in 2004 has an important milestone that demonstrated the importance of SMEs to the Malaysian economy (Chin & Lim, 2018b). These government initiatives attempt to establish the institutional and systemic condition to facilitate the enhancement of business-level capabilities, diversification, and establishment of new business (Mukhtar et al., 2021).

# **Problem Statement**

Productivity is the ultimate measure of effectiveness of production systems (Rawat et al., 2018). According to Hanaysha (2016) employee productivity can be measured in terms of an employee's output throughout a certain period. Numerous studies from the past have revealed that increasing labor productivity is the primary driver of GDP development (Basri et al., 2020). Past study found revealed a positive relationship between employee productivity and national GDP (Ng et al., 2019). Employees who are highly productive will meet corporate objectives and eventually boost the economy at large (Aisyah et al., 2020; Maulana & Abadiyah, 2022). Based on the Department of Statistics Malaysia report, the SME sectors overall employee productivity has fluctuated significantly from 2018 to 2020 respectively from 3.0% to -6.5% (Department of Statistic, Malaysia, 2021). In addition, the SME manufacturing sector had the highest decline, from 6.2% in 2021 to 2.8 in 2022 (Department of Statistic, Malaysia, 2023).

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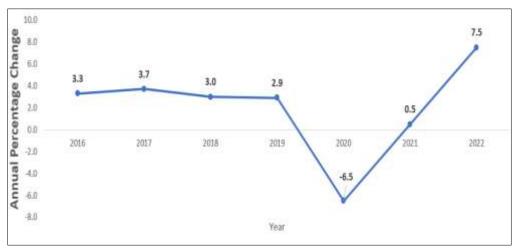


Figure 1 Employee productivity in all SMEs Sectors in year 2016-2022

Source: Department of Statistics Malaysia, (2023)

According to Chauhan et al., (2022) and Krekel et al., (2019) when company is having issue with the employeees it will lead to poor employee productivity. In addition, work overload and stress have a negative impact on the workplace environment and the attitudes of the employees (Isa & Kadir, 2021). Stressful and worrying condition are linked with higher rates of psychological distress (Shanmugam et al., 2020), which makes it hard for employee to build resources in the face of adversity (Johari & Omar, 2019). Moreover, according to Permarupan et al., (2020) employee motivation can often be problematic for small enterprises. When employees have negative feelings about work accomplishment, they will quit putting in effort to complete their duties. In this regard, adopting psychological capital and enhancing motivation is important to increase employee productivity. The primary motivation for developing this conceptual framework is to address the gap identified by who indicated that future research should investigate the impact of psychological capital on employee productivity (Ooh, 2020).

# Literature Review Employee Productivity

Employee with high productivity will achieve business goal and eventually contribute to the national economy (Aima et al., 2017; Barik & Kochar, 2017; Mamun & Hasan, 2017). Based on past literature, there were various indicators for employee productivity, and many researchers debated the determinants of employee productivity. However, in economic description, employee productivity refers to the measure of output per unit of input (labour, capital, equipment) (Sibson, 1994); in other words, it is the log of net sales over total employees (Singh & Mohanty, 2010). Past literature argued that efficiency and effectiveness are both included in the performance measure of productivity (Bhatti & Qureshi, 2007). Nollman, (2013) indicated there are several factors that can influence productivity, including job satisfaction, workplace satisfaction, distractions, absences, illness, focus, stress level and mood.

Philosophically, productivity essentially refers to a mentality that has always believed that this life and style of working should be better than yesterday's life and manner of working (Gunawan et al., 2021). An interdisciplinary approach to productivity involves coming up with effective goals, formulating plans, and using production techniques to employ resources effectively while keeping high quality (Prasetyaningtyas et al., 2021). Mohammad et al.

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(2019), defined employee productivity is the self-evaluation of an employee's attitude and behavior as it relates to their performance and effectiveness at work. Hassan and Lukman (2020), stated employee productivity is the number of products and services produced per unit of labor, capital, or both is known as productivity. Thus, present research adopted the employee productivity measure defined by (Hanaysha, 2016).

