



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF MOTIVATION ON EMPLOYEES  
PERFORMANCE AT DEVELOPMENT BANK OF ETHIOPIA**

**BY  
YONATAN TILAHUN**

**JUNE 2019  
ADDIS ABEBA ETHIOPIA**

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**BY  
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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF  
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**APPROVED BY BOARD OF EXAMINERS**

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## DECLARATION

I, the undersigned, declare that this thesis is my original work prepared under the guidance of Goitom Abreham (Asst.Prof.). All source of materials used for this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any higher learning institution for the purpose of earning any degree.

**Yonatan Tilahun**

**Name**

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**signature**

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## ACRONYMS/ABBREVIATIONS

- DBE:** Development bank of Ethiopia
- ANOVA:** Analysis of variance
- SPSS:** Statistical package for the social sciences

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## ABSTRACT

*The purpose of this study paper is to examine the effect of motivation on employee's performance at Development Bank of Ethiopia head office. The study considers three measurements of employee performance. These are direct financial factors, indirect financial factors and non-financial factors that motivate employees to increase their performance. The researcher used both quantitative and qualitative research approach, from this the researcher used both descriptive and explanatory research design to describe and explain the relationship between the independent variable (direct financial factors, indirect financial factors and non-financial factors) with the dependent variable employee performance. From the total population 2380 employees of Development bank of Ethiopia, the researcher selected only 1001 professional employees from trainee junior officers to director level were selected. From this the researcher used 286 employees as a sample respondent and 300 questioner are distributed from this 288 questioner were collected. Also the researcher used an inferential statistics (correlation and multiple regression) analyses to measure the effect of independent variable on the dependent variable. From this the Pearson correlation test conducted between direct, indirect and non-financial factors to the dependent variable of employee performance they are strong, weak and strong correlation respectively. Also the multiple regression analysis result confirmed that, the linear combination of all the component of independent variable except the indirect financial factors consider under the presented study was significantly contribute to the dependent variable which is employee performance. The ANOVA test result also confirmed that, the prediction power of motivation is found to be statistically significant. From the beta coefficient analyses result the researcher obtained that, non-financial factors are the most important and significant variable in predicting the dependent variable employee performance Followed by direct financial factors. Therefore the researcher concludes that non-financial and direct financial factors have a positive and significant effect on employee performance. Thus the development bank should work more on non-financial and direct financial factors rather than the indirect financial factors.*

**Keywords:** direct financial factors, indirect financial factors, non-financial factors and employee performance.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

All organizations want to be successful, even in current environment which is highly competitive. Therefore, companies irrespective of size and market, strive to motivate their best employees, acknowledging their important role and influence on organizational effectiveness (Dobre, 2013). “In order to encourage performance, companies should create a strong and positive relationship with its employees and direct them towards task fulfillment” (Albeiti, 2015). “In order to achieve their goals and objectives, organizations develop strategies to compete in highly competitive markets and to increase their performance” (Knapp & Mujtaba, 2010). Nevertheless, just a few organizations consider the human capital as being their main asset, capable of leading them to success or if not managed properly, to decline (Bartol & Martin, 1998). This implies that, if employees are not satisfied with their jobs and not motivated to fulfill their tasks and achieve their goals, the organization cannot attain success.

As stated, the performance of employees is a concern for any organization because it determines whether the organization meets its targets and goals. “Various resources are necessary for an organization to succeed and meet its targets, and this includes the human resource or employees” (Shanks, 2012). However, skilled and talented employees may not achieve the desired results if they lack motivation and therefore, “motivation is also considered an important value which is vital in the achievement of the organization’s goals” (Osei, 2011).

According to Shahzadi et al. (2014) motivation practice and theory are difficult subjects, touching on several disciplines. Uzona (2013), states that to understand motivation one must understand human nature itself, and that is where the problem of motivation lies. He states that, human nature can be very simple, yet very complex too, and that an understanding and appreciation of this is a prerequisite to effective employee motivation in the workplace and therefore effective management and leadership.

Uzona (2013) states that it has therefore been taken upon by organizations to come up with ways of motivating employees if they are to get the best performance out of them and ultimately that

of the organization as a whole. According to Yang (2008), the motivational techniques implemented by organizations vary and can include team building, training, enhanced communication, targets, rewards and incentives, job enrichment, quality of working life programs, encouraging participation, checking system for equity, money, and recognizing individual differences.

In every organization, there are many factors that come into play if the organization is to meet its targets. However, employees are the most important resource to the organization because they contribute to innovation, adjustment and other important values that would not be done by other resources such as machinery (Uzona, 2013). Employees mainly perform tasks like manufacturing, marketing, production, transportation, storage, distribution, purchasing promotion of business, finance and accounting, human resource, research and public relations (Dinler, 2008). Employees need to give their best in all these activities as the activities are inter-related and to achieve the organization's goals all have to be done properly (Yazici, 2008).

But Due to lack of motivation employees would not give their all to the organization as they will distribute their time to other non-work related activities such as long lunch hours, or surfing the internet for non-work related purposes (Shanks, 2012).

Also Employee turnover is a universal problem that all organizations around the world face (Stanley, 2012). One of the factors that contribute to high employee turnover is de-motivation (Mosley, Pietri and Mosley Jnr, 2012). There is a growing consensus among managers and leaders about the significance of combining effective motivation incentives to encourage good performance (Cole and Kelly, 2011). In order for organizations to meet their objectives, they must have a workforce that is motivated and works towards achieving the said objectives (Steers and Porter, 2011).

Motivating employees is a challenge and keeping employees motivated an even greater challenge (Levy, 2013). Today, organizations are under intense pressure to identify and implement programs that will prove effective in improving employee productivity (Deci, 2013). It is no longer enough to increase salaries and expect increased performance; it is more complex than that (George and Jones, 2013).

Employee motivation affects productivity and a poorly motivated labor force will be costly to the organization in terms of lower productivity and performance, excessive staff turnover, increased

expenses, frequent absenteeism and a negative effect on the morale of colleagues (Jobber and Lee, 2014).

Thus the only way to get people to work hard is to motivate them. Today, people must understand why they are working hard. Every individual in an organization is motivated by some different way (Dobre, 2013). The job of a manager in the workplace is to get things done through employees. To do this the manager should be able to motivate employees. As per Kuo (2013), a successful organization must combine the strengths and motivations of internal employees and respond to external changes and demands promptly to show the organization's value.

This help to draw the attention of DBE management to think on its employee's motivation and to identify factors that motivate them to achieve the bank objectives and to know how motivated employees improve customer handling and eventually increase the bank's effectiveness and profitability.

The Development Bank of Ethiopia (DBE) is a specialized development finance institution, operating since 1909 under various names.

The Development Bank of Ethiopia is mandated with the provision of development credit to priority projects. This are Commercial Agriculture projects; Agro-processing industries; Manufacturing and extractive industries; and Lease Financing Service for Small and Medium Enterprises.

The Development Bank of Ethiopia is supervised by the Public Financial Enterprises Agency (PEFA) and a Board of Management (BoM) consisting of seven senior government officials administers the Bank. The PEFA and BoM are responsible for issuing major policies of the Bank, approval of its strategic and operational plans as well as the close and regular monitoring of the Bank's operations.

The top Executive Management Committee (EMC), which consists of the President and Six Vice Presidents, is responsible for the overall operations of the Bank. The President acts as an official representative of the Bank, chairs the Executive Management Committee (EMC) and is ex-office member of the Board of Management. The day-to-day operational activities of the Bank are entrusted to fifty two management officers at the head quarter and branch offices.

The bank is headquartered in Addis Ababa with 13 district offices and 102 branches across the country. As of March, 2019, the total number of employees was 2380. From the total population, 1001 professional employees are working on the head quarter.

## **1.2 Statement of the Problem**

“In a highly competitive, global environment, organizations are constantly under pressure to retain their workforce” (Deci, 2013). Highly skilled, reliable and experienced employees are a valuable asset for any organization. It is evident that highly motivated employees are more likely to have high productivity. However, according to Certo (2006), “good performance is not as a result of motivation only, but also includes ability i.e. skills, equipment, supplies and time”.

“Some organizations have been known to experience a high staff turnover despite offering above average salaries” (Aguinis, 2012). This tells us that money is not the only way to motivate employees. Additionally, different people are motivated by different factors. It is important for managers and supervisors to understand what motivates individual employees, and not assume a one-size-fits-all approach (George and Jones, 2013).

“An organization is only as strong as its workforce. Human resources need to be treated with great care, since they are a special resource that needs to be given special managerial attention and time”. (Storey, 2013).

The loss of employee represent a loss of skills, knowledge and experiences which can create a significant economic impact and cost to the organization as well as impacting the needs of customers.

According to the preliminary study undertaken by the researcher, discussion with different staffs of Development Bank of Ethiopia, issues relating to the motivational practice of the Bank like salary, benefit, working condition, recognition, and work content are major source of Employees demotivation factors of the bank.

Moreover, the staffs have a number of problems associated with financial and non-financial rewards provided by the Bank. For instance, basic salary, transport allowance, housing and car loan are said not to be enough and not fair in relation to other local private banks. Also it is heard by from employees that the scholarship and tuition chance provided by the bank are not satisfactory. In addition to this, the employees do not seem to be satisfied with the subsidiary



benefits like café, restaurant, and entertainment places. There is also absence of freedom, absence of motivating jobs, lack of convenient work place and office arrangement because of the oldness of the building. Moreover, the rate of employee turnover is highly increasing because employees are leaving the Bank in order to seeking for a better condition of motivational incentives like salary increment and others related benefits.

These and other factors are causing absenteeism, poor attitude towards work, lead to staff turnover, and dissatisfaction among the employees of the Development Bank of Ethiopia.

Thus the researcher believes that the above stated problems are widely enough in terms of calling the attention of the researcher to examine the effect of Motivation on Employees Performance in case of development bank of Ethiopia.

The effect and impact of motivation on employee performance has been studied for a long period of time in Ethiopia and others country in different organization. However, there is no study conducted the same topic on the effect of motivation on employee performance in case of Development bank of Ethiopia.

Therefore, studies like this are an invaluable resource in helping organizations identify and maximize on ways to motivate employees whilst mitigating employee turnover and under-performance.

### **1.3 Research Questions**

The study was guided by the following research questions

Q.1. How do direct financial motivational factors affect employee's performance at Development Bank of Ethiopia?

Q.2. How do indirect financial motivational factors affect employee's performance at Development Bank of Ethiopia?

Q.3. How do non-financial motivational factors affect employee's performance at Development Bank of Ethiopia?

## **1.4 Objective of the Study**

This section deals with the general objective and specific objectives of the study.

### **1.4.1 General Objectives**

The general objective of the study was to examine the effect of motivation on employees Performance at development bank of Ethiopia.

### **1.4.2 Specific Objectives**

The specific objective of the study was stated as follows:

- ❖ To assess the effect of direct financial factors on employees performance;
- ❖ To examine the effect of indirect financial factors on employees performance; and
- ❖ To assess the effect of non- financial factors on employees performance.

## **1.5 Definition of Terms**

**Motivation:** “the act of providing motive that causes someone to act”(Shanks, 2012).

**Intrinsic Motivation:** comes from a person’s internal desire to do something, motivated by such things as interest, challenge, and personal satisfaction (Mc Gregor2004).

**Extrinsic Motivators:** come from outside the person and include such things as pay, bonuses, and other tangible rewards (Mc Gregor2004).

**Performance:** “a continuous process for improving the performance of individuals by aligning actual performance with that desired through a variety of means” Cole and Kelly (2011).

## **1.6 Significance of the Study**

The results of the study have the following significance:

- ❖ The study has significance from the perspective of all employees by increasing employee motivational attitude.
- ❖ The study may create good understanding of the current impact of motivation on employee performance.

- ❖ The study is expected to help the organization to look into its weakness and design and implement schemes based on the Bank's merit.
- ❖ The result of the study help the organization to revise its past performance alongside how far it has been motivating employees fairly and equitably.
- ❖ The findings of the study are also expected to help the management of the Bank for planning and decision making by knowing the real effect of motivation on employee performance
- ❖ The study may initiate other interested researchers to carry out more extensive studies in the area, and on the other hand serve as a reference material for both academicians and practitioners.

### **1.7 Scope of the Study**

The scope of this study was limited only on the professional employee of the development bank of Ethiopia head office. This is due to the difficulties to cover all branches of the bank throughout the country regarding with limited time and scare resource.

The Development bank of Ethiopia was located in Addis Ababa around ‘kasanchis’ near to Hilton hotel.

The researcher uses employee performance as the dependent variable beside the independent variables was direct, indirect financial motivational factors and non-financial motivational factors. And the research distribute for 286 respondents of the bank employees. Finally the data was collected between the months of March 2019 up to April 2019.

### **1.8 Limitation of the Study**

It is difficult to say that one research study has 100 percent accuracy and complete without any difficulties. This research has three main limitations. The first one is the findings of the research may not represent the entire population of the bank in different branches of the country, as the research population is limited to the population on head office in Addis Ababa only because of time and budget. The second sampling source came only from the respondents of professional employee who works only in the head office of DBE. The samples might not be generalized and not have fully display the general characteristics of the total employee of the bank in different branch of the country wide. At last some of respondents' unwillingness to fill the questionnaires

due to lack of time, because of the nature of the customers of the bank, and lack of understanding the usefulness of the study.

## **1.9 Organization of the Study**

The study was encompassing five chapters. Chapter one discusses the background, problem statement, objectives, research question, scope, and significance for undertaking this research project. Chapter Two looks at existing literature related to the study to gain an understanding of the research topic. Chapter Three presents the research methodology that the researcher was used to undertake the study. Chapter Four comprises the findings and discussions of the findings to the study. Chapter five summarize the findings of the study and also make recommendations that was contribute to solving the problem raised, as well as a recommendation for further study.

## CHAPTER TWO

### RELATED LITERATURE REVIEW

This chapter seeks to present a review of significant theoretical and empirical literature is being discussed. The purpose of this study is to determine the effect of motivation on employees' performance using the case of development bank of Ethiopia. It is concentrated on the Historical background, concepts of motivation and performance, definition, types, features, importance, effects and theory of motivation. Last but not list the literature concludes with the empirical study.

