



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

**THE IMPACT OF EXTRINSIC MOTIVATION
ON EMPLOYEE PERFORMANCE**

THE CASE OF DEVELOPMENT BANK OF ETHIOPIA

**BY
BERHAN TEFERA**

**JUNE, 2014
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO THE ST. MARY'S UNIVERSITY,
SCHOOL OF GRADUATE STUDIES IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD
OF THE DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION**

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**JUNE, 2014
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DEDICATION

I dedicated this thesis work to my beloved Nafkot Negussie, Thank you for your unconditional support with my studies which has been become my strength during the course of this time. I recognize you have given me a chance to improve myself throughout my life. I am always grateful and I do appreciate all you have done for me.



ACKNOWLEDGMENTS

I would like to express my sincere thanks to Mr. ShoaJemal for his supervision, guidance valuable advice and encouragement towards completing this research study.

I am grateful to the Ethiopian Development Bank Managers and workers who have given me assistance in obtaining information related to this research work particularly to Appraisal Sub Process Manager and staffs members.

I would like to express my appreciation to my whole family for their unwavering patience throughout the duration of my study your sustained moral support has enabled me to pursue the postgraduate study. Spatially Mr. Eyob Tefera and Mrs. Rebecca Samason, I am so indebted to your support all of this years.

ABSTRACT

The main objective of the study was to investigate the impact of extrinsic motivation on employee performance. The research conducted at DBE. To gather the data, primary and secondary methods utilized, Questionnaire, related literature and supporting documents from different sources used. From the nature of the Development Bank of Ethiopia, stratified sampling technique is appropriate to conduct this study and the same used to collect a primary data. The analysis of the primary data and secondary information conducted using descriptive analysis such as frequencies, percentages and graphs employed for the analysis of the research questions the relation between variables conducted with Correlation analysis and linear regression. In this study, DBE employee performance is determined by salary and benefit, working conditions, company policy, interpersonal relationship and administration & supervision. The descriptive analysis have revealed that, the current employees are satisfied with the current salary and benefit and not satisfied with the current performance evaluation system of the bank, their immediate supervisors supervision and their relation with leader. The respondents also do not feel satisfaction in the company policy and the administration and supervision because of the interference of higher officials in their decision and political decisions. In this study, extrinsic motivation positively related with employee performance but the effect of some extrinsic motivational factors on employee performance is insignificant, accordingly salary and benefit have significant positive impact on employee performance however working condition, company policy, interpersonal relation and administration & supervision have positive but insignificant impact on the employee performance. This shows the current way of administration and the working condition of the bank should be changed. The Bank also should improve Interpersonal relationship between employees and their supervisors. The bank should create an effective and good performance appraisal system. Finally Professional work decision should be out of the influence of the management decisions and interference



LIST OF ACRONYMS/ABBREVIATIONS

DBE: - Development Bank of Ethiopia

SPSS: - Statistical Package for Social Sciences

BSC: - Balanced Scored Card

RUFIP: - Rural Financial Intermediation Program

ANOVA: - Analysis of Variance

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CHAPTER ONE

INTRODUCTION

This first chapter of the research deals with the background of the study, description of the study area, definition of terms, statement of the problem and research questions, objective of the study, significance of the study, scope of the study, limitation of the study and organization of the study report with their details presented below.

1.1. Background of the Study

Motivation is the fuel that drives people towards accomplishing their goals and objectives. In fact, without this fuel human beings would be inactive, leading to a routine and unproductive life. In this sense, motivation is not what the employer does to employees, but rather the urge that comes from the employee (Byars, 2002). Again, motivation is defined as those internal and/or external forces that trigger actions that persist until a certain goal is achieved (Daft, 2006).

Motivation theory can help the organization to consider the different investments, which can be made in people. Investment in workers through motivational measures are made today with the hope of future benefits for an organization (Stella, 2008).

Worker motivation is an individual and a transitional process. In the context of employees' motivation, there is a complex combination of factors, which has individual, organizational, and societal components. Consequently, effective programs will depend, not only on country level analysis, but also on regional, local and facility level efforts (Devadass, 2011).