# **Psychological Capital**

According to Luthans, et al. (2007) psychological capital refers to the individual's positive psychological state of development, which core construct consisting of the four elements of hope, self-efficacy, resilience, and optimism. Employees that have strong psychological capital can overcome obstacles, deal with pressure, and perform well at work (Yan et al., 2021). Choi et al. (2020) argued that psychological capital includes the striving element of motivation, positive evaluations that encourage perseverance, the formation of positive affect, and social support. Johari and Omar, (2019) stated that, psychological capital is a state of happiness that characterised by self-acceptance, personal growth, a sense of purpose in life and positive relationship. Prior study found that family support is crucial as it has positive impact on the psychological states of employees (Sekhar, 2021). Past study, suggested that developing psychological capital could affect SMEs employees performance (Alshebami, 2021). Moreover, in Malaysia, it was found out that, positive psychological capital could enhance individual ability to recover from disaster (Jalil et al., 2021). Malaysia government has implemented several programs which helps to enhance employee job outcome in SMEs (Alias et al., 2020a). Thus, in order to improve employee productivity, Malaysia government take initiative to psychological capital as a component that needs to be developed in a person (Othman, 2021).

# **Intrinsic Motivation**

Intrinsic motivation is when a person motivated by their personal needs (Jamal Ali & Anwar, 2021). According to Siu et al., (2014) the term "intrinsic motivation" describes motivation that derives from a person's interest in or enjoyment of the work at hand rather than from any external pressure or result. Additionally, intrinsic motivation enables people to experience internal psychological development, personality integration, and the enhance positive life process (Girum et al., 2022). Three (3) groups of intrinsic motivation are categorised by Ryan and Deci (2000). The first is cognition, which involves activity motivated by pleasure from learning new things. The second sort of motivation is intrinsic motivation for achievement, which refers to the joy of successfully finishing an action and producing something new. The third (3<sup>rd</sup>) intrinsic motivator is stimulation, which denotes behaviours that excite and stimulate. Tran et al. (2021) argued Intrinsic motivation is the agent contained within the behaviour and is independent of external agents. When performing a certain task, an individual does it out of enthusiasm, challenge, or satisfaction (Lantara, 2019). Individual that are intrinsically motivated are more creative and when engaged in an activity they will show confidence and enthusiasms (Lei et al., 2023).

# **Psychological Capital and Intrinsic Motivation**

According to Luthans et al., (2007) psychological capital refers to the individual's positive psychological state of development, which core construct consisting of the four elements of hope, self-efficacy, resilience, and optimism. The four (4) dimension work together to raise the likelihood that people will succeed in their actions since they are linked to increased

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effort, motivation, and perseverance in work performance (Avey et. al., 2010). Employees that have strong psychological capital can overcome obstacles, deal with pressure, and perform well at work (Yan et al., 2021). Motivation is psychological mechanisms that induce arousal, direction, and persistence of behaviour towards achieving a goal (Hemakumara, 2020). According to Herdem (2019), Higher psychological capital promotes goal-setting, improvement-seeking, and self-assurance, all of which support intrinsic drive.

Previous studies found a positive relationship between psychological capital and intrinsic motivation (Cristina et al., 2021; Fidelis et al., 2021; Tran et al., 2021). In addition, a person who demonstrates mindfulness features may have greater access to psychological capital on the inside, which helps them be more eager to put in extra effort and time to finish a task which eventually enhance intrinsic motivation (Ali et al., 2021). High levels of self-efficacy and hope make it easier to motivate people to work hard because they tend to believe their efforts will be rewarded. Resilience helps people find their motivation again in difficult situations, and optimism does the same (Liu & Huang, 2022). According to Herdem, (2019) higher psychologically capable students are motivated of their objectives. Based on past study done in education sector it was found out that psychological capital play a significant role in enhancing intrinsic motivation (Tran et al., 2021). Thus, present research posits that psychological capital associated with intrinsic motivation. Therefore, this research proposed following hypothesis:

H<sub>1:</sub> There is positive relationship between psychological capital and intrinsic motivation

# **Intrinsic Motivation and Employee Productivity**

People who were intrinsically motivated fully engaged in an activity because they are truly fascinated by the task, not just because of the result (Siu et al., 2014). Intrinsic motivation such as learning opportunities and recognitions could influence employee work outcome (Manzoor et al., 2021). Intrinsically motivated people can only be content with their actions if they produce desired results (Sari & Azmi, 2020). Rietveld et al. (2022) argued that people who are intrinsically motivated do their work because it makes them happy and content, not because they want to get compliments or criticism from others.