#### 2.1 Theoretical Literature Review

##### 2.1.1 Concept and Definitions of Motivation

Many scholars had tried to define motivation and it's a well-studied field which has roots in many academic disciplines such as psychology, sociology, education, political science, and economics. Definition of motivation according Rajput (2011), contends that the word motivation is derived from a Latin word "**Movere**" which literally means "**to move**". They defined motivation as "**the individual's desire to demonstrate the behavior and reflects willingness to expend effort**".

According to Society for Human Resource Management (2010), motivation is generally defined as **the psychological forces that determine the direction of a person's level of effort, as well as a person's persistence in the face of obstacles.**

Motivation has also defined as **the psychological process that gives purpose, direction, and intensity to behavior** (Kreitner); and **an internal drive to satisfy an unsatisfied need** (Higgins, 2000). (Anh, 2003) Motivation is defined as **an individual's willingness to exert and maintain an effort towards organizational goal.**

Bratton et al. (2007:248) defined it as **a cognitive decision making process that influences the persistence and direction of goal directed behavior.** Work motivation can also be defines as **the psychological forces within a person that determines the direction of that person's behavior in an organization** (George and Jones, 2008:183).

Element in the above definitions are: 'effort' -a measure of intensity that maximizes employees potential capacity to work in a way that is appropriate to the job; 'persistence' -the application of

effort work-related tasks employees display over a time period; and ‘direction’ -emphasizes that persistent high level of work-related effort should be channeled in a way that benefits the work environment. Bartol and Martin (1998) describe motivation as **a power that strengthens behaviors, gives route to behavior, and triggers the tendency to continue.** This explanation identifies that in order to attain assured targets; individuals must be satisfactorily energetic and be clear about their determinations.

Denhardt et al. (2008) also define motivation as **an internal state that causes people to behave in a particular way to accomplish particular goals and purposes.** Whereas it is not possible to observe motivation itself, it’s possible to observe the outward manifestations of motivation. For instance, the acquisition of money may be an extrinsic motivator, but it is simply the manifestation of the internal drive to meet intrinsic needs like purchasing food, paying rent for shelter, or acquiring high social status.

Denhardt et al. (2008) further stated that **motivation is not the same as satisfaction. Satisfaction is past oriented, whereas motivation is future oriented.** Igalens & Roussel (1999) on their part also stated that workers may be very satisfied by the compensation of their job; there are countless instances where these workers are not entirely motivated to continue doing what they would do. Motivation is central to management because it explains why people behave the way they do in organizations. Motivation may also be defined as **the internal process leading to behavior to satisfy needs.**

The process people go through to satisfy their needs is need - motive - behavior - satisfaction or dissatisfaction (Lussier, 2005). Some of the authors who had worked on the principal concept behind motivation such as Kreitner (1995), Buford et al. (1995), Higgins (1994) were cited in Lindner (1998) defined motivation as **“the psychological process that gives behavior purpose and direction, a predisposition to behave in a purposive manner to achieve specific unmet needs, an unsatisfied need and the will to achieve”.**

Spector (2003) described motivation as **an internal state that induces a person to engage in particular behaviors, and held that motivation may be viewed from two angles.** On the one hand, motivation encompasses direction, where a particular behavior is selected from a choice of behaviors. It refers to the amount of effort put into a task, and persistence, which denotes the person’s continuing engagement in the selected behavior. On the other hand, motivation is also

concerned with a desire to achieve a certain goal, which derives from the particular individual's own needs and desires.

In an organizational aspect, motivation has been defined as **“the sum of the processes that influence the arousal, direction, and maintenance of behaviors relevant to work settings”**.

Employee motivation at work is considered as an essential drive as it generates effort and action towards work-related activities, for example, employee's willingness to spend the energy to achieve a common goal or reward. When an employee is motivated, he or she shows enthusiasm and eagerness towards the work and a strong determination to implement and accomplish the work tasks (Moran 2013).

### **2.1.2 Concept of Performance**

Most traditional performance concepts assume that an outside task or goal is given, and that this goal or task is simply taken over. Performance is then measured in terms of **how far the employee actually has achieved the goal or the task as expected**. Interestingly, passive concepts are also used for describing employees' reactions to work place changes. Currently, organizations are going through a multitude of changes because of rapid technological development, a dynamic environment, different organizational ideas, and a changing job concept (Frese and Fay, 2001). On the importance of personal initiative and an active performance, the same authors argue that tomorrow's jobs will require a higher degree of personal initiative than today's because of global competition, the faster rate of innovations, new production concepts, and changes in the job concepts. Global competition will reign not only on the organizational level, but also more and more on the individual level as well.

Performance is a multi-dimensional concept. On the most basic level, they can be distinguished between task and contextual performance. Task performance refers to an individual's proficiency with which s/he performs activities which contribute to the organizations “technical core”. This contribution can be both direct (e.g., in the case of production workers), or indirect (e.g., in the case of managers or staff personnel). Contextual performance refers to activities which do not contribute to the technical core but which support the organizational, social, and psychological environment in which organizational goals are pursued. Contextual performance includes not only behaviors such as helping co-workers or being a reliable member of the organization, but also making suggestions about how to improve work procedures.

Cole and Kelly (2011) describe performance as a continuous process for improving the performance of individuals by aligning actual performance with that desired (and with the strategic goals of the organization) through a variety of means such as standard-setting, appraisal and evaluation both informally, day-to-day, and formally/systematically through appraisal interviews and goal-setting. Job performance is defined as the value of the set of employee behaviors that contribute, either positively or negatively to organizational goal accomplishment while task performance are employee behaviors that are directly involved in the transformation of organizational resources into the goods or services that the organization produces (Colquitt, Lepine and Wesson, 2014).

Performance is what the organization hires one to do, and do well. Thus, performance is not defined by the action itself but by judgmental and evaluative processes. Moreover, only actions which can be scaled, i.e., measured, are considered to constitute performance.

### **2.1.3 Types of Motivation**

There are two types of motivation, **Intrinsic** and **Extrinsic** motivation. It's important to understand that we are not all the same; thus effectively motivating your employees requires that you gain an understanding of the different types of motivation. Such an understanding will enable you to better categorize your team members and apply the appropriate type of motivation. You will find each member different and each member's motivational needs will be varied as well. Some people respond best to intrinsic which means "from within" and will meet any obligation of an area of their passion. Quite the reverse, others will respond better to extrinsic motivation which, in their world, provides that difficult tasks can be dealt with provided there is a reward upon completion of that task. Become an expert in determining which type will work best with which team members.

#### **2.1.3.1 Intrinsic Motivation**

Intrinsic motivation means that the individual's motivational stimuli are coming from within. The individual has the desire to perform a specific task, because its results are in accordance with his belief system or fulfills a desire and therefore importance is attached to it. Our deep-rooted desires have the highest motivational power. Below are some examples:



- ❖ **Acceptance:** We all need to feel that we, as well as our decisions, are accepted by our co-workers.
- ❖ **Curiosity:** We all have the desire to be in the know.
- ❖ **Honor:** We all need to respect the rules and to be ethical.
- ❖ **Independence:** We all need to feel we are unique.
- ❖ **Order:** We all need to be organized.
- ❖ **Power:** We all have the desire to be able to have influence.
- ❖ **Social contact:** We all need to have some social interactions.
- ❖ **Social Status:** We all have the desire to feel important.

### **2.1.3.2 Extrinsic Motivation**

Extrinsic motivation means that the individual's motivational stimuli are coming from outside. In other words, our desires to perform a task are controlled by an outside source. Note that even

Though the stimuli are coming from outside, the result of performing the task will still be rewarding for the individual performing the task. Extrinsic motivation is external in nature. The most well-known and the most debated motivation is money. Below are some other examples:

- ❖ Employee of the month award
- ❖ Benefit package
- ❖ Bonuses

### **2.1.4 The Importance of Motivation on Organizational Performance**

All organizations, regardless of size, market, and technology, want to be successful and maintain a constant progress even in a current highly competitive business environment. In order to achieve those goals and objectives, strategies must be developed and well-implemented with the effective utilization of all capable resources. A few organizations believe that their employees are an important asset that can lead them to overcome difficulties, exceed their limits and reach prosperity. In contrast, companies that put their personnel in the center of the business, maintaining a positive and strong relationship with its employees, persuading them towards task fulfillment are proved to result in higher effectivity and productivity (Adi, 2000, Anka, 1988, Rothberg 2005).

However, today, organizations are also facing challenges in employee retention. Acknowledging the important role of employees and the huge influence they bring towards organizational effectiveness, companies are trying to retain employees by creating motivation and a healthier workplace. This is very important because if the personnel are not focused well, it associates with a decline in business productivity and effectiveness. Unless and until the employees are motivated and satisfied, an organization cannot foster to success (Manzoor 2011).

Many researches have shown that motivated employees perform work better than demotivated ones. Motivated employees are more innovative as they are always looking for better ways to complete a task. They are self-direct and goal-oriented. They can produce high-quality work with more or maximized efficiency and productivity (Boundless 2017) which also leads to maximization of profits (Matthew, Grawhich & Barber 2009).

Employee motivation has a strong influence on the effective performance of an organization (Paul 2017). Organizational effectiveness is a broad term but this study follows the concept as “locating targets and attaining them proficiently in spirited and energetic surroundings” (Constant 2001). “An effective organization will make sure that there is a spirit of cooperation and sense of commitment and satisfaction within the sphere of its influence” (Abbah 2014). There are no fixed parameters to compute the effectiveness of an organization since it varies from company to company and from case to case. However, it can be used to measure anything within an organization, from leadership, communication, accountability, metric, human performance, to the delivery systems (Anderson & Adams 2015).

### **2.1.5 The Effects of Motivation on Employees’ Performance**

The motivation theorists such as Maslow (1946), Herzberg (1968), Alderfer (1972) and McClelland (1988) have suggested specific things that managers can do to help their subordinates become self-actualized, because such employees are likely to work at their maximum creative potential when their needs are met. They agree that by promoting a healthy workforce, providing financial security, providing opportunities to socialize and recognizing employees’ accomplishments help to satisfy the employees’ physiological needs which in turn also increase their performance. These authors (Koch, 1990; Stuart, 1992) all stated that recognition of a job well done or full appreciation for work done is often among the top motivators of employee performance and involves feedback. Positive feedback follows the

principles advocated in Reinforcement Theory, which states that behaviour is contingent on reinforcement. Examples of positive reinforcement in this context may include workplace visits by top executives to high-performance employees, personal handwritten notes of thanks accompanying paychecks, and telephone calls by top executives to employees at home (Knippen and Green, 1990).

Theories such as equity has some important implications for ways of motivating people by not underpay, overpay and presenting information about outcomes in a thorough and socially sensitive manner. It states that, companies that attempt to save money by reducing employees' salaries may find that employees respond in many different ways to even the score; those that overpay some employees as a useful motivational technique to increase performance may later realised that when you overpay one employee, you are underpaying all the others. When the majority of the employees feel underpaid, they will lower their performance, resulting in a net decrease in productivity and widespread dissatisfaction. Hence, the conclusion is that managers should strive to treat all employees equitably; and This suggestion follows from research showing that people's assessments of fairness on the job go beyond merely what their outcomes and inputs are to their knowledge of how these were determined, that is, to their sense of procedural justice (perceptions of the fairness of the procedures used to determine outcomes). Osei (2011), also agrees with the equity theory that, one of the fundamental issues that is sensitive and critical which can make or unmake any organization is wage or salary determination. Justice, fairness and equity in salary determination, to a large extent, put to rest all the traumas any individual or any organization may experience, and that is highly motivational enough to assess the optimal usage of time and energy.

Also, theory such expectancy has several important implications for ways of motivating employees by clarify people's expectancies that their effort will lead to performance, that is by training employees to do their jobs more efficiently and so achieve higher levels of performance from their efforts and linking valued rewards and performance by specifying exactly what job behaviours will lead to what rewards. It is possible for employees to be paid in ways directly linked to their performance such as through piece-rate incentive systems, sales commission plans or bonuses.

Locke (1968), goal setting theory believes that you can achieve effective performance goals by assigning specific goals; difficult but acceptable performance goals; and providing feedback

concerning goal attainment. He further indicated that giving praises, Management by Objectives (MBO), and job-design increases employees' performance. Praise is a motivator (not hygiene) because it meets employees' needs for esteem, self-actualization, growth and achievement. It is most powerful, less expensive, and simplest, yet the most underused motivational technique. To motivate people to high-levels of performance, objectives should be difficult but achievable, observable and measurable, specific, with a target date, anticipatively set when possible and Employee who meet their objectives should be rewarded through recognition, praise, pay raises, promotions etc. Many organizations now link pay to meeting goals (Lussier, 2005) and the way the first step in organization design is job design - the process by which managers decide how to divide tasks into specific jobs, for example, McDonaldisation (Jones et al, 2000).

### **2.1.6 Factors That Motivate Employees**

No one works for free, nor should they. Employees want to earn reasonable salary and payment, and employees desire their workers to feel that is what they are getting (Houran. J). Here the research try to list out the factors that motivate employees.

**Training:**-Training refers to "the systematic accretion of skills, command, concepts or mindset leads to improve performance" (Lazazzara and Bombelli 2011). Baldwin et al. (1991) indicates that individuals with higher pre-training motivation on the basis of their willingness to attend training have greater learning outcomes as compared to individuals heaving lower pre-training motivation. Commeiras et al. (2013) point out that traineeship is continuing to grow. In business, context training basically refers to action of teaching employees and providing proper knowledge and skills to make themselves job fit as well as organization fit. Training teaches employees how to work and enhance their skills, hence motivate them to achieve the common goal of organization as well as of employee. In the today's competitive world, every organization wants to achieve competitive edge over their competitors and be impossible to achieve without employee involvement, which forces management to motivate their employees by different means.