Work motivation is the set of internal and external forces that initiate work-related behavior, and determine its form, direction, intensity, and duration. Work Motivation is a middle range concept that deals only with events and phenomena related to people in a work context. The definition recognizes the influence of both environmental forces (e.g., Organizational reward systems, the nature of the work being performed) and forces inherent in the person (e.g., Individual needs and motives) to work-related behavior. An essential feature of the definition is that it views work motivation as an invisible, internal, hypothetical construct (Pinder, 1998), Work motivation is a set of energetic forces that originate both within as well as beyond an individual's being, to initiate work-related behavior and to determine its form, direction, intensity, and duration (Pinder, 1998). Thus, motivation is a psychological process resulting from the interaction

between the individual and the environment. In other hand Employee performance is frequently described as a joint function of ability and motivation, and one of the primary tasks facing a manager is motivating employees to perform to the best of their ability (Moorhead, 1998). In fact, motivation has been described as “one of the most pivotal concerns of modern organizational research” (Baron, 1991).

As many studies suggest, the notions of motivation and work performance have become a popular driving force behind most successful organizations. In this study also the researcher, tries to assess the impact of extrinsic motivation on the employee job performance at DBE.

1.2. Description of the Study Area

DBE, which is one of the financial institutions engaged in providing short, medium, and long-term development credits. DBE’s distinguishes feature is its project based lending tradition. Project financed by the Bank carefully selected and prepared through appraised, closely supervised and systematically evaluated. DBE, being one of the state owned financial institutions, has a clear mission of accelerating the national economic growth (DBE Website).

The mission of DBE is to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the government by mobilizing funds from domestic and foreign sources while ensuring its sustainability and its Vision is “100% success for all financed projects by 2020”.

Major Values of the bank are Commitment to Mission, Customer focus, Integrity, Team work, High value to employees, Learning organization and Concern to the environment. DBE’s Organizational set-up includes: Board of Management, . President, Vice Presidents, Processes, sub-processes and Bureaus, Engineering services, Regional Offices, Branches and Sub-Branches.

Major activities of the bank under taken at head office and the majority of the employees exist at head office. There 19 process of the bank which are classified into core process, which are Credit process, Project rehabilitation sub process, Appraisal sub process, and approval sup process. whereas, Research process, Risk management, Finance and accounts management process Human resource management process, and Strategic Planning and development effectiveness process are categorized under immediate support processes. The other classification are support processes and include Property management process, Legal process, Information technology

service process, Finance and accounts management process RUFIP Bureau, Internal Audit, Change management, Export Credit Guaranty and Information Technology Service Process.

DBE is staffed with multi disciplinary professionals, which includes economists, management professionals, accountants, statisticians, and engineers (civil, mechanical, industrial, agricultural, electrical, and chemical and textile engineers). As of December 2013 DBE is staffed by 1,088 workers out of which, 54% are working at the head office, 46% are working in branches and sub branches of DBE which located in different area of the country.

Since DBE is a governmental organization, which considers as a government policy bank that establishes to support and assist in implementing the government goals. The salary and other benefit packages are determined according to the government development organizations scale and with adjustment at different time the benefit package includes salary and other benefits like medical insurance, life insurance, transportation allowance; rather than those extrinsic motivational factors employees also can enjoy working on different type of projects.

1.3. Statement of the Problem

One of the most important factors that move every human being to achieve his or her goal is motivation. Indeed, motivation is that guiding principle that enables people to stay focused on the path of success regardless of the challenges that may be encountered.

Organizations spend a great deal of time, effort, and money in designing and implementing the right performance management strategies, incentive systems, and different motivational factors to motivate their employees and facilitate them to contribute to their organizational goals and increase employee's performance.

Motivational factors have different impacts on the employee's performance, assessing these impacts on the employee's performance and on their contribution to the organizational goal fulfillment help the establishment to take possible measures, which will keep the employees motivated, and positively contribute to organizational execution.