Past studies found a positive relationship between intrinsic motivation and employee productivity (Diamantidis & Chatzoglou, 2019; Manzoor et al., 2021; Yen & Yee, 2019). Employees that have great intrinsic motivation will make every effort to complete activities that are assigned to them or that otherwise fall under their purview as efficiently as they can, increasing productivity (Triswanto & Yunita, 2021). Lee et al. (2022) stated that employee airlines in South Korea discovered that with intrinsic motivations such as internal senses of achievement and pleasure while performing their job is the key factor increasing service outcome. Past studies found a positive relationship between intrinsic motivation and employee productivity. Thus, the following hypothesis was proposed.

H<sub>2</sub>: There is a positive relationship between intrinsic motivation and employee productivity

# **Psychological Capital and Employee Productivity**

According to Luthans et al. (2019) psychological capital can help persistent, enthusiastic people achieve their long-term goals in more domain-specific ways. Positive attitudes and behaviours at work are significantly predicted by psychological capital, which may have an impact on employee productivity (Tüzün et al., 2018). Digan et al. (2019) argued that psychological capital among Indian women is a significant predictor of employee productivity through motivation, effort, and self-belief. Huang et al. (2021) discovered that psychological

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inputs assist frontline employees in coping with their job tasks and improving performance. Darvishmotevali and Ali (2020) contend that psychological capital leads to improved levels of service quality and, as a result, an improvement in employee productivity. Thus, as a result, a person's productivity can only be attained at a higher level of psychological capital (Novitasari et al., 2020). However, there is a dearth of study on the effect of psychological capital on contextual employee productivity (Alias et al., 2020b). Therefore, future research should explore further the relationship between psychological capital and employee productivity in manufacturing SMEs in Malaysia (Ooh, 2020). Based on the literature discussion, the following hypothesis was proposed:

H<sub>3</sub>: There is positive relationship between psychological capital and employee productivity

# **Psychological Capital Intrinsic Motivation and Employee Productivity**

Psychological capital is a strong predictor of positive work-related attitudes and actions, which can affect employee productivity. Tüzün et al., (2018) & Biricik, (2020) conclude that it has been reported that psychological capital can boost employees' internal motivation, ensuring that they exhibit vigour, dedication, and assimilation at work. According Triswanto and Yunita (2021) to one of the key components of intrinsic motivation is the fact that employees' needs and interests motivate them to engage in certain behaviours while working for the organisation. As previously if people have a positive psychological component such as optimism, hope, self-efficacy, they will also have positive intrinsic motivations (Tran et al., 2021). When company pay attention to employee needs it will create a string drive from within employees and lead to good performance (Paais & Pattiruhu, 2020; Yusuf, 2021). Employees who are intrinsically motivated are more likely to be interested in growth and learning (Moon et al., 2020). Based on study done in Pakistan it demonstrate that intrinsic rewards are essential for the success of motivation because they provide long-term, intangible benefits that are typically not particularly expensive to attain and can be successfully repeated over and over again (Manzoor et al., 2021). Employees that have motivation from within themselves since it is based on the task performed will be more devoted to working better for themselves. According to Digan et al., (2019) psychological capital is a major predictor of employee productivity in India through motivation, effort, and self-belief. Based on the literature review, there is a positive relationship between psychological capital and intrinsic motivation, at the same time between intrinsic motivation and employee productivity. Thus, there is a high possibility that intrinsic motivation could strengthen the relationship between psychological capital and employee productivity. Hence, the following hypothesis was proposed.

**H**<sub>4</sub>: Intrinsic motivation mediates the relationship between psychological capital and employee productivity

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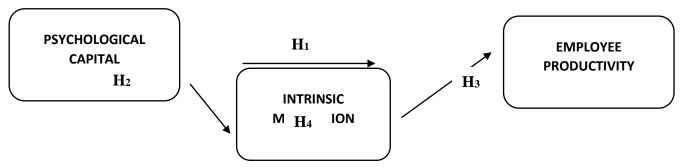