**Monetary incentives:** - As summarized by Park (2010), monetary incentive acts as a stimulus for greater action and inculcates zeal and enthusiasm toward work, it helps an employee in recognition of achievement. Likewise, Beretti et al. (2013) discussed that monetary incentives used to build a positive environment and maintain a job interest, which is consistent among the

employee and offer a spur or zeal in the employees for better performance. For reason, monetary incentive motivate employees and enhance commitment in work performance, and psychologically satisfy a person and leads to job satisfaction, and shape the behavior or outlook of subordinate toward work in the organization.

**Job transfer:** - The work of Azizi and Liang (2013) indicated that workforce flexibility can be achieved by cross-training and improved via job rotation. In the same way, Eguchi (2004) concluded that job transfer plays a significant role in preventing workers from performing influence activities for private help. As summarized by Asensio-Cuesta et al. (2012) job rotation provides benefits to both workers and management in an organization and prevents musculoskeletal disorders, cast out fatigue and increases job satisfaction and morale. As a result, job transfer gives the opportunity to learn multiple skills and outlooks to the workers. It avoids the dullness caused by monotonous jobs and simultaneously brings smoothness in technological job with the help of handling different circumstances at different levels and it leads to effective learning of many aspects in the organization.

**Job satisfaction:-** In (2011), Parvin and Kabir studied the tested factors affecting job satisfaction for pharmaceutical companies and described job satisfaction as how content an individual is with his or her job, and viewed job satisfaction is not the same as motivation, although clearly linked. Similarly, Pantouvakis and Bouranta (2013) indicated job satisfaction as a consequence of physical features and as an antecedent of interactive features. Wickramasinghe (2009) investigated that gender and tenure are significant in job satisfaction measurement. So here it can be said that job satisfaction is often determined by how well outcome meet or exceed expectations.

For example, a good work environment and good work conditions can increase employee job satisfaction and the employees will try to give their best which can increase the employee work performance.

**Promotion:** - A study by Garcí'a et al. (2012) identified that perceptions of promotion systems affect organizational justice and job satisfaction. Likewise, Koch and Nafziger (2012) specified that promotions are desirable for most employees, only because they work harder to compensate for their “incompetence.” As a result, promotion at regular interval of time has an optimistic approach behind and they are generally given to satisfy the psychological requirements of employees in the organization.

**Achievement:**-The work of Hunter et al. (2012) defines that achievement is a unique and specialized form of organizational performance. As per Satyawadi and Ghosh (2012), employees are motivated to a greater extent by achievement and selfcontrol. Now this can be understood that an employee who is achievement motivated seeks achievement, bringing realistic but challenging goals, and betterment in the job. There is a strong need for feedback from the higher officials in the organization as to achievement and progress, and a need for a sense of attainment.

**Working conditions:** - In (2012), Jung and Kim stated that good work environment and good work conditions can increase employee job satisfaction and an employee organizational commitment. So the employees will try to give their best which can increase the employee work performance. Similarly, Cheng et al. (2013) concluded that there were evidences of moderating effects of age on the associations between psychosocial work conditions and health. Now the importance and the need of working condition is so describing or defining the physical environment by identifying those elements or dimensions of the physical environment. Employees having poor working conditions will only provoke negative performance, since their jobs are mentally and physically demanding, they need good working conditions.

**Appreciation:** - a study by Mahazril et al. (2012) organizations had the duty to appreciate the employee from time to time and offer other form of benefits such as payment, which will help in employee motivation. Likewise, Kingira and Mescib (2010) define appreciation as the abstract of immaterial incentives; “employees giving immaterial incentives (appreciation, respect etc.) as much as materiel incentives with working department” shows employees do not agree with this behavioral statement. With this result, it can be stated that employees being employed in different parts can take their different opinions at different levels. Among the variable of responsibility and being appreciated, it is understood that “success of employers always be appreciated with education.” The more effective quality and practicality of education employees had, the more contribution they will have to businesses.

**Job security:** - As per Yamamoto (2013) “if an employee perceives they will be getting rewards for good work and their job is a secured one, the performance will automatically be better”. Similarly, Zhang and Wu (2004) indicated that “with Job security, an employee gets confident with the future career and they put their most efforts to achieve the objectives of the organization. So we can say job satisfaction is the most influential tool of motivation and put the

employee very far off from mental tension and he gives his best to the organization, ultimately it leads to profit maximization.”

**Recognition:** - According to Candi et al. (2013), a growing recognition of the opportunities of innovation is through experience staging. Mahazril et al. (2012) concluded that rewards and recognition and communication may motivate them to work. Recognition enhances the level of productivity and performance at job whether it is a first time performance or a repeated action at the job in a progressive way and ultimately reinforces the behavior of employee.

**Social opportunities:** - In (2013), Harvey indicated that an employee is accepted as part of the social group or team. Most staff has an acute need that their contribution is worthwhile, appreciated, and acknowledged. Organizations need to look beyond the traditional economic incentives of career opportunities and salaries to other social and lifestyle factors outside the workplace. Similarly, Kingira and Mescib (2010) concluded that, different opinions between the employees in terms of behavioral statements which can be “Social opportunities providing at the highest level with working period leads the employee to achieve their goals of the organization.” Therefore, a social opportunity for the employee is used to boost their motivation level and ultimately helps in achieving the goals and objectives of the organization.

So in the above list factors Employees work in organizations not just to make a living, but to make a life. It encourages heightened ownership at work. Tangible benefits (salary) and intangible benefits (achievements of the knowledge) and other perks are necessary to engage employees, and motivate them to do their personal best.

### **2.1.7 Theories of Motivation**

Theories of motivation stress different factors that contribute to job satisfaction. Both intrinsic and extrinsic motivated behavior reflects the various theories that can be adopted in an attempt to understand motivation behavior. Maslow (1946) and Herzberg (1968) are content theorists who stress on the satisfaction of needs. Maslow (1946) and Herzberg (1968) theory focuses on the question of what arouses, sustains and regulates goal directed behavior that is what particular things motivate people. There is the assumption that everyone responds in much the same way to motivating pressures and that there is, therefore one best way to motivate everybody and it focuses on the needs of an individual.

Vroom (1969), Porter and Lawler (1968) who are process theorists emphasize on the process of motivation and importance of rewards. The process theory on the other hand changes the emphasis from needs as in content theory to the goals and processes by which workers are motivated. They attempt to explain and describe how people start, sustain and direct behavior aimed at the satisfaction of needs or the elimination or reduction of inner tension.

It focuses on the rewards of the individual. Armstrong (2007) stated that Taylor's theory of motivation to work is related to rewards and penalties which are directly connected to performance.

### **2.1.7.1 Process Theories of Motivation**

They are group of theories about work motivation that attempt to identify the relationships among the dynamic variables which make up motivation and actions required to influence behavior and actions. The three known theories are: equity, expectancy and goal-setting theory. Adams (1965) formulated the equity approach as an appropriate way to effective supervision and the equity approach is another important means of ensuring motivation of workers. Workers tend to believe in it if the organizational reward system is fair. This theory assumes that people want to be treated fairly and they tend to compare contributions and rewards to those received by others. The equity theory states that people need to perceive equal outcomes for perceived equal circumstances (Ott, 1989). The principles for this theory are that if workers discover that the company does not properly reward them, they will feel dissatisfied and their morale will be lower. The outcome is that they will not work hard anymore or they may choose to depart from the current company. If the workers believe that they are adequately rewarded for what they do, they will maintain the same level of output and performance. On the other hand, if workers perceive the rewards as more than they consider fair, then they will most likely work even harder in the organization.

Victor Vroom (1969) in Ott (1989) came out with expectancy theory, which states that an employee will be motivated to exert a high level of effort when he/she believes that effort will lead to a good performance appraisal, and followed by organization rewards such as, bonus, salary increment or promotion which later satisfy personal goals. Simply put, it means that people are motivated by calculating how much they can get from something, how likely their



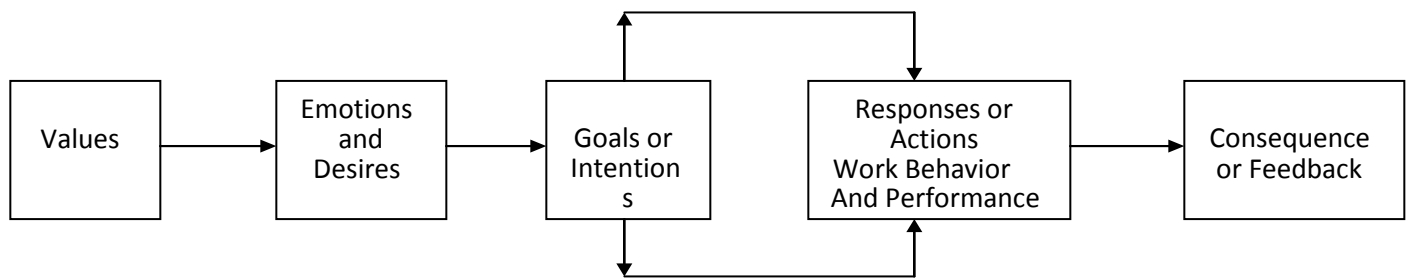
actions will cause them to get it and how much others in similar circumstances have received (Ott, 1989). The theory is based on three concepts and is also known as valence - instrumentality - expectancy theory (Huczynski and Buchanan, 2001). The expectancy approach focuses on three relationships. Effort-performance Linkage is the probability perceived by an individual that exerting a given amount of effort would lead to performance. Performance-reward linkage is the degree to which the individual believes that increase in performance will lead to a certain outcome. Valence is the importance that an individual places on the potential outcome or reward that can be achieved on the job. This considers the goals and needs of the individual, for example, people will always perceive that recognition and reward offered by bosses are more valuable and better.

Porter and Lawler (1968) in Huczynski and Buchanan (2001) have developed Vroom's expectancy theory into a more comprehensive theory of work motivation. According to their theory, the effort expended on task will depend on the value of rewards for performing the job well and the expectation that the rewards will follow. In this model, what Vroom called "instrumentality" is simply labelled "the expectations that performance will lead to rewards" Again, what Vroom called "the effort-performance link" depends on individual perceptions, abilities and traits and role perception? It also means the degree to which the individual feels that what they are required to do is consistent with the perception of their role. Thus, performance may suffer if one does something, which is not consistent with the job and expertise. The integrative approach of the theory takes into account job satisfaction, which is based on perceptions of intrinsic and extrinsic rewards and also incorporates equity theory. Satisfaction, thus, influences the perceived value of rewards and has a feedback effect.

Locke (1968) introduced the goal setting approach and believes that the intentions to work towards a goal are major sources of work motivation. Basically, the specific goals increase work performance and that is to say that the specific hard goals produce a higher level of output than does the generalized goal of just "do the best". The specific goal itself acts as an internal stimulus and hence provides the motivation force to people. Employees will do better when they get feedback on how well they are progressing toward their goals because feedback helps to identify any discrepancies between what they have done and what they want to do. Thus,

feedback acts to guide behaviour, therefore, the goal setting theory presupposes that an individual is committed to the goal, and is determined not to lower or abandon the goal. On goal-setting theory application, management by objectives (MBO) is one way of doing it (Huczynski and Buchanan, 2001). However, goal setting theory has implications for the design and conduct of staff appraisal system and management by objectives (MBO) methods focus on the achievement of agreed or negotiated performance targets. Some other theories are learning theories which state that managers can increase employee motivation and performance by the way they link the outcomes that employees receive to the performance of desired behaviours in the organization and goal attainments. Thus, learning theory focuses on the linkage between performance and outcomes in the motivational equation. Hannagan (2002) suggested that at present goal-setting is one of the most influential theories of work motivation applicable to all cultures.

Figure 1: Locke’s Theory of Goal Setting



Source: Mullins, 2006

### 2.1.7.2 The Reinforcement Theory of Motivation

The reinforcement theories by Skinner (1953) are actually the antithesis of cognitive theories in the sense that the theories do not relate with human thought process. According to Skinner (1953) reinforcement theory, our behavior can be explained by consequences in the environment, and therefore, it is not necessary to look for cognitive explanations. Instead, the theory relies heavily on a concept called the law of effect that states behaviors having pleasant or positive consequences are more likely to be repeated and behaviors having unpleasant or negative

consequences are less likely to be repeated. Cole (2003) argue that, under strict reinforcement theory, an individual's own understandings, emotions, needs and expectations do not enter into motivation, which is purely about the consequences of behavior. However, modification of the theory (e.g. social learning theory) do allow for the effect of individuals' perceptions of the rewards/ punishments obtained by others as a contributor to motivation.

## **2.2 Empirical Review**

One of the early empirical studies on Maslow's hierarchy of needs theory tried to test whether the list of needs derived from American culture by Maslow is applicable to other cultures. The study found that managers had these needs and that they were important. However, although these needs may be universally accepted the importance attached to the satisfaction of different needs varies from culture to culture (Haire, et. al., 1963).

A survey conducted by Velnampy (2007) to test Maslow's hierarchy of needs theory reveals that consciously or unconsciously lower level employees in both public and private sector organizations of Sri Lanka attach more importance to lower level needs and higher level employees emphasize higher level needs.

In another study, Sajuyigbe, et al. (2013) collected data from 100 employees of selected manufacturing companies in Ibadan, Nigeria and concluded that pay, performance bonus, recognition and praise were significantly related to organizational performance, supporting Herzberg's motivation hygiene theory.

Apart from cash or monetary rewards, motivation theories and empirical studies also attest to the role of non-cash rewards in motivation especially in technology-based, high paying jobs. Brown and Armstrong (1999) reported that the non-financial schemes in their survey were particularly popular among knowledge and technology based sectors as well as sales and service companies.

Another study by Beran (2005) confirmed that majority of companies have in place one form of non-financial rewards or the other especially employee recognition and that the policy enhanced productivity. In another study, Rose (1998) discovered that the respondent companies that prefer non-financial rewards are those that rely on high level of customer contact. Studies using data collected in the United Kingdom also attests to the role of non-financial incentives in motivating employees to high productivity. In a 2009 McKinsey Quarterly survey of 1,047 executives, managers and employees from a range of sectors in the United Kingdom (Vrancic, 2015), the

respondents view three non-financial motivators: praise from immediate managers, leadership attention (for example, one-on-one conversations) and a chance to lead projects or task forces as no less or even more effective motivators than the three highest-rated financial incentives: cash bonuses, increased base pay, and stock or stock options. In addition, it was also found that the survey's top three nonfinancial motivators play critical roles in making employees feel that their companies value them, take their well-being seriously and strive to create opportunities for career growth. According to these researchers, these themes recur constantly in most studies on ways to motivate and engage employees (Vrancic, 2015).