High productivity is a long-term benefit of employee motivation (Chaudhary, 2012). Motivated employee is a valuable asset who creates value for an organization in strengthening the business

and revenue increase. DBE also should hold back its employee motivation to raise their operation towards the organizational performance strengthening

DBE uses both intrinsic and extrinsic motivational factors on its employees to enhance its employee's performance. The intrinsic motivation in DBE included work accomplishment, work challenge and learning new thoughts and competence. Salary, medical cost coverage and fuel allowance benefits, enabling policies and various forms of supervisions are the main types of extrinsic motivation in DBE (DBE Annual reports).

Even though both types of motivational factors used and there is a recent increment on salary and adjustments of benefits by considering the inflation and manpower value in the market the DBE staff is still unsatisfied unable to enhance their performance to help the bank to address its goals and objectives which can be reflected in failure of the organization to meet its objectives, customer dissatisfaction and employee turnover. Unfortunately the organization never conducts any study regarding what motivates employees what employees choose as their motivational factors and the impact of those motivational factors on the job performance of employees. As though there are no such studies done on these extrinsic motivational factors and their impact on employee job performance this research paper try to study the impact of such extrinsic motivational factors and the organization extrinsic motivation level on the employee's performance.

1.4. Research Questions

This research carried out to assess the impact of extrinsic motivation on employee performance. Founded with this guiding aim it is conceived that the paper tries to answer the following basic questions.

- What is the level and nature of extrinsic motivation impact on employee performance?
- What are the main types of extrinsic motivators that have an influence on the job performance of the DBE workers'?
- Is there any correlation between extrinsic motivation and employee performance in the organization?

- What are the hindrances that keep DBE employees unmotivated and hinder them to contribute their most effort to their organization?

1.5. Objectives of the Study

1.5.1. General Objective

The general objectives of this paper is to evaluate the impact of extrinsic motivation on employee's performance and their contribution towards the organizational goal achievement in the case of DBE

1.5.2. Specific Objectives

- To evaluate the impact of extrinsic motivation on the work performance of employee's
- To find if there any correlation between extrinsic motivation and employee performance
- The research tries to offer possible solutions based on the findings
- To Explore hindrances that hold apart the employees unmotivated and contributing to the organization goal achievement.

1.6. Definition of Terms

The following terms are operationally defined as they are used in this study:-

- Motivation is the process of inspiring people to actions to achieve the goals (Nupur & Bharti, 2012). Motivation is the nation of being prompted to action, the same definition also used in this work.
- Employee Performance:- The activity of performance of doing something fruitfully by knowledge as famous from simply possessing it(Nupur & Bharti , 2012).
- In this survey the job category in the organization have the following job levels
 - Top level Management: - job Grade 14 and above
 - Middle level Management: - from Job Grade 11 to job grade 13
 - Lower level Management: - job grade ten

- Performer: - below a job grade of nine
- Intrinsic motivation: - is derives from within the person. It refers to the direct relationship between a worker and the task, and is usually self-applied (Armstrong, 2001).
- Extrinsic motivation: - is comes from the work environment, external to the person and his or her work (Armstrong, 2001).

1.7. Significance of the Study

The aim of this paper is assessing the impact of extrinsic motivations on the employee's performance and come up with possible suggestions and important conclusions. The work also helps the bank to recognize the employee's motivation status and identifying the best motivational tools and suggest the bank to employ it to motivate its employees to enhance its organizational execution. Ultimately, the research as a whole and the finding as well as the methodology can be utilized as a reference for researchers who interested in channeling their research on motivational issues spatially in the given financial area.

1.8. Scope of the Study

This research addresses the impact of extrinsic employee motivation on employee job performance in development bank of Ethiopia at head office. The major activities of the bank are under taken at head office and the majority of the employees also exist at head office. This is the reason why the scope of the study is limited to head office.