Figure 2: Conceptual Framework

# **Underpinning Theory Social Cognitive Theory**

Social cognitive theory idea is that people have control over their own behaviour (Maddux, 2004). According to social cognition theory, self-referent thinking influences individual motivation and conduct (Cooper & Lu, 2019). Social cognitive theory is widely recognised as individual behaviour (Carillo, 2010), this theory explore the causes of people acting in particular behaviour (Bandura, 1986). Bandura (1997), defined social cognitive theory beliefs in one's ability to plan and carry out the actions necessary to achieve particular goals. Self-efficacy has been examined in relations with variety of workplace concerns such as employee productivity (Bandura, 1988; Nygaard, 2017; Shu et al., 2011; Valle et al., 2019). According to social cognitive theory, well-considered and evaluated quality attributes can motivate constructive individual and social conduct, which has a significant impact on personal well-being (Dace et al., 2020). Therefore, understanding why a person may to act in certain behaviour, it is essential to understand the social cognitive factor influencing self-efficacy (Nwosu et al., 2022).

Peterson et al., (2011) suggested that theoretically, psychological capital can be analysed using social cognitive theory. Psychological capital is the capacity to use one's own resources, such as optimism, efficacy, hope, and resilience to succeed (Luthans et al., 2007). Self-efficacy is a sense or belief about the process and outcomes of applying one's personal abilities, whereas optimism is a positive expectation about outcomes (Luthans et al., 2010). Resilience is a self-efficacy determinant that describes a person's capacity to learn coping mechanisms to adapt with change (Milaković, 2020). Self-efficacy is the belief that one's actions will produce the desired results. People with greater levels of hope have a strong aptitude for maintaining motivation to set and achieve goals (Feldman & Kubota, 2015).

Social cognitive theory is applied to recognized the significance understanding of self- efficacy as a key predictor of job performance and attitudes (Judge & Bono, 2001; Luthans & Stajkovic, 1998) promoting personal well-being (Dace et al., 2020). Therefore, it was believed that social cognitive theory to be the most suitable since it offers thorough framework for analysing individual behaviour (Hmieleski & Baron, 2009). Social cognitive theory explain that individual thoughts are essential while responding real-life situations in work place (Govindaraju, 2021). In addition, social cognitive theory is determined to be the most appropriate for supporting the theoretical model of investigating psychological capital among individual (Aryani et al., 2021; Bak et al., 2022; Ye et al., 2020). According to (Eccles & Wigfield, 2020) social cognitive theory offers a paradigm for comprehending how cognitive processes, like self-beliefs and interpretations, interact with social and environmental circumstances to affect motivation.

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Social cognitive theory offers insights into the internal mechanisms and elements, such as self-efficacy, goal-setting, and self-regulation, that affect intrinsic motivation by effectively regulating their behaviour and monitoring their progress (Schunk & DiBenedetto, 2020). Social cognitive theory posits that self-efficacy is the key internal that could boost individual belief in their ability in succeed in specific activity.

# Methodology

This research employed an inductive, quantitative methodology grounded in the positivist paradigm. The sample of this present research was derived from SME employees in manufacturing company in Malaysia. The sampling respondent was chosen using the Federal Manufacturers of Malaysia (FMM) directory, 52<sup>nd</sup> Edition with population of 2021. The responded include the manager only. Owners/managers of SMEs have important knowledge regarding staff productivity and evaluate employee performance (Ogunyomi & Ojikutu, 2014). Probability sampling allows for the usage of elements that have the same chance of being randomly and independently selected (Schreuder et al., 2001). Hence, three hundred and nine (309) responded were selected using probability sampling. In order to validate the research hypotheses, data were gathered online using an online questionnaire and the crosssectional survey method. This study uses a 7-point Likert scale to examine three (3) hypotheses about how the questionnaire was created. The scale was therefore built on a 7point Likert scale. Twelve (12) items adapted from the scale for evaluating psychological capital (Jakson, 2018). The scale then used a seven-point Likert scale. PLS-SEM was utilized to analyze the measurement model, which is the link between the latent constructs and its observable indicators. Prediction-oriented research is a good fit for PLS-SEM. The validity and reliability of the latent variables and their indicators or items were evaluated in the current study. Factor Loadings (FLs), Cronbach Alpha (CA), and Composite Reliability (CR) are standard metrics used to assess the reliability of constructs and indicators.