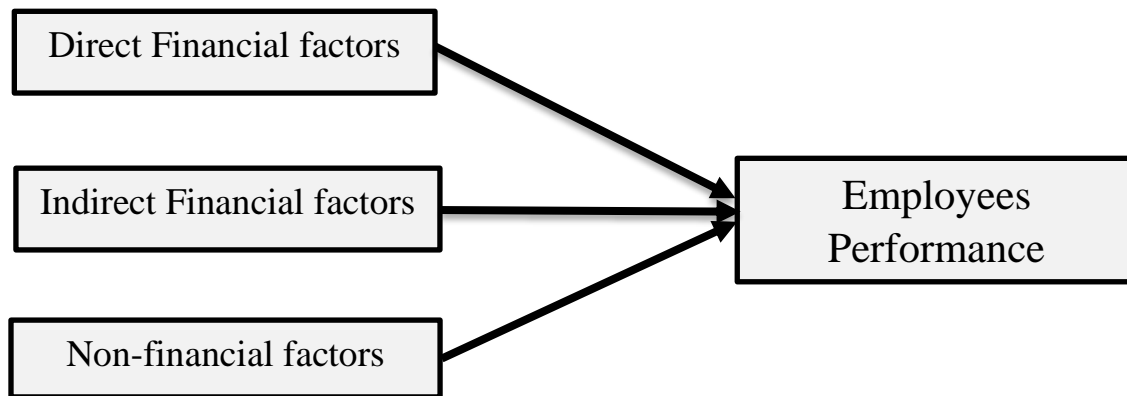
Another study conducted by Ng, et. al. (2010) as cited in Singh, et. al. (2012) sought to study the expectations and priorities of young employees. They found that this category of workers rated opportunities for career advancement as the most desirable work related attribute followed by good people to relate to and opportunities for good training and development. According to these researchers, surprisingly, pay, benefits and job security were ranked in the middle behind career advancement.

In Pakistan, Tausif (2012, as cited in Haider, et al., 2015:348) conducted a survey among public school teachers and found that non-financial rewards were essential in developing employees' job satisfaction and motivation. Similarly, Barton (2006, as cited in Haider, et al., 2015: 348) found that employee recognition is the most important factor among non-financial rewards in enhancing job satisfaction. Bull (2005, as cited in Haider, et al., 2015: 348) conducted a study and concluded that challenging jobs enhanced employee job satisfaction.

## 2.3 Conceptual Framework

Employee performance is the dependent variable and will be examined through the independent variable which is financial (direct and indirect) motivational factors and non-financial motivational factors.

**Figure 2: Conceptual framework**



**Source: self-structured framework, 2019**

- ❖ **Direct financial factors** are salary, monthly allowance, annual salary increment, housing and car loan, payment for work over time, annual profit bonus.
- ❖ **Indirect financial factors** are insurance guaranty, medical coverage, paid live, retirement coverage, scholarship and tuition chance.
- ❖ **Non-financial factors** are training and development, recognition, promotion, appreciation, authority/power to make a nessasary decision, working condition, nature of the work, job security, recreational place, relationship with superiors and peers.
- ❖ **Employee performance** is measured by lateness and absenteeism, rate of turnover, willingness to spend extra hour, task delivery time, performance evaluation score, overall performance(commitment, competency, efficency and effectiveness).

## **2.4 Hypotheses**

H0: Direct financial factors have no significant effect on employee performance.

H1: Direct financial factors have a significant effect on employee performance.

H0: Indirect financial factors have no significant effect on employee performance.

H2: Indirect financial factors have a significant effect on employee performance.

H0: Non-financial factors have no significant effect on employee performance.

H3: Non-financial factors have a significant effect on employee performance.

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

#### 3.1 Research Design and Approach

##### 3.1.1 Research Design

Research design is the blueprint for fulfilling research objectives and answering research questions (John et al., 2007). As this study aims to examine the effect of motivation on employee performance at DBE professional employees, thus a combination of descriptive and explanatory type of research was used.

Descriptive type of research was used because it is used to “describe” a situation, subject, behavior, or phenomenon. It is used to answer questions of who, what, when, where, and how associated with a particular research question or problem. Descriptive studies are often described as studies that are concerned with finding out “what is”. It attempts to gather quantifiable information that can be used to statistically analyze a target audience or a particular subject. Description research is used to observe and describe a research subject or problem without influencing or manipulating the variables in any way.

One of the common problems is that descriptive designs do not provide direct cause and effect relationships Shukla, (2008).in order to show the cause and effect of motivation on employee performance the researcher also uses the **explanatory research** type because it explain the relationship between variables and how these variables affect employee performance. The emphasis here is on studying a situation or a problem in order to explain the relationship between variables. The objective with this kind of research is to analyze cause-effect relationship, explaining what cause produces what effect.

##### 3.1.2 Research Approach

Depending on the type of data that are used the study used mixed research, which includes quantitative and qualitative research methods.

Quantitative research involves studies that make use of statistical analyses to obtain their findings. Key features include formal and systematic measurement and the use of statistics. On the other hand, qualitative research involves studies that do not attempt to quantify their results

through statistical summary or analysis. Qualitative studies typically involve interviews and observations without formal measurement (Marczyk G, DeMatteo D. and Festinger D., 2005). This research chose a mixed approach because the combination of the two was thought to help provide more information.

## **3.2 Population, Sample Size and Sampling Techniques**

### **3.2.1 Population**

Babie & Halley (2010) define target population as the entire aggregation of respondents that meet the designated set of criteria within a study. According to Onwuegbuzie & Leech (2005) a population element is the study subject and may consist of a person, an organization, customer database, or the amount of quantitative data on which the study measurement is being taken.

The population of the study consisted of respondents from Head Office located in Addis Ababa Ethiopia. The head office has a total of 1164 Employees as of March, 2019 (report of HRM managers). From this target population under investigation the study was comprised 1001 professional employees who came from various departments within the organization. Since they are the source of the study and provided the relevant answers to the study questions.

### **3.2.2 Sample size and Sampling Techniques**

The development Bank of Ethiopia has 102 branches in Ethiopia from these four of the Branch are around in Addis Ababa, the capital city of Ethiopia. Despite the research conducted only professional employees who were working on the head office because of certain limitation like time and budget. The total population size of the head office who are professional employees was reached 1001 workers. From this the researcher uses a sample of **286 respondents**. The sample respondent was selected without any limitation of gender and sex.

Thus the researcher uses simple random sampling methods. Simple random sampling is the simplest form of probability sampling since probability sample must provide a known non zero chance of the selection for each population element and considered a special case in which each population element has a known and equal chance of selection.

The sample size for this research is drawn using the following formula which was developed by Yamane tare (1967) .the reason for this formula is that it is the most simplified and widely applied in determining sample size.



$$n = \frac{N}{1 + N(e)^2}$$

Thus the known population size N= 1001

Assuming that a 95% confidence interval and the error level (e) is 0.05 which means 5%

$$n = \frac{1001}{1 + 1001(0.05)^2}$$

Therefore the sample size **n=286**

### **3.3 Sources of Data Collection**

The study was used both primary and secondary data in its construction. Primary data come from the Original sources and are collected especially to answer the research questions. Primary data is collected mainly through questionnaires of both types (closed-ended and open-ended) as well as through interviewing of concerned staff.

Secondary sources of data classified by internal and external sources of information, internal Published by the organization, external published outside the organization. The source used such as, published books, the Banks motivation system and the Internet was also extensively reviewed as references.

### **3.4 Tool of Data Collection**

The study was used questionnaire and observation to investigate the effect of motivation on employee's performance. Questionnaire is a research instrument consisting of a series of Questions and other prompts for the purpose of gathering information from respondents (Sir Francis Galton1997).

Observation is a tool that is critical to the improvement and innovation of a new product or service are organized below by the extent to which an experimenter intrudes upon or controls the environment.

Through questionnaire, information regarding all the necessary variable was gathered and supplemented by interview with managers.

Thus Five scale Likert Scale was utilized for the questionnaire and rated as; Strongly Agree = SA; Agree = A; Neutral = N; Disagree= D; Strongly Disagree = SD. Since the participants of the

study are professional employees (clerical staffs) with educational background of diploma and above, the questionnaires were prepared and distributed in English language.

### **3.5 Procedure of Data Collection**

A letter addressed to management of the organization was written requesting for permission to carry out the research. A tailor-made questionnaire was developed by the researcher, specifically for this study. The data collection method that was used was a structured questionnaire and more specifically a self-administered one. The questionnaire was also pretested with selected respondents before it was administered to all the employees. A letter addressed to the respondents, assuring anonymity was also attached to the questionnaire. In order to improve returns (response rate), the researcher employed the drop and pick later method. In all 300 questionnaires were distributed to the selected samples of head office departments and the researcher personally collected 288 questionnaires from the respondents. Out of the 288 questionnaires collected, 2 questionnaires have been discarded because of the researcher attain the required sample size. And the questionnaires were given to each participant to fill and return within 21 days' time.

### **3.6 Validity and Reliability**

#### **3.6.1 Validity**

Validity refers to the extent to which the results of the study conducted are accurate findings of the study. Thus the research presented based on the actual result with utmost objectivity of the researcher. Furthermore, to minimize any possible biasing effect and error, software package for social science was applied in analyzing the questionnaires. The researcher also tried to assure the validity of the research instrument in close consultation with the advisor incorporating his efforts were also made to get the instrument reviewed by subject experts, practitioners and incorporate their valuable comments. The focus was to enhance content validity of the measures.

#### **3.6.2 Reliability**

Reliability in this context refers to the degree to which consistency of the research instrument is maintained. Thus, to insure the reliability of this study the researcher instrument was pre-tested, the questionnaire was re-structured and re defined and some wording was corrected in a way to be understood by the respondent. Also the paper enhance the reliability by using a pilot test

before the last questionnaire was distributed through asking the HRM managers to check the relevancy of the questions and test the reliability of the data by using a Cronbach alpha. A commonly accepted rule of thumb for describing internal consistency using Cronbach's alpha is ranges between 0 and 1. The closer Cronbach's alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale. George and Mallery (2003) provide the following rules of thumb: " $\geq 0.9$  – Excellent,  $\geq 0.8$  – Good,  $\geq 0.7$  – Acceptable,  $\geq 0.6$  – Questionable,  $\geq 0.5$  – Poor, and  $\leq 0.5$  – Unacceptable".

**Table 1: Reliability Assurance Test**

| Measurement scales              | No of Items | Cronbach's Alpha |
|---------------------------------|-------------|------------------|
| Demographic profile             | 6           | 0.731            |
| Direct financial factors        | 10          | 0.817            |
| Indirect financial factors      | 5           | 0.641            |
| Non-financial factors           | 11          | 0.807            |
| Employee motivation measurement | 6           | 0.831            |
| all scales                      | 38          | 0.765            |

**Source: SPSS output from survey data, 2019.**

As indicated in table 4.1 above Cronbach's alpha result of the five dimensions ranges from 0.641 to 0.831. Cronbach's alpha result of overall scale was also found to be 0.765, which is greater than the minimum value 0.7. Therefore the values of the Cronbach's alpha have proved the reliability of the instrument.

### **3.7 Method of Data Analysis**

The relevant data collected for the study through questionnaires are processed, analyzed and interpreted through SPSS Version 20 (Statistical Package for Social Science) software. The techniques for Descriptive analysis were frequency distribution, percentages, aggregate mean score were used to determine the gap scores. Also the researcher uses inferential statistics to explain the relationship between the dependent and independent variable. From this Karl Pearson's coefficient of correlation was used to determine the correlation between dependent variable (employee's performance) and the independent variable (direct, indirect motivational

factors and non-financial motivational factors). It was done for each group of items relating to the research questions and objectives. The researcher also uses a multiple regression analysis to see the significant effect of the direct, indirect financial factors and non-financial factors on the performance of DBE employees. Finally the analysis part was presented in the form of tables and examined in narrative form to ensure understanding of the analysis.

### **3.8 Ethical Considerations**

The data was collected from those of who were willing to fill the questionnaire without any unethical behavior or forceful action. The results of the study will be used for academic purpose only and responses of the participants are kept confidential and analyzed in aggregate without any change by the researcher. In addition, the researcher respects the work of previous investigations or study and cited appropriately those works that have been taken as a basis.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

This chapter presents the information on the data collected from the respondents on the effect of motivation on employee's performance in Development bank of Ethiopia. The data was analyzed based on the research objectives and using a statistical tool of descriptive analysis to generate frequency distribution of tables and also used an inferential analysis to analyze the correlation and regression of the result presented.

#### 4.1 Response Rate

A total of 300 questionnaires were distributed to the sample respondents of employees that are working at the head quarter of the development Bank of Ethiopia. Out of this 300 questionnaires, 288 are collected and of which 2 questionnaire were discarded because of the attainment of the required sample size. Therefore, a total 100 % of 286 questionnaires were considered for the study of the respondents working in the Development bank of Ethiopia.

**Table 2: Response Rate of Questionnaires Administered**

| item       | No. of Distributed Questionnaires | Returned Questionnaires | Non Returned Questionnaires | Required |
|------------|-----------------------------------|-------------------------|-----------------------------|----------|
| Number     | 300                               | 288                     | 12                          | 286      |
| Percentage |                                   |                         |                             | 100%     |

**Source: SPSS output from survey data, 2019.**

## 4.2 Demographic Profile of Respondents

This section shows the demographic information of the respondents of gender, age group and marital status, level of education, profession and work experience at the Development bank of Ethiopia.