1.9. Organization of the Study Report

This research organized into five chapters. The first chapter deals with introduction part of the study providing details associated with the background of the subject area, briefing of the survey area, the statement of the problem, objectives of the discipline, the significance of the work, the scope of the work, research hypothesis formulation, research questions and organization of the work. Chapter two consisted with the literature review, chapter three dealt with the methodology of the survey, the information collection method and the data analysis technique which planned to use in the field. Chapter four encompass detail results and discussions of the findings, the last chapter composed of conclusion and recommendation of the study based on the determinations

from the results and discussions. List of reference materials and Annexes are also the part of the paper at the end.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

In this chapter the researcher tries to put a detailed literature review regarding the issues raised in the research area by focusing on the different theoretical and empirical works on motivation, motivational factors and their impact on employee performance as a whole and the relationship of Extrinsic employee motivation and employee performance. Based on the theoretical and empirical studies reviewed the researcher try to draw some lessons accordingly by considering both.

2.1 Concepts and Definitions

According to International Encyclopedia of Organizational Studies, the term motive explained as desires, needs, emotions or impulses that make someone to do something following this definition, motivation is the state of being incited to action. According to Butkus& Green (1999), motivation is derived from the word “motivate,” means to move, push or influence to proceed in fulfilling a want.

Motivation is a set of courses concerned with a kind of strength that boosts performance and directs towards accomplishing some definite targets (Kalimullah et Al., 2010). Hellriegel, Slocum, and Woodman describe motivation as the force acting on or within a person that causes the person to behave in a specific, goal-directed manner (Hellriegel, 1992).

Daft and Marcic explain that motivation refers to the forces either within or external to a person that arouse enthusiasm and persistence to pursue a certain course of action (Daft, 2004).

Bartol and Martin consider motivation a powerful tool that reinforces behavior and triggers the tendency to continue. In other words, motivation is an internal drive to satisfy an unsatisfied need and to achieve a certain goal. In addition, a procedure begins through a physiological or psychological need that stimulates a performance set by an objective (Bartol& Martin 1998).

According to Kim motivation has something to do with a person’s behavior, a cause of behavior, or the reasons of individual behavior, and the causes of individual behaviors may differ because of different individual needs.

The intuition of the concepts to managers is that they must first understand and discover the individual differences and their needs, and develop proper models to motivate employees by fulfilling these different needs toward common organizational objectives. Therefore,

organizations and managers should not limit themselves to one specific motivational factor; instead, they should consider diverse motivational models to realize the different needs of employees (Kim, 2006).

When we take into consideration work environment, it becomes clear that work motivation refers to motivation within a work setting. Typically, it refers to employees' motivation to perform, stay and commit in a company, cooperate, lead or support a leader, help customers and so forth. In other hand, a motive is a reason for doing something.

Motivation is concerned with the factors that influence people to behave in certain ways. Motivation theory examines the process of motivation and explains why people at work behave in the way they do in terms of their efforts. It also describes how to encourage people to apply their efforts and abilities to achieve the organization's goals as well as satisfy their own needs (Armstrong, 2001).

Three different types of motivational tools, at minimum, employees expect the organization to provide fair pay, safe working conditions, and fair treatment. Like management, employees often expect more, depending on the strength of their needs for security, status, involvement, challenge, power, and responsibility, just how ambitious the expectations of each party vary from organization to organization. For organizations to address these expectations, an understanding of employee motivation is required (Beer, 1984).

According to Greenberg and Baron, the definition of motivation could be divided into three main parts. The first part focuses on arousal that deals with the drive, or energy behind the individual's action. People tend to be guided by their interest in making a good impression on others, doing interesting work and being successful in what they do. The second part refers to the choice people make and the direction their behavior takes. The last part deals with maintaining behavior, clearly defining how long people have to persist in attempting to meet their goals (Greenberg & Baron, A. R, 2003).

Considering the above definitions and conceptualization by different authors, it can be concluded that motivation is the inner force that drives individuals to achieve personal and organizational goals.