# **Results**

# **Measurement Model**

The measuring model was subjected to thorough analysis using Smart-PLS, which included construct validity, reliability, and discriminant validity examinations. The outer loading score should be 0.70 above, outer loading below 0.7 is satisfactory only when AVE score is more than 0.5 (Ramayah et al., 2018). As shown in Figure 1 and Table 2. Hence, all structures demonstrated robustness, item loading greater than 0.6. Furthermore, these constructs displayed excellent internal characteristics. Thus, all items met the criteria and were retained for further analysis except for (PC1), which scored below the threshold 0.6 has been removed. In addition, Cronbach's alpha value exceeded 0.7. In addition, the score indicating high reliability and strong discriminant validity with composite reliability value surpassing 0.8 and average variance extracted value exceeding 0.5.

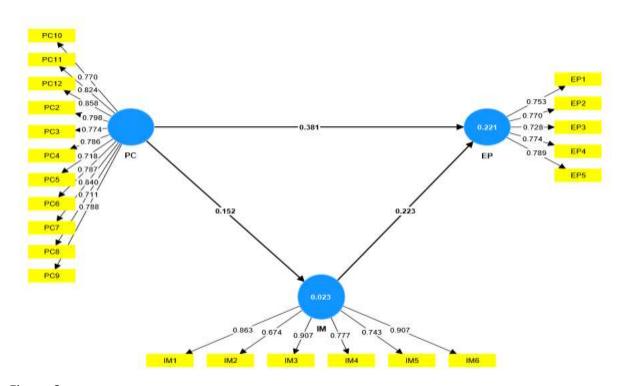


Figure 3 Measurement model item loadings, path coefficient, and  $R^2$  values

Table 1
Construct Validity and Reliability

Construct	Item Code	Item Loading	Cronbach Alpha	CR	AVE
	EP1	0.753			
	EP2	0.770		0.838	0.582
EP	EP3	0.728	8.270		
	EP4	0.774			
	EP5	0.789			
	IM1	0.863			
	IM2	0.674			
IM	IM3	0.907	0.905	0.955	0.666
1141	IM4	0.777			
	IM5	0.743			
	IM6	0.907			
	PC10	0.770			
	PC11	0.824			
	PC12	0.858			
	PC2	0.798			
	PC3	0.774	0.939	0.947	0.621
PC	PC4	0.786			
	PC5	0.718			
	PC6	0.787			
	PC7	0.840			
	PC8	0.711			
	PC9	0.788			

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Based on Table 1, all construct item loadings exceeded the cross-loading levels, indicating that there were no cross-loading issues. Furthermore, as shown in Table 4, the square root of the AVE by each construct was greater than the connection with other constructs. The Fornell-Larcker condition is met. Table 5 showed that the Heterotrait-monotrait (HTMT) ratio correlation ratio below 0.90 for all construct indicating discriminant validity between two reflective notions has been established.

Table 2
Cross Loading

	EP	IM	PC
EP1	.753	0.158	0.267
EP2	0.770	0.158	0.248
EP3	0.728	0.250	0.356
EP4	0.774	0.252	0.409
EP5	0.789	0.213	0.226
IM1	0.246	0.863	0.141
IM2	0.138	0.674	0.025
IM3	0.302	0.907	0.205
IM4	0.175	0.777	0.047
IM5	0.183	0.743	0.086
IM6	0.260	0.907	0.144
PC10	0.398	0.146	0.770
PC11	0.353	0.120	0.824
PC12	0.317	0.171	0.858
PC2	0.330	0.123	0.798
PC3	0.312	0.077	0.774
PC4	0.314	0.151	0.786
PC5	0.304	0.082	0.718
PC6	0.304	0.132	0.787
PC7	0.316	0.167	0.840
PC8	0.312	0.078	0.711
PC9	0.310	0.050	0.788

Table 3
Fornell-Larcker Criterion

	EP	IM	PC
EP	0.763		
IM	0.281	0.816	
PC	0.415	0.152	0.788

Based on the results in Table 4 attained for present research, discriminant validity was established through Fornell and Lacker criterion, and the value of the square root of average extracted (AVE) for each construct was greater than the correlation values between constructs.

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Table 4
Heterotrait-Monotrait Ratio of Correlations

	EP	IM	PC	
EP				
IM	0.291			
PC	0.443	0.156		

According to (Hair et al., 2019) suggested that threshold value of below 0.90 is acceptable for HTMT, whereas the value more than 0.90 shows a lack of discriminant validity. Thus, the result of HTMT for present research indicate all the values obtained for all constructs were below threshold 0.90. Hence, discriminant validity of the measurement model is achieved.