**Table 3: Respondents of Gender, Age Group and Marital Status**

| <b>Variables</b>      | <b>Category</b>     | <b>Frequency</b> | <b>Percentage (%)</b> |
|-----------------------|---------------------|------------------|-----------------------|
| <b>Gender</b>         | <b>Male</b>         | <b>194</b>       | <b>67.8</b>           |
|                       | <b>Female</b>       | <b>92</b>        | <b>32.2</b>           |
|                       | <b>Total</b>        | <b>286</b>       | <b>100</b>            |
| <b>Age group</b>      | <b>Below 25</b>     | <b>13</b>        | <b>4.5</b>            |
|                       | <b>26-30</b>        | <b>125</b>       | <b>43.7</b>           |
|                       | <b>31-35</b>        | <b>72</b>        | <b>25.2</b>           |
|                       | <b>36-40</b>        | <b>40</b>        | <b>14.0</b>           |
|                       | <b>41 and above</b> | <b>36</b>        | <b>12.6</b>           |
|                       | <b>Total</b>        | <b>286</b>       | <b>100</b>            |
| <b>Marital status</b> | <b>Single</b>       | <b>102</b>       | <b>35.7</b>           |
|                       | <b>Married</b>      | <b>168</b>       | <b>58.7</b>           |
|                       | <b>Divorced</b>     | <b>16</b>        | <b>5.6</b>            |
|                       | <b>Total</b>        | <b>286</b>       | <b>100</b>            |

**Source: SPSS output from survey data, 2019.**

It can be observed that from 286 employees of respondents presented in the above table, the male respondents formed the majority of the target population with a total of 194 representing 67.8%

and 92 respondents were female representing 32.2%. This implies that the development bank of Ethiopia has more male employees compare to female employees.

In terms of age, 4.5% which represent 13 respondents are within the age group of below 25 years this implies that the bank recruit fresh university graduate. Followed by those in the age group of 26-30 years at 43.7% which represent 125 respondents. The other age group 31-35 years is 25.2 % which represent 72 respondents and those of 36-40 years age group at 14% which represent 40 respondents. The last age group who were above 41 years old at 12.6% which represent 36 respondents. This means that the Development bank of Ethiopia having young and energetic people in the service and they are ready to serve for long period of time if there is a provision of adequate motivational scheme.

In terms of marital status 58.7% which represent 168 of the respondents were married, 35.7% which represent 102 respondents are single and 5.6% which represent 16 respondents were in the divorced group.

**Table 4: Respondents According To Level of Education, Position and Work Experience**

| <b>Variables</b>              | <b>Category</b>               | <b>Frequency</b> | <b>Percentage (%)</b> |
|-------------------------------|-------------------------------|------------------|-----------------------|
| <b>Level of education</b>     | <b>Diploma</b>                | <b>4</b>         | <b>1.4</b>            |
|                               | <b>first degree</b>           | <b>183</b>       | <b>64.0</b>           |
|                               | <b>master's degree</b>        | <b>97</b>        | <b>33.9</b>           |
|                               | <b>PhD</b>                    | <b>2</b>         | <b>0.7</b>            |
|                               | <b>Total</b>                  | <b>286</b>       | <b>100</b>            |
| <b>Employees<br/>Position</b> | <b>trainee junior officer</b> | <b>2</b>         | <b>.7</b>             |
|                               | <b>junior officer</b>         | <b>31</b>        | <b>10.8</b>           |
|                               | <b>Officer</b>                | <b>90</b>        | <b>31.5</b>           |
|                               | <b>senior officer</b>         | <b>103</b>       | <b>36.0</b>           |
|                               | <b>team manager</b>           | <b>34</b>        | <b>11.9</b>           |

|                        |                          |            |             |
|------------------------|--------------------------|------------|-------------|
|                        | <b>deputy director</b>   | <b>8</b>   | <b>2.8</b>  |
|                        | <b>Director</b>          | <b>16</b>  | <b>5.6</b>  |
|                        | <b>Other</b>             | <b>2</b>   | <b>.7</b>   |
|                        | <b>Total</b>             | <b>286</b> | <b>100</b>  |
| <b>Work experience</b> | <b>less than 1 year</b>  | <b>2</b>   | <b>.7</b>   |
|                        | <b>1-4 year</b>          | <b>111</b> | <b>38.8</b> |
|                        | <b>5-8 year</b>          | <b>97</b>  | <b>33.9</b> |
|                        | <b>9-12 year</b>         | <b>30</b>  | <b>10.5</b> |
|                        | <b>12 year and above</b> | <b>46</b>  | <b>16.1</b> |
|                        | <b>Total</b>             | <b>286</b> | <b>100</b>  |

**Source: SPSS output from survey data, 2019.**

The respondents have an educational background from Diploma to PhD degree level. The majority of 64% which represent 183 of the respondents have first Degree, second 33.9 % which represent 97 respondents have Master's degree, third 1.4 % which represent only 4 respondents have a doctorate degree last 0.7% of the 2 respondent have diploma. Thus From the above table it could be concluded that Development bank of Ethiopia has several level of qualified personnel to help carry out the bank's day to day activities.

In terms of employee position the sample respondents comprises of the various departments of the bank at the head quarter. Senior Officers constitute the majority 36% which represents 103 respondents. Next to Senior Officers 31.5% which represents 90 respondents are officers, third 12.6% which represent 36 respondents are team managers, fourth 10.8% which represent 31 respondents are junior officers, fifth 5.6% which represent 16 respondents are at the director level, the minimum number of respondents were deputy director 2.8% and trainee junior officer 0.7% which represents 8 and 2 number of the respondents respectively.

In terms of Work experience, the above table indicate that 0.7% which represent 2 respondents were working less than 1 year this group of employees were trainee junior officer, next to this



38.8% which represent 111 respondents of employees were 1-4 years of experience, 33.9% which represent 97 respondents were 5-8 years of work experience, 10.5% which represent 30 respondents were 9-12 years of experience ,last 16.1% which represent 46 number of respondents were 12 years and above years of experience. This indicates that the higher proportion of DBE workers were not much experienced. Therefore there must be adequate and continuous training and development in order to enhance their performance and to adopt with the bank culture and work environment.

### 4.3 Analysis of Collected Data

#### 4.3.1 Direct Financial Factors That Motivate Employees

As everyone recognizes that one of the easiest form of motivational factor to increase employees performance is a provision of direct financial incentives for the employees of the organization, direct financial incentives implies the money that is directly paid to the employees in exchange to the activities they have accomplished. The researcher has included direct financial incentives like salaries, bonuses, housing and car loan, house, fuel and telephone allowances.

The researcher try to examine the effect of direct financial factors based on the questionnaires distributed to the sample respondents of the organization.

**Table 5: Employees Satisfaction with the Direct Financial Incentives Provided By the Organization**

| Statement of the variable items   | Strongly agree | agree          | Neutral       | Disagree       | Strongly disagree | mean   |
|---|----------------|----------------|---------------|----------------|-------------------|--------|
| I am satisfied with the level of salary I receive   | 7<br>( 2.4% )  | 76<br>(26.6% ) | 35<br>(12.2%) | 112<br>(39.2%) | 56<br>(19.6%)     | 2.5315 |
| The pay offered by the bank is very competitive compared to other companies in the industry | 1<br>(0.3%)    | 41<br>(14.3%)  | 29<br>(10.1%) | 135<br>(47.3%) | 80<br>(28%)       | 2.1189 |
| I am satisfied by a monthly allowance received like house, fuel and telephone               | 1<br>(0.3%)    | 37<br>(12.9%)  | 27<br>(9.4%)  | 132<br>(46.2%) | 89<br>(31.1%)     | 2.0524 |
| I am satisfied by the monetary rewards like annual salary increment                         | 3<br>(1%)      | 53<br>(18.5%)  | 45<br>(15.5%) | 125<br>(43.7%) | 60<br>(21%)       | 2.3497 |

|  |               |                |               |                |                |        |
|--|---------------|----------------|---------------|----------------|----------------|--------|
| I am satisfied by the housing loan provided by the bank  | 5<br>(1.7%)   | 36<br>(12.6%)  | 36<br>(12.6%) | 108<br>(37.8%) | 101<br>(35.3%) | 2.0769 |
| I am satisfied by the car loan provided by the bank  | 6<br>(2.1%)   | 54<br>(18.9%)  | 54<br>(18.9%) | 102<br>(35.5%) | 70<br>(24.5%)  | 2.3846 |
| I am satisfied by the payment given by the bank when i work over time  | 13<br>(4.5%)  | 40<br>(14%)    | 100<br>(35%)  | 69<br>(24.1%)  | 64<br>(22.4%)  | 2.5420 |
| I believe the money I am paid is a strong indication of the value the organization has placed on my services | 8<br>(2.8%)   | 54<br>(18.9%)  | 59<br>(20.6%) | 105<br>(36.7%) | 60<br>(21%)    | 2.4580 |
| Our bank has a pay policy that attract and retain high performing employees                                  | 2<br>(0.7%)   | 22<br>(7.7%)   | 45<br>(15.7%) | 140<br>(49%)   | 77<br>(26.9%)  | 2.0629 |
| I am satisfied with the annual profit bonus provided by the bank in order to motivate employees              | 47<br>(16.4%) | 137<br>(47.9%) | 50<br>(17.5%) | 35<br>(12.2%)  | 17<br>(5.9%)   | 3.5664 |
| <b>Aggregate mean</b>  |               |                |               |                |                | 2.41   |

**Source: SPSS output from survey data, 2019.**

As depicted in the above table 5, respondents were asked whether they are satisfied or not with the **salary they receive**. Then 7(2.4%) of the respondents were strongly satisfied by the salary they received, 76(26.6%) of the respondents replied that they agree that means satisfied with the salary they received. 35(12.2%) of the respondents were neutral. Majority of respondents representing 112(39.2%) replied disagree (not satisfied) with the salary they receive. 56(19.6%) of the respondents replied strongly disagree (not satisfied) with the salary they received. This implies that most DBE employees are not satisfied by the monthly salary they receive.

Regarding with the **competitiveness of the salary** compared to other banks in the industry, the above table indicate that only 1(0.3%) and 41(14.3%) of the respondents replied agreed to that the bank offer competitive salary for their employees, 29(10.1%) were neutral, Majority of respondents 135(47.2%) and 80(28%) replied not agree and strongly disagree. It shows that the bank didn't offer a competitive salary with other banks in the industry. This indicates that most DBE employees may change their job in order to get a better salary than that they receive at DBE. This factor may cause an increasing rate of turnover unless they take a corrective action by balancing the salary with other banks in the industry.

In terms of **employees monthly allowance** received like house, fuel and telephone, respondents reacted as, 1(0.3%) and 37(12.9%) of respondents were satisfied (strongly agree and agree) with the monthly allowance, 27(9.4%) of the respondents were neutral, majority of the respondents 132(46.2%) and 89(31.1%) were not satisfied with the monthly allowance they receive like house, fuel and telephone. This implies that employees want more monthly allowance than what is provided for them. So the researcher suggests that the bank should offer more allowance for its employee's in order to motivate them.

According to the **annual salary increment** 3(1%) and 53(18.5%) of the respondent were satisfied, 45(15.5%) of the respondents were neutral, 125(43.7%) and 60(21%) of the respondents were not satisfied by the annual salary increment. This shows that majority of the respondents are not satisfied so there should be a fair and continuous salary increment for the employees of DBE.

Regarding with the provision of **housing loan** for the employees of the bank 5(1.7%) and 36(12.6%) of the respondents replied strongly agree and agree that the bank gives them a satisfactory housing loan, 36(12.6%) of the respondents were neutral, 108(37.8%) and 101(35.3%) of the respondent replied disagree and strongly disagree with the provision of housing loan.

Similarly, Regarding with the provision of **car loan** for the employees of the bank 6(2.1%) and 54(18.9%) of the respondents replied strongly agree and agree that the bank gives them a satisfactory car loan, 54(18.9%) of the respondents were neutral, 102(35.7%) and 70(24.5%) of the respondent replied disagree and strongly disagree with the provision of car loan. This implies that the provision for both housing and car loan provided by the bank is not adequate enough to satisfy the employees. Thus this may cause dissatisfaction or demotivation within the employees. So that the bank should revised the policy related to loan approval.

In terms of payment given by the bank when employee **work overtime** 13(4.5%) and 40(14%) of the respondents replied strongly agree and agree, that they receive satisfactory payment when they work over time, 100(35%) of the respondents were neutral, 69(24.1%) and 64(22.4%) of the respondent replied disagree and strongly disagree, that they receive satisfactory payment when they work over time. The majority of the respondents' replied neutral.

According to the raised question for the respondent “**I believe the money I am paid is a strong indication of the value the organization has placed on my services**” 8(2.8%) and 54(18.9%) of the respondents replied strongly agree and agree, that they believe the money that they are paid indicates’ their value for the organization, 59(20.6%) of the respondents were neutral, 105(36.7%) and 60(22.4%) of the majority respondent replied disagree and strongly disagree. They do not believe that the money they are paid does not indicate their value for the organization. This implies that there is a negative relationship with the strong reputation of the development bank of Ethiopia and the money paid for DBE employees.

Regarding with the **pay policy** that attract and retain high performing employees 2(0.7%) and 22(7.7%) of the respondents replied strongly agree and agreed, that the pay policy of the bank can attract and retain high performing employees, 45(15.7%) of the respondents were neutral, majority of 140(49%) and 77(26.9%) of the respondent replied disagree and strongly disagree. They did not believe that the bank does have a pay policy that attract and retain high performing employees. This indicates that most employees of the bank were not satisfied with the overall policy regarding with the payment and its related factors as the researcher mentioned above.

Regarding with the **annual profit bonus** provided by the bank 47(16.4%) and 137(47.9%) of the respondents replied strongly agree and agreed that the bank gives them satisfactory annual profit bonus, 50(17.5%) of the respondents were neutral, 140(49%) and 77(26.9%) of the respondent replied disagree and strongly disagree (not satisfied) with the annual profit bonus. This implies that the majority of the respondents are moderately satisfied by the bank’s annual profit bonus scheme.

Thus according to the above table, the **overall result gain towards the direct financial factors that motivate employees** of DBE was revealed that average mean score is 2.41 this indicate that DBE employees **were not satisfied** by the current motivational practice regarding with the direct financial factors which is salary and its related benefits. Therefore the bank and managers of human resource department should improve the current scheme by increasing salary and other related benefit to his employees to enlarge the performance of employees.