2.2 Motivational Theories

Employee motivation is an intricate and sophisticated subject; however, contemporary managers must face and deal with this topic to obtain organizational success. To enhance understanding of employee motivation, managers must recognize the imperatives of employee motivation, its concepts, and differences in individual needs. Subsequently, managers need to be aware of a variety of employee motivational factors and the changes in priorities of these factors over time. Moreover, managers have to learn previous and current motivational programs, examples, and theories behind them because understanding of these fundamentals can enhance their ability to identify rewards systems that could be matched with employee needs. This understanding of the employee motivation process requires a systematic approach, and managers must realize that employee motivation and its process are there to motivate their employees; therefore, employee input must be valued and included throughout this process (Kim, 2006)

In order for an organization to meet its obligations to shareholders, employees and society, its top management must develop a relationship between the organization and employees that will fulfill the continually changing needs of both parties. At a minimum, the organization expects employees to perform reliably the tasks assigned to them and at the standards set for them, and to follow the rules that have been established to govern the workplace. Management often expects more: that employees take initiative, supervise themselves, continue to learn new skills, and be responsive to business needs. At a minimum, employees expect their organization to provide fair pay, safe working conditions, and fair treatment. Traditionally, most reward and recognition programs were vague and often given in response to a manager's.

The best-known theory of motivation is probably Abraham Maslow's hierarchy of needs theory. Maslow was a psychologist who proposed that within every person is a hierarchy of five needs: (Coulter, 2002).

- Physiological needs: A person needs for food, drink, shelter, sex, and other physical requirements.
- Safety needs: A person needs for security and protection from physical and emotional harm, as well as assurance that physical needs will continue to be met.
- Social needs: A person needs for affection, belongings, acceptance, and friendship.
- Esteem needs: A person needs for internal esteem factors such as self-respect, autonomy, and achievement and external esteem factors such as status, recognition, and attention.

- Self-actualization needs: A person needs for growth, achieving one's potential, and self-fulfillment the drive to become what one is capable of becoming.

Maslow argued that each level in the needs hierarchy must be substantially satisfied before the next need becomes dominant. An individual moves up the needs hierarchy from one level to the next. In addition, Maslow separated the five needs into higher and lower levels. Physiological and safety needs were considered lower-order needs; social, esteem, and self-actualization needs were considered higher-order needs. Lower-order needs are predominantly satisfied externally while higher-order needs are satisfied internally (Coulter, 2002).

Ajila and Kamalanabhan argued that the practical significance of Maslow's theory is widely accepted. Physiological needs are considered in decisions regarding space, lighting, and overall working conditions; safety in terms of work practices; love in regard to forming cohesive work teams; esteem through responsibility and recognition; and self-actualization in terms of opportunities for creative and challenging jobs/tasks (Ajila, 1997) and (Kamalanabhan TJ, 1999). Another classic Motivational theory is Douglas McGregor's Theory X and Theory Y. He is best known for proposing two assumptions about human nature. Very simply, Theory X is a negative view of people that assumes workers have little ambition, dislike work, want to avoid responsibility, and need to be closely controlled to work effectively. Theory Y is a positive view that assumes employees enjoy work, seek out and accept responsibility, and exercise self-direction. McGregor believed that Theory Y assumptions should guide management practice and proposed that participation in decision making; responsibility and challenging jobs and good group relations would maximize employee motivation. (Coulter, 2002)

Frederick Herzberg's two-factor theory (also called motivation-hygiene theory) proposes that intrinsic factors are related to job satisfaction, while extrinsic factors are associated with job dissatisfaction. Herzberg wanted to know when people felt exceptionally good (satisfied) or bad (dissatisfied) about their jobs. He concluded that the replies people gave when they felt good about their jobs were significantly different from the replies they gave when they felt bad.

Certain characteristics were consistently related to job satisfaction and others to job dissatisfaction (factors on the right side). When people felt good about their work, they tended to cite intrinsic factors arising from the job itself, such as achievement, recognition, and responsibility. On the other hand, when they were dissatisfied, they tended to cite extrinsic

factors arising from the job context, such as company policy and administration, supervision, interpersonal relationships, and working conditions. (Coulter, 2002)

David McClelland and his associates proposed the three-need theory, which says there are three acquired (not innate) needs that are major motives at work. These three needs include the need for achievement, which is the drive to succeed and excel in relation to a set of standards; the need for power, which is the need to make others behave in a way that they would not have behaved otherwise; and the need for affiliation, which is the desire for friendly and close interpersonal relationships. Of these three needs, the need for achievement has been researched the most.