# Structural Model PC10 PC11 35 549 PC2 43 478 PC3 21.715 PC4 18 844 PC 22.062 PC4 18 844 PC 21.925 PC5 34.751 23.825 PC6 26.255 PC7 MM 31.188 MM2 PC8 MM 31.188 MM5 PC8

Figure 4
Bootstrapping results of the structural model (t-value)

Present paper used Smart-PLS to evaluate the proposed measurement model, and bootstrapping was used to test the research hypotheses. Based on the result obtained in Table 6, ( $\theta$ -value = 0.053, t-value = 2.903, p-value 0.000). P-value is less than 0.05, therefore there is positive relationship between psychological capital and intrinsic motivation. This result is like a previous study who found similar result Tran et al., 2021. Next, ( $\theta$ -value = 0.047, t-value = 4.789, p-value 0.000). P-value is less than 0.05, therefore there is a positive relationship between intrinsic motivation and employee productivity. This result is same with a previous study found similar result (Triswanto & Yunita, 2021). Lee et al., (2022). In addition, ( $\theta$ -value = 0.040, t-value = 9.524, p-value 0.000). P-value is less than 0.05, therefore there is a positive relationship between psychological capital and employee productivity. This result is same with a previous study found similar result (Novitasari et al., 2020). Last, ( $\theta$ -value = 0.014, t-value = 2.509, p-value 0.000). P-value is less than 0.05, therefore there is a positive relationship between psychological capital, intrinsic motivation, and employee productivity. This result is same with a previous study found similar result (Huang et al., 2021).

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Table 5
Direct and Mediating Effect

Hypothesis	Relationship	<i>6</i> -value	<i>t</i> -value	<i>p</i> -value	Decision
H <sub>1</sub>	PC -> IM	0.053	2.903	0.000	Supported
H <sub>2</sub>	IM -> EP	0.047	4.789	0.000	Supported
H <sub>3</sub>	PC -> EP	0.040	9.524	0.000	Supported
H <sub>4</sub>	PC -> IM->EP	0.014	2.509	0.000	Supported

Chin (1998) explained that  $R^2$  values of 0.67 above,0.33-0.66 or 0.19-0.32 be defined as considerable substantial, moderate, or weak. However, as shown in Figure 2 the  $R^2$  value of employee productivity for present paper model was (0.221), and the  $R^2$  value of intrinsic motivation in the present model was 0.023 which is considerate weak too. Thus, the  $R^2$  value shows that the independent variables explain 22% of the variability of the dependent variable. Hence, the present research  $R^2$  considered weak.

# **Study Implication**

This paper serves as a platform for Manufacturing SMEs and the Malaysian government to provide employees productivity factors and determinants a more important and renewed emphasis. Present research could conclude that psychological capital plays an important role improving employee productivity as based on result. This paper emphasized the importance of psychological capital in promoting intrinsic motivation and, as a result, increasing employee productivity. Moreover, this paper addressed previous research gaps and bridged them. Future research may have considered additional influencing factors like social intelligence and cultural intelligence. Moreover, this study shows intrinsic motivation serves as a mediator for psychological and employee productivity. Future studies may examine the effects of additional independent, mediating, or moderating factors that could expand the theoretical framework of the current publication. Moreover, the study framework validates the social cognitive theory (SCT).

# Conclusion

Rapidly changing market trends and a competitive market, SMEs must employ a variety of methods to get a competitive advantage in providing better products or services to meet the needs of their customers. It was proved that to increase employee productivity, managers and companies should use a new strategy to improve their daily routines and actions through psychological capital and intrinsic motivation in order to bring the firms to a higher level of growth. Significant focus on psychological capital and intrinsic motivation will also encourage other companies to make good use of the company's resources. The current research discussed how psychological capital and intrinsic motivation might be used to boost employee productivity. This paper will provide encouragement for Manufacturing SMEs owners/managers and the Malaysian government to place a larger and renewed emphasis on staff productivity and its determinants. This paper will serve as a catalyst for Manufacturing SMEs owners/managers and the Malaysian government to renew and increase their attention to the factors that affect employee productivity. Considering previous research and findings, psychological capital is one the primary predictor employee productivity.

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