#### **4.3.2 Indirect Financial Motivational Factors That Motivate Employees**

Another factor that the researcher examines that affects the motivation of employee's and their performance was indirect financial compensation. Indirect financial compensation is a benefit given to an employee that has financial value, but is not a direct monetary payment. It is often referred to as a non-cash benefit. In certain circumstances, these non-cash benefits may be more valuable to an employee than a high salary or wage.

It was an important factor for the employers to acknowledge the power that indirect compensation can play in getting and retaining employees of the development bank of Ethiopia, therefore the researcher tried to examine and analyze the effect of indirect financial factors that affect the performance of employees working in DBE.

**Table 6: Employees Satisfaction with the Indirect Financial Incentives Provided By The Organization**

| <b>Statement</b>  | <b>Strongly agree</b> | <b>agree</b>    | <b>Neutral</b> | <b>Disagree</b> | <b>Strongly disagree</b> | <b>mean</b> |
|---|-----------------------|-----------------|----------------|-----------------|--------------------------|-------------|
| I am satisfied with the insurance guaranty provided by the bank | 50<br>( 17.5% )       | 154<br>(53.8% ) | 57<br>(19.9%)  | 23<br>(8%)      | 2<br>(0.7%)              | 3.7937      |
| I am satisfied with the medical coverage provided by the bank   | 106<br>(37.1%)        | 152<br>(53.1%)  | 12<br>(4.2%)   | 14<br>(4.9%)    | 2<br>(0.7%)              | 4.2098      |

|   |               |               |               |                |                |        |
|---|---------------|---------------|---------------|----------------|----------------|--------|
| I am satisfied with the paid live provided by the bank                      | 37<br>(12.9%) | 93<br>(32.5%) | 83<br>(29%)   | 59<br>(20.6%)  | 14<br>(4.9%)   | 3.2797 |
| I am satisfied with the retirement coverage provided by the bank            | 22<br>(7.7%)  | 87<br>(30.4%) | 88<br>(30.8%) | 68<br>(23.8%)  | 21<br>(7.3%)   | 3.0734 |
| I am satisfied with the scholarship and tuition chance provided by the bank | 1<br>(0.3%)   | 16<br>(5.6%)  | 47<br>(16.4%) | 108<br>(37.8%) | 114<br>(39.9%) | 1.8881 |
| Average mean  |               |               |               |                |                | 3.24   |

**Source: SPSS output from survey data, 2019.**

As depicted in the above table 3, Regarding with the **insurance guaranty** provided by the DBE 50(17.5%) and 154(53.8%) of the respondents replied strongly agree and agree with the provision of the insurance service guaranty, 57(19.9%) of the respondents were neutral, 23(8%) and 2(0.7%) of the respondents replied disagree and strongly disagree with the provision of the insurance service guaranty. This indicates that the majority of the respondents of employees were satisfied by the insurance guaranty and it can say that DBE is working good regarding with insurance guaranty for its employees.

Regarding with the **medical coverage** provided by the bank 106(37.1%) and 152(53.1%) of the respondents replied strongly agree and agree with the provision of the medical coverage, 12(4.2%) of the respondents were neutral, 14(4.9%) and 2(0.7%) of the respondents replied disagree and strongly disagree with the provision of the medical coverage. This show that the majority of the employees in the bank are very satisfied by the medical coverage

According to the **paid live** provided by the bank 37(12.9%) and 93(32.5%) of the respondents replied strongly agree and agree with the paid live, 83(29%) of the respondents were neutral, 59(20.6%) and 14(4.9%) of the respondents replied disagree and strongly disagree with the paid live. This reveals that majority of respondents are satisfied by the paid live they get from their superiors and the Human resource management department.

In terms of the **retirement coverage** provided by the bank 22(7.7%) and 87(30.4%) of the respondents replied strongly agree and agree (satisfied) with the paid live, 88(30.8%) of the respondents were neutral, 68(23.8%) and 21(7.3%) of the respondents replied disagree and strongly disagree (not satisfied) with the retirement coverage. This reveals that majority of

respondents are neutral. This may have happened because most of the employees were younger and they may lack of experience related to the retirement procedure.

Regarding with the **scholarship and tuition chance** provided by the bank 1(0.3%) and 16(5.6%) of the respondents replied strongly agree and agree (satisfied) with the scholarship and tuition opportunity provided by the bank, 47(16.4%) of the respondents were neutral, 108(37.8%) and 114(39.9%) of the respondents replied disagree and strongly disagree (not satisfied) with the retirement coverage. This reveals that majority of respondents are very dissatisfied with the scholarship and tuition opportunities they get. Thus the bank should give enough scholarship and tuition opportunities for its employees depending on the financial performance of the bank.

According to the **indirect financial motivational factors**, the above table revealed that the **overall aggregate mean score** was found to be 3.24 which were nearest to the value of neutral. This depicted that employees of the respondents were in between the satisfaction and dissatisfaction level of perception towards the indirect financial factors like insurance guaranty, paid live and retirement coverage provided by the bank.

### 4.3.3 Non-Financial Factors That Motivate Employees

Non-financial motivation refers to non-monetary rewards. These types of rewards do not involve direct payment of cash and they can be tangible or intangible. Armstrong (1999) sees nonfinancial motivation as including any rewards that focus on the needs people have to varying degrees for achievement, recognition, responsibility influence and personal growth. On-monetary compensation differs from direct and indirect pay as it is has no monetary value.

The researcher has studied the effect of non-financial factors on employee’s performance. Respondents were asked key questions to answer on what they perceive at their organization and their responses are summarized in the table below:

**Table 7: Employees Response on the Non-Financial Factors Which Motivate Them**

| Statement   | Strongly agree | agree          | Neutral | Disagree | Strongly disagree | mean   |
|---|----------------|----------------|---------|----------|-------------------|--------|
| I am satisfied with the training and development program given by the | 7              | 61<br>(21.3% ) | 38      | 124      | 56                | 2.4371 |

|   |                 |                 |                 |                 |                |        |
|---|-----------------|-----------------|-----------------|-----------------|----------------|--------|
| bank(e.g. seminar, lectures, group discussion ) in order to motivate employees                                | ( 2.4% )        |                 | (13.6%)         | (43.4%)         | (19.6%)        |        |
| As I compared to the time and effort I sacrifice I am satisfied by the recognition provided by the bank       | 3<br>(1%)       | 39<br>(13.6%)   | 65<br>(22.7%)   | 132<br>(46.2%)  | 47<br>(16.4%)  | 2.3671 |
| The bank gives you an adequate Authority/power to make necessary decision in order to complete assigned tasks | 6<br>(2.1%)     | 67<br>(23.4%)   | 59<br>(20.6%)   | 117<br>(40.9%)  | 37<br>(12.9%)  | 2.6084 |
| I am satisfied with the fair promotional scheme in the bank   | 3<br>(1%)       | 46<br>(16.1%)   | 55<br>(19.2%)   | 105<br>(36.7%)  | 77<br>(26.9%)  | 2.2762 |
| the bank gives you satisfactory Appreciation for the work done  | 4<br>(1.4%)     | 30<br>(10.5%)   | 61<br>(21.3%)   | 133<br>(46.5%)  | 58<br>(20.3%)  | 2.2622 |
| I am satisfied with the working condition of the bank   | 8<br>(2.8%)     | 74<br>(25.9%)   | 49<br>( 17.1% ) | 106<br>(37.1%)  | 49<br>(17.1%)  | 2.6014 |
| I am satisfied with the nature of the work provided by the bank   | 13<br>(4.5%)    | 103<br>( 36% )  | 45<br>(15.7%)   | 92<br>( 32.2% ) | 33<br>(11.5% ) | 2.8986 |
| The bank gives you adequate job security  | 14<br>(4.9% )   | 86<br>(30.1% )  | 57<br>(19.9% )  | 77<br>(26.9% )  | 52<br>(18.2% ) | 2.7657 |
| I am satisfied with the recreational place provided by the bank like cafeteria and other entertainment places | 9<br>(0.7%)     | 57<br>(19.9% )  | 52<br>(18.2% )  | 97<br>(33.9% )  | 71<br>(24.8% ) | 2.4266 |
| I am satisfied with the clear and smooth relationship/intimacy with my superior                               | 29<br>(10.1% )  | 40<br>(14% )    | 46<br>(16.1%)   | 130<br>(45.5% ) | 41<br>(14.3%)  | 3.3986 |
| I am satisfied with the clear and smooth relationship/intimacy with my peers                                  | 108<br>(37.8% ) | 137<br>(47.9% ) | 25<br>(8.7%)    | 10<br>(3.5% )   | 6<br>(2.1%)    | 4.1573 |
| Aggregate mean  |                 |                 |                 |                 |                | 2.74   |

**Source: SPSS output from survey data, 2019.**



As depicted in the above table 7, Regarding with **the training and development program** given by the bank the respondents were asked to indicate whether they are satisfied or not with the organization regularly trains and development program. Then 7(2.4%) and 61(21.3%) of the respondents replied strongly agree and agree (satisfied) with the training and development program provided by the bank, 38(13.3%) of the respondents were neutral, 124(43.4%) and 56(19.6%) of the respondents replied disagree and strongly disagree (not satisfied) with the training and development program. This revealed that the majority of the respondents are not enough satisfied by the training and development program given by the bank. It is therefore recommended that there should be regular training for new and existing employees to give them opportunity to improve and develop their performance.

Regarding with the **recognition** in the above table 7, 3(1%) and 39(13.6%) of the respondents replied strongly agree and agree (satisfied) with the recognition offered by their superiors (bosses), 65(22.7%) of the respondents were neutral, 132(46.2%) and 47(16.4%) of the respondents replied disagree and strongly disagree (not satisfied) with the recognition offered by their superiors. This indicates that the majority of the respondents do not agree with this. Therefore the bank should recognize its employees when they achieve and perform better. If so they can motivate them for other achievements on a recurring basis.

Regarding with the employees adequate **Authority/power to make necessary decision** in order to complete assigned tasks 6(2.1%) and 67(23.4%) of the respondents replied strongly agree and agree (satisfied) with the authority to make necessary decisions in order to complete assigned tasks, 59(20.6%) of the respondents were neutral, 117(40.9%) and 37(12.9%) of the respondents replied disagree and strongly disagree (not satisfied) with the authority to make necessary decisions in order to complete assigned tasks alone. This implies that majority of the respondents do not agree with the chance to make a decision. Such factors affect employee's motivation so that employees also should participate in the decision making process.

Regarding with the **promotional scheme** provided by the bank 3(1%) and 46(16.1%) of the respondents replied strongly agree and agree (satisfied) with the promotional scheme, 55(19.2%) of the respondents were neutral, 105(36.7%) and 77(26.9%) of the respondents replied disagree and strongly disagree (not satisfied) with the promotional scheme. This implies that the majority of the respondents do not agree with the promotional scheme. So that the management must

ensure that promotions in the organization are given fairly to encourage employees who have performed consistently.

According to satisfactory **Appreciation** given by the bank and also superiors to the employees for those who performed better than others, respondents react that 4(1.4%) and 30(10.5%) of the respondents were strongly agree and agree (satisfied) with the Appreciation given by the bank and also their superiors, 61(21.3%) of the respondents were neutral, 133(46.5%) and 58(20.3%) of the respondents replied disagree and strongly disagree (not satisfied) with the Appreciation given by the bank and also their superiors. This indicates that the majority of the respondents are not satisfied with the appreciation. This affects employees' performance due to lack of Appreciation for they work done. Hence managers should appreciate their employees more in order to get a better performance from them.

Regarding with the **working condition** 8(2.8%) and 30(10.5%) of the respondents replied strongly agree and agree (satisfied) with the working condition, 49(17.1%) of the respondents were neutral, 106(37.1%) and 49(17.1%) of the respondents replied disagree and strongly disagree (not satisfied) with the working condition. This implies that the majority of the respondents are not satisfied with the working conditions. Thus the Management of the bank should endeavor to improve on the working conditions of employees for better performance.

Regarding with the **nature of the work** 13(4.5%) and 103(10.5%) of the respondents replied strongly agree and agree (satisfied) with the nature of the work, 45(15.7%) of the respondents were neutral, 92(32.2%) and 33(11.5%) of the respondents replied disagree and strongly disagree (not satisfied) with the nature of the work. Thus this implies that majority of respondents agree with the nature of the work they do. So employees can perform better.

Regarding with **job security** 14(4.9%) and 86(30.1%) of the respondents reacted as strongly agree and agree and they feel secure with their job, 57(19.9%) of the respondents were neutral, 77(26.9%) and 52(18.2%) of the respondents replied disagree and strongly disagree (not satisfied) and they did not feel secured with their job. majority of respondent agreed that they fill secure with their job. Thus the bank has a better achievement by protecting its employees.

Regarding with the **recreational place** provided by the bank, **9**(3.1%) and **57**(19.9%) of the respondents replied strongly agree and agree (satisfied) with the recreational place provided by the bank, **52**(18.2%) of the respondents were neutral, **97**(33.9%) and **71**(24.8%) of the respondents replied disagree and strongly disagree (not satisfied) with the recreational place provided by the bank. This implies that the majority of employees are not satisfied with the recreational place provided by the bank. Therefore the bank should improve recreational places which employees will refresh their mind within their break time.

According to **employees relation within their superiors**, **29**(10.1%) and **40**(14%) of the respondents replied strongly agree and agree (satisfied) with the relationship they have with their superiors, **46**(16.1%) of the respondents were neutral, **130**(45.5%) and **41**(14.3%) of the respondents replied disagree and strongly disagree (not satisfied) with the relationship they have with their superiors. These indicate that the majority of employees were not satisfied with their relationship with their superior. This will affect the working activity of the organization.

According to **employees relation within their peers** majority of **108**(37.8%) and **137**(47.9%) of the respondents replied strongly agree and agree (satisfied) with the relationship they have with their peers, **25**(8.7%) of the respondents were neutral, **10**(3.5%) and **6**(2.1%) of the respondents replied disagree and strongly disagree (not satisfied) with the relationship they have with their peers. Thus the researcher observed that majority of the respondents has a strong and positive relationship with their peers. Such positive friendship with in the employees can contribute its own advantage for the betterment of the employee's performance.