In addition to early motivational theories, there are different contemporary motivational theories. The first one is goal-setting theory, which says that specific goal increase performance and those difficult goals, when accepted, result in higher performance than do easy goals.

The second contemporary theory is Reinforcement theory, which says that behavior is a function of its consequences those consequences that immediately follow a behavior and increase the probability that the behavior will be repeated are called reinforces. Reinforcement theory ignores factors such as goals, expectations, and needs. Instead, it focuses solely on what happens to a person when he or she does something.

The other theory is Equity Theory the term equity is related to the concept of fairness and equitable treatment compared with others who behave in similar ways. Evidence indicates that employees compare themselves to others and that inequities influence how much effort employees exert. Equity theory, developed by J. Stacey Adams, proposes that employees compare what they get from a job (outcomes) in relation to what they put into it (inputs), and then they compare their inputs outcomes ratio with the inputs outcomes ratios of relevant others. If an employee perceives her ratio to be equitable in comparison to those of relevant others, there is no problem.

The most comprehensive explanation of how employees are motivated is a Victor Vroom's expectancy theory. Although the theory has its critics, most research evidence supports it. Expectancy theory states that an individual tends to act in a certain way based on the expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual. It includes three variables or relationships (Coulter, 2002):

- Expectancy or effort–performance linkage is the probability perceived by the individual that exerting a given amount of effort will lead to a certain level of performance.
- Instrumentality or performance–reward linkage is the degree to which the individual believes that performing at a particular level is instrumental in attaining the desired outcome.
- Valence or attractiveness of reward is the importance that the individual places on the potential outcome or reward that can be achieved on the job. Valence considers both the goals and needs of the individual.

2.3 Employee Motivation

All businesses use pay, promotion, bonuses or other types of rewards to motivate and encourage high-level performances of employees (Reena, 2009). Employee Performance fundamentally depends on many factors like performance appraisals, employee motivation, Employee satisfaction, compensation, Training and development, job security, Organizational structure and other, the study of Reena only focuses on employee motivation as this factor highly influence the performance of employees as well as their organization (Reena, 2009).

Employee motivation is one of the policies of managers to increase effectual job management amongst employees in organizations. A motivated employee is responsive of the defined goals and objectives he/she must achieve, therefore he/she directs its efforts in that direction.

Rutherford (1990) reported that the motivation formulates an organization more successful because provoked employees are constantly looking for improved practices to do at work, so it is essential for organizations to persuade motivation of their employees (Kamalanabhan TJ, 1999).

Getting employees to do their best work even in strenuous circumstances is one of the employees most stable and greasy challenges and this can be made possible through motivating them (Quratul-Ain, 2012).

Employees want to earn a reasonable salary and payment, and employees desire their workers to feel that is what they are getting. Money is the fundamental inducement; no other incentive or motivational technique comes even close to it with respect to its influence value (Quratul-Ain, 2012).

Employee motivation is one of the strategies managers employ to enhance effective job performance among workers in organizations. For effective work performance to thrive in the organization, motivation has to be a managers' top priority. In this regard, leadership

effectiveness relates to work performance. Leadership is a central feature of organizational performance. This is an essential part of managerial activities, which focuses on efforts towards the goals, and objectives of the organization (Chidi, 2012).

Research has suggested that reward now causes satisfaction of the employee, which directly influences the performance of the employee. The rewards are management tools that contribute to firm's effectiveness by influencing individual or group behavior.

2.4 Motivational Factors

Managers can motivate employees through methods such as pay, promotion and praise. Employees can also motivate themselves by seeking work where individual goals, needs and wants will be achieved.

In early works of motivations