In general the **overall aggregate mean score** result gained by the above table towards the non-financial factors that motivate employees the mean score result revealed to **2.74** this implies that respondents of the **DBE employees were not satisfied** by the non-financial factors as the researcher presented in the above table. Thus the concerned Human resource managers should undertake a remedial action in order to increase the satisfaction level of employees.

### 4.3.4 Employees Performance Measurement

Any organization can't accomplish its objective and goal without good performance from its employees'. But the bank can't expect any result without a provision of motivational package for its employee to achieve a greater performance.

There are many criteria's to evaluate how well an employee performs depending on the organization objectives. For this study the researcher asked the respondents to try to indicate their level of agreement or disagreement in determine the employees' performance in Development Bank of Ethiopia.

**Table 8: Employee's Response on Their Performance Level**

| Statement  | Strongly agree | agree         | Neutral       | Disagree       | Strongly disagree | mean   |
|--|----------------|---------------|---------------|----------------|-------------------|--------|
| I can say that the DBE motivational practice helped me to reduce lateness and absenteeism.   | 19<br>(6.6%)   | 72<br>(25.2%) | 74<br>(25.9%) | 92<br>(32.2%)  | 92<br>(32.2%)     | 2.8601 |
| I observed that because of motivational practice developed by the bank there is a decreasing level of turnover within the employees      | 16<br>(5.6%)   | 48<br>(16.8%) | 41<br>(14.3%) | 127<br>(44.4%) | 54<br>(18.9%)     | 2.4580 |
| Due to the motivational scheme provided by the bank my willingness to spend extra hours on working become increase                       | 5<br>(1.7%)    | 32<br>(11.2%) | 54<br>(18.9%) | 139<br>(48.6%) | 56<br>(19.6%)     | 2.2692 |
| In my opinion the DBE motivational practice inspired me to deliver my tasks as per the requirements and improve my service delivery time | 6<br>(2.1%)    | 40<br>(14%)   | 62<br>(21.7%) | 133<br>(46.5%) | 45<br>(15.7%)     | 2.4021 |
| Through the development of the motivational practice my job performance evaluation score become increasing                               | 7<br>(2.4%)    | 49<br>(17.1%) | 65<br>(22.7%) | 127<br>(44.4%) | 38<br>(13.3%)     | 2.5105 |
| In general the Bank's motivational practices increased my commitment, competency, efficiency and effectiveness and overall performance   | 6<br>(2.1%)    | 39<br>(13.6%) | 50<br>(17.5%) | 132<br>(46.2%) | 59<br>(20.6%)     | 2.8601 |
| Aggregate mean   |                |               |               |                |                   | 2.56   |

**Source: SPSS output from survey data, 2019.**

As depicted in the above table 8, regarding with the **Lateness and absenteeism** within the organization 19(6.6%) and 72(25.2%) of the respondents replied strongly agree and agree that

due to the motivation practice of the bank lateness and absenteeism are reduced, 74(25.9%) of the respondents were neutral, 92(32.2%) and 29(10.1%) of the respondents replied disagree and strongly disagree. Thus, the majority of the respondents do not believe that lateness and absenteeism are reduced due to the motivational practices of the bank. This implies that employee's behavior is not motivated due to several problems as the researcher mentions in the above discussion. Such factors affect and decrease the performance of employees by reducing employee's task delivery time reduce their Morale, Productivity, efficiency and effectiveness also. Therefore the bank should work more in to reducing Lateness and absenteeism.

As shown in the above table 8, Regarding with the **level of turnover** 16(5.6%) and 48(16.8%) of the respondents replied strongly agree and agreed that because of the motivational practice of the bank. There is a decreasing rate of turnover within the employees, but the majority of the respondents do not agree with this, 54(18.9%) and 127(44.4%) of the respondents replied disagree and strongly disagree and 41(14.3%) of the respondents were neutral. Thus the researcher concludes that there is still an absence of motivational scheme provided by the bank. Such problems may occur due to several reasons like seeking a better salary and its related benefit and loss of other non-financial benefits. Such factors like Employee turnover have a direct impact on the bank revenue and profitability. For instance, management labor costs in placing classified ads, reviewing applications, interviewing and training expenses also to the long run the bank will lose its reputation. Therefore the bank should focus on protecting its employees by providing a greater package of financial and non-financial motivational practice expansion.

As depicted in the above table 8, regarding with **spending extra hour** 5(1.7%) and 32(11.2%) of the respondents replied strongly agree and agreed that because of the motivational practice of the bank there is willingness to spend extra hours working, but the majority of the respondents did not agree with this statement, 139(48.6%) and 56(19.6%) of the respondents replied disagree and strongly disagree and 54(18.9%) of the respondents were neutral. This shows that most employees are not motivated well enough as they expect from the organization. So that they are not willing to serve extra hours for the bank. But if the bank improves his motivational practice, they are willing to spend extra hours for the goodwill of the organization.

As depicted in the above table 8, 6(2.1%) and 40(14%) of the respondents replied strongly agree and agreed, that because of the motivational practice of the bank they are inspired to deliver their tasks as per the requirements and improve their service delivery time. But the majority of the respondents do not agree with this statement, 133(46.5%) and 45(15.7%) of the respondents replied disagree and strongly disagree and 62(21.7%) of the respondents were neutral. This indicates that the current motivational practice should have to be revised for the sake of enhancing the performance of the employees. If so they can in deliver their tasks as per the required time.

As shown in the above table 8, respondents were asked, if their performance evaluation score become increase or not. Thus 7(2.1%) and 49(17.1%) of the respondents replied strongly agree and agree. But the majority, 127(44.4%) and 38(13.3%) of the respondents do not agree with their performance evaluation score has increased, 65(22.7%) of the respondents were neutral. this indicate that the reason behind the decreasing rate of employees score evaluation was the lack of financial and non-financial incentives for employees of the organization.

As depicted in the above table 8, 6(2.1%) and 39(13.6%) of the respondents replied strongly agree and agreed that because of the motivational practice of the bank the overall performance of employees like commitment, competency, efficiency and effectiveness has increased. But the majority, 132(46.2%) and 59(20.6%) of the respondents did not agree with the statement and 50(17.5%) of the respondents were neutral. Thus the bank should focus on its employees by providing financial and non-financial benefit to motivate and boost the employee's performance.

In general as depicted in the above table regarding to the employees performance measurement the **overall aggregate mean score** result was 2.56. This implies that majority of the respondents were not believed that the bank motivational practice was not contribute significant effect for their performance. Thus the human resource managers of the bank should revise the policies and procedure regarding with the provision of motivational scheme. If so employee's performance will be higher than the current performance they have.

## **4.4 Inferential Statistics**

In This section the researcher has examined the effect of motivation on employee's performance using inferential statistics method. So as to assess the objective of the study by computing Pearson correlation coefficient analysis and conducting multiple regression analysis. And analyze through the collected data from the respondents of DBE employees.

### **4.4.1 Correlation Analysis**

In this study the researcher carried out a correlation analysis to measure the relationship between the dependent and the independent variables. The dependent variables are employees Performance and the independent variable are financial (direct and indirect factors) and non-financial factors that motivate employees. The researcher used a person's correlation coefficient. Person's correlation coefficient is a measure of linear association between two variables. Values of the correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear sense; a correlation coefficient of -1 indicates that they are perfectly related in a negative linear sense, and a correlation of 0 indicates that there is no linear relationship between the two variables.

A correlation coefficient of 1 means that for every positive increase in one variable, there is a positive increase of a fixed proportion in the other variable. A correlation coefficient of -1 means that for every positive increase in one variable, there is a negative decrease of a fixed proportion in the other variable. Zero (0) means that for every increase, there isn't a positive or negative increase. According to the political science department at Quinnipiac University, post useful list of the meaning of person's correlation coefficient. They note that these are crude estimates for interpreting strength of correlation using person's correlation.

**Table 9: Strength of Correlation Coefficient**

| R-value        | Strength of correlation coefficient |
|----------------|-------------------------------------|
| +0.7 or higher | Very strong positive relationship   |
| +0.40 to 0.69  | strong positive relationship        |
| +0.30 to 0.39  | Moderate positive relationship      |
| +0.20 to 0.29  | Weak positive relationship          |
| +0.01 to 0.19  | No or negligible relationship       |

Source: political science department at Quinnipiac University

Therefore the findings of this correlation analysis are shown below:-

**Table 10: Pearson Correlation Result**

**Correlations**

|                            |                     | Direct | indirect | nonfinancial | employee performance |
|----------------------------|---------------------|--------|----------|--------------|----------------------|
| Direct financial factors   | Pearson Correlation | 1      | .470**   | .671**       | .450**               |
|                            | Sig. (2-tailed)     |        | .000     | .000         | .000                 |
|                            | N                   | 286    | 286      | 286          | 286                  |
| Indirect financial factors | Pearson Correlation | .470** | 1        | .535**       | .298**               |
|                            | Sig. (2-tailed)     | .000   |          | .000         | .000                 |
|                            | N                   | 286    | 286      | 286          | 286                  |
| Non-financial factors      | Pearson Correlation | .671** | .535**   | 1            | .546**               |
|                            | Sig. (2-tailed)     | .000   | .000     |              | .000                 |
|                            | N                   | 286    | 286      | 286          | 286                  |
| employee performance       | Pearson Correlation | .450** | .298**   | .546**       | 1                    |
|                            | Sig. (2-tailed)     | .000   | .000     | .000         |                      |
|                            | N                   | 286    | 286      | 286          | 286                  |

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

Source: SPSS output from survey data, 2019.



#### **4.4.1.1 Correlation between Direct Financial Factors and Employee Performance**

The correlation between Direct financial factors and employee performance was found as ( $R=.450^{**}$ ),  $P\text{-value}=0.000$  and  $p\text{-value} < 0.05$ . Thus, there is a strong positive relationship between direct financial factors and employee performance.

#### **4.4.1.2 Correlation between Indirect Financial Factors and Employee Performance**

The correlation between indirect financial factors and employee performance was found as ( $R=.298^{**}$ ),  $P\text{-value}=0.000$  and  $p\text{-value} < 0.05$ . Thus, there is a weak positive relationship between indirect financial factors and employee performance.

#### **4.4.1.3 Correlation between Non-Financial Factors and Employee Performance**

The correlation between non-financial factors and employee performance was found as ( $R=.546^{**}$ ),  $P\text{-value}=0.000$  and  $p\text{-value} < 0.05$ . Thus, there is a strong positive relationship between non-financial factors and employee performance.

### **4.4.2 Multiple Regression Analysis**

In this section the researcher also conducted multiple regression analysis to know by how much the independent variable explain the dependent variable. It is widely used to understand by how much the independent variable financial factors and non-financial factors affect the dependent variable which is employee performance. Regression analysis is also used for predicting and explains the relationships between the dependent and independent variable.

Thus for the purpose of determining the effect of motivation on employee performance at Development Bank of Ethiopia, the researcher uses employee performance as a dependent variable and direct, indirect financial factors and non-financial factors uses as an independent variable.

Therefore the researcher analyzes model summary, ANOVA test result and the beta coefficient. The result was presented as follow.

#### 4.4.2.1 Model Summary Analysis

**Table 11: Model Summary**

| Model Summary |                   |          |                   |                            |
|---------------|-------------------|----------|-------------------|----------------------------|
| Model         | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1             | .558 <sup>a</sup> | .311     | .304              | .64024                     |

a. Predictors: (Constant), direct, indirect, non-financial

**Source: SPSS output from survey data, 2019.**

As shown in the table above, the value of R is 0.558 which a measure of the correlation between the practical value and the predicted value of the dependent variable which is employee performance. And it implies that there is a strong positive relationship between employee performance and direct, indirect financial and non-financial factors.

While R square ( $R^2$ ) is the square which measures a correlation and indicates the percentage of the variance of employees' performance with the direct, indirect financial and non-financial factors. Therefore, R Square = 0.311 indicates that 31.1% of employee performance is described by the three predictor's (direct, indirect financial and non-financial factors.).

#### 4.4.2.2 ANOVA Analysis

**Table 12: ANOVA Analysis**

| ANOVA <sup>a</sup> |            |                |     |             |        |                   |
|--------------------|------------|----------------|-----|-------------|--------|-------------------|
| Model              |            | Sum of Squares | Df  | Mean Square | F      | Sig.              |
| 1                  | Regression | 52.219         | 3   | 17.406      | 42.464 | .000 <sup>b</sup> |
|                    | Residual   | 115.596        | 282 | .410        |        |                   |
|                    | Total      | 167.815        | 285 |             |        |                   |

a. Dependent Variable: employee performance

b. Predictors: (Constant), nonfinancial, indirect, direct

**Source: SPSS output from survey data, 2019.**

ANOVA is the analysis of variance that used to test how well the regression model fits the data, ANOVA (analysis of variance) provides F value where F equals to mean square of explained data divided by mean square of residual data (Sekaran, 2003). Thus Table 13, revealed an F value of 61.829. Thus, one can decide that regression model best fits the data at a significance level of .000 and p-value is less than alpha 0.5. Therefore there is a statically significant relationship with the dependent employee performance and independent direct, indirect financial and non-financial factors.

#### 4.4.2.3 Coefficient Analysis

**Table 13: Coefficient Analysis**

| Model |              | Coefficients                |            |                           |       | t    | Sig. |
|-------|--------------|-----------------------------|------------|---------------------------|-------|------|------|
|       |              | Unstandardized Coefficients |            | Standardized Coefficients | Beta  |      |      |
|       |              | B                           | Std. Error |                           |       |      |      |
| 1     | (Constant)   | .581                        | .218       |                           | 2.664 | .008 |      |
|       | direct       | .183                        | .080       | .155                      | 2.289 | .023 |      |
|       | indirect     | -.020                       | .075       | -.016                     | -.264 | .792 |      |
|       | nonfinancial | .549                        | .086       | .451                      | 6.368 | .000 |      |

a. Dependent Variable: employee performance

**Source: SPSS output from survey data, 2019.**

According to the above table 14, direct financial factors have a positive and significant effect on employee's performance. As Beta coefficient is 0.183 with a p-value of 0.008 which ( $< .05$ ) therefore, if direct financial factors increase by one unit performance will increase by 18.3%. thus the bank should work more on direct financial factors to motivate its employees.

In terms of indirect financial factors, it has no significant effect on employee performance this is because as beta coefficient is -0.02 with a p-value of 0.792 which is greater than ( $< .05$ ) alpha ( $\alpha$ ) but according to table 12, they are weakly correlated each other by  $R=298^{**}$ . So that there is no significant relation between the indirect (insurance guaranty, medical coverage, paid live, retirement coverage and scholarship and tuition chance). Therefore, this listed factors was not that much significant for motivating employees in related to direct and non-financial factors.

Thus so as to motivate DBE employees, the bank should significantly work on the rest factors in order to motivate employees.

According to the above table 14, non-financial factors have a positive and significant effect on employee's performance. As Beta coefficient is 0.549 with a p-value of 0.000 which ( $< .05$ ) therefore, if non-financial factors increase by one unit performance will increase by 54.9%. This implies that from the three independent variable factors non-financial factor has a greater effect on employee performance. Therefore the bank should pay more attention to non-financial factors to motivate employees highly and to boost their performance.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This final chapter contains the summary of major findings, conclusion and give possible recommendations based on the research conducted.

#### 5.1 Summary of Major Findings

From the data analysis the researcher has found the following major findings:-

- From the analysis the main source of reason that demotivates employees was lack of non-financial benefit package to the employees. The second reason the researcher found is lack of satisfaction on the direct financial benefit like salary and other related benefits.
- Regarding with the direct financial motivational factors that motivates employees the data revealed that aggregate mean score result was 2.41 this shows that majority of the respondents were dissatisfied by the motivational practice like lack of salary, allowance, housing and car loan affects the performance of employees by decreasing their motivational attitude.
- According to the Indirect financial motivational factors the data depicted that the aggregate mean score result was 3.24 this show that majority of the respondents were moderately satisfied relating to insurance guaranty, medical coverage, paid live and retirement coverage provided by the bank. However regarding with the scholarship and tuition chance provided by the bank, a mean score result was 1.88. This implies that employees were strongly dissatisfied.
- Also non-financial motivational factors like training and development, recognition, authority to make a necessary decision, promotion, working condition, intimacy with superior, there was a motivational practice gap between the managers thinking and the responses of the respondent. Moreover the aggregate mean score result was 2.74 this shows that majority of the respondent were not satisfied with the current motivational practice of the organization.
- To the other hand the finding of the study reveals that, Pearson correlation between Direct financial factors and employee performance was found as ( $R=.450^{**}$ ), P-

value=0.000 and p-value < 0.05 thus there is a strong positive relationship between Direct financial factors and employee performance.

- The correlation between indirect financial factors and employee performance was found as ( $R=.298^{**}$ ), P-value=0.000 and p-value < 0.05 thus there is a weak positive relationship between indirect financial factors and employee performance.
- The correlation between non-financial factors and employee performance was found as ( $R=.546^{**}$ ), P-value=0.000 and p-value < 0.05 thus there is a strong positive relationship between non-financial factors and employee performance.
- The multiple regression analysis finding depicts that R Square = 0.311 indicates that 31.1% of employee performance is described by the three predictor's (direct, indirect financial and non-financial factors). While the value of R is 0.558 which a measure of the correlation between the practical value and the predicted value of the dependent variable which is employee performance. And it implies that, there is a strong positive relationship between employee performance and direct, indirect financial and non-financial factors.
- In terms of beta coefficient result direct financial factors has a positive and significant effect on employee's performance. As Beta coefficient is 0.183 with a p-value of 0.008 which (< .05) therefore, if direct financial factors increase by one unit performance will increase by 18.3%.
- In terms of indirect financial factors, it has a negative and no significant effect on employee performance this is because as beta coefficient is -0.20 with a p-value of 0.792 which is greater than (< .05) alpha ( $\alpha$ ) but they are weakly correlated each other by  $R=.298^{**}$ .
- Non-financial factors have a positive and significant effect on employee's performance. As Beta coefficient is 0.549 with a p-value of 0.000 which (< .05). Therefore, if non-financial factors increase by one unit, performance will increase by 54.9%.

## 5.2 Conclusion

Based on the research question and the hypothesis formulated the study paper concluded that the direct financial motivational factors affect employees performance by increasing lateness and absenteeism, it was increasing turnover, decreases employees willingness to spend extra hour, decreases employees task delivery time and affects their evaluation score. Thus in order to overcome such effect the bank should improve the salary and other related benefit in order to be competitive and increases the performance of employees and According to the hypothesis formulated direct financial motivational factors have a significant effect on employees performance.

The bank has relatively better performance related to indirect financial factors that motivate employees. This are insurance guaranty, medical coverage, and provision of paid live and retirement coverage. However in relation to the scholarship and tuition chance provided by the bank employees were not satisfied. Thus the bank should give a scholarship and tuition chance to his employees to increase employees task delivery time and to enhance employees overall performance. And According to the hypothesis formulated indirect financial motivational factors have no significant effect on employee's performance. Due to most of the respondents of employees were satisfied by the indirect financial motivational factors provided by the organization. And the bank gives moderately better privilege regarding to the indirect financial motivational factors.

Also the researcher conclude that regarding to the non-financial factors, there are a motivational problem in terms giving training and development, promotion, recognition, appreciation, working condition, participating employees to make a necessary decision making and absence of clear relationship with superior and such factors decreases the performance of employees by reducing their willingness to spend extra hour on work, reduce their inspiration to deliver task as per the required time set, also increases lateness and absenteeism, increases employees turnover and overall performance. However there is moderately better motivational scheme by providing a better nature of work, job security and smooth intimacy between peers. Likewise the researcher concludes that non-financial factors have a greater significant effect on employee's performance.

Therefore the researcher concluded that, in order to motivate employees the Development bank of Ethiopia should have to work more on the direct financial factors and non-financial factors rather than the indirect financial factors. If so the bank can enhance employees' performance.

### **5.3 Recommendations**

The researcher has stated the following recommendation

- ▶ The bank should revise its policies and procedures related to salary and other related benefits for the employees to attract and retain highly competitive employees and to be competitive with other banks in the industry. So that employees are satisfied with their jobs and have good performance.
- ▶ The bank should give more focus on training and developments which will help employees improve their performance on the tasks they are assigned to and to increase their effectiveness.
- ▶ Support those who are willing to upgrade their educational level based on the financial status of the bank.
- ▶ Recognition for the employees should be a best strategic for the managers of the bank and continuously look for opportunities to notice or praise employees Introduces award prize for individual or team to motivate employees.
- ▶ Give a chance for employees to participate in necessary decision making activities.
- ▶ Designing a better working environment by facilitating advanced office design for employees to motivate them during their working time to boost their performance.
- ▶ Re-evaluating the organization HR Strategies, policies, process and procedure that focus on aligning employee objectives and organizational goals.
- ▶ Creating a clear and smooth communication channel between employees and the senior management in order to enhance the intimacy between them and to enlarge the performance of employees.



#### **5.4 Suggestions for Further Studies**

The study was only limited to the Development Bank of Ethiopia Head Quarter, and limited on professional employee (junior officer up to director level). Thus further research studies should be conducted through other interested researcher by examining the cause and effect of other motivational factors that the researcher does not encompasses in the study paper in order to increase relevancy of the information and better understanding on the effect of motivation on employee performance at the entire level of the total population size of the bank.

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## **Appendix**

### **QUESTIONNAIRE**

**ST.MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDY**

**DEPARTMENT OF MBA IN GENERAL MANAGEMENT**

#### **APPENDIX 1: LETTER OF INTRODUCTION**

Dear Respondent,

This questionnaire has been prepared to collect raw data for a research project which shall be submitted in partial fulfilment of Masters of Business Administration in General Management. The objective of the research is to examine the effect of motivation on employee performance, a case study of development bank of Ethiopia head office.

Please take a few moments to answer the attached questionnaire. Your contributions and answers will be treated with utmost confidentiality and no names of staff members will be published in the final research document.

Note that: the questionnaire was only fulfilled by professional (non-clerical) employees of the DBE.

Lastly, I would like to thank you in advance for your genuine responses and participation, given your busy day. Please do not hesitate to call or email me on any doubt on the questions included in this questionnaire. Personally, I believe that your comment will make the study output more valuable.

Yours Sincerely,

Yonatan Tilahun

- ✓ Tell: 0923563069
- ✓ Email: yonatantilahun09@gmail.com

April 2019

Addis Ababa, Ethiopia

**Section 1: Demographic characteristics of the respondent**

Please put a tick “ ✓ ” inside the box

**1.1 Gender**

Male [ ]                      Female [ ]

**1.2 Age Group**

Below 25 [ ]              26-30 [ ]              31-35 [ ]              36-40 [ ]

41 and above [ ]

**1.3 marital status**

Single [ ]              married [ ]              divorced [ ]

**1.4 level of education**

Diploma [ ]              first degree [ ]              master’s degree [ ]              PhD [ ]

**1.5 position**

Trainee junior officer [ ]              junior officer [ ]              officer [ ]

Senior officer [ ]              team manager [ ]              deputy director [ ]

director [ ]              other (please state).....

**1.6 How long have you been worked at development bank? (Work experience)**

Less than 1 Yr. [ ]              1-4 Yrs. [ ]              5-8 Yrs. [ ]              9-12 Yrs. [ ]

12 Yrs. and above [ ]

**Section 2:** This section concerned about characteristic related to **financial, non-financial Factors** that Motivate Employees and their effect on employee performance. And employee performance measurement using the key below, please indicate the extent to which you agree with each statement.

**Please use:** - **SA**= Strongly Agree                      **A**=Agree                      **N**=Neutral  
                                 **SD**= Strongly Disagree                      **D**=Disagree

| <b>Direct financial factors that Motivate Employees</b>  | <b>SA</b> | <b>A</b> | <b>N</b> | <b>D</b> | <b>SD</b> |
|--|-----------|----------|----------|----------|-----------|
| I am satisfied with the level of salary I receive  |           |          |          |          |           |
| The pay offered by the bank is very competitive compared to other companies in the industry                  |           |          |          |          |           |
| I am satisfied by a monthly allowance received like house, fuel and telephone                                |           |          |          |          |           |
| I am satisfied by the monetary rewards like salary increment   |           |          |          |          |           |
| I am satisfied by the housing loan provided by the bank  |           |          |          |          |           |
| I am satisfied by the car loan provided by the bank  |           |          |          |          |           |
| I am satisfied by the payment given by the bank when i work over time  |           |          |          |          |           |
| I believe the money I am paid is a strong indication of the value the organization has placed on my services |           |          |          |          |           |
| Our bank has a pay policy that attract and retain high performing employees                                  |           |          |          |          |           |
| I am satisfied with the annual profit bonus provided by the bank in order to motivate employees              |           |          |          |          |           |
| <b>Indirect financial factors that Motivate Employees</b>  | <b>SA</b> | <b>A</b> | <b>N</b> | <b>D</b> | <b>SD</b> |
| I am satisfied with the insurance guaranty provided by the bank  |           |          |          |          |           |
| I am satisfied with the medical coverage provided by the bank  |           |          |          |          |           |
| I am satisfied with the paid live provided by the bank   |           |          |          |          |           |
| I am satisfied with the retirement coverage provided by the bank   |           |          |          |          |           |
| I am satisfied with the scholarship and tuition chance provided by the bank                                  |           |          |          |          |           |

| <b>Non-financial Factors that Motivate Employees</b>   | <b>SA</b> | <b>A</b> | <b>N</b> | <b>D</b> | <b>SD</b> |
|--|-----------|----------|----------|----------|-----------|
| I am satisfied with the training and development program given by the bank(e.g. seminar, lectures, group discussion ) in order to motivate employees |           |          |          |          |           |
| As i compared to the time and effort i sacrifice I am satisfied by the recognition provided by the bank  |           |          |          |          |           |
| The bank gives you an adequate Authority/power to make necessary decision in order to complete assigned tasks  |           |          |          |          |           |
| I am satisfied with the fair promotional scheme in the bank  |           |          |          |          |           |
| the bank gives you satisfactory Appreciation for the work done   |           |          |          |          |           |
| I am satisfied with the working condition of the bank  |           |          |          |          |           |
| I am satisfied with the nature of the work provided by the bank  |           |          |          |          |           |
| The bank gives you adequate job security   |           |          |          |          |           |
| I am satisfied with the recreational place provided by the bank like cafeteria and other entertainment places  |           |          |          |          |           |
| I am satisfied with the clear and smooth relationship/intimacy with my superior  |           |          |          |          |           |
| I am satisfied with the clear and smooth relationship/intimacy with my peers   |           |          |          |          |           |
| <b>Employee performance measurement</b>  | <b>SA</b> | <b>A</b> | <b>N</b> | <b>D</b> | <b>SD</b> |
| I can say that the DBE motivational practice helped me to reduce lateness and absenteeism.   |           |          |          |          |           |
| I observed that because of motivational practice developed by the bank there is a decreasing level of turnover within the employees                  |           |          |          |          |           |
| Due to the motivational scheme provided by the bank my willingness to spend extra hours on working become increase                                   |           |          |          |          |           |
| In my opinion the DBE motivational practice inspired me to deliver my tasks as per the requirements and improve my service delivery time             |           |          |          |          |           |
| Through the development of the motivational practice my job performance evaluation score become increasing   |           |          |          |          |           |
| In general the bank's motivational practices increase my commitment, competency, efficiency and effectiveness of my                                  |           |          |          |          |           |



|                     |  |  |  |  |  |
|---------------------|--|--|--|--|--|
| overall performance |  |  |  |  |  |
|---------------------|--|--|--|--|--|

**Open ended questions**

1. Please indicate if there is negative demotivation factor which affect the performance of employees in the organization.

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2. In your opinion what must be undertake by the bank in order to motivate his employees and to increase their performance

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.....**Thank you** .....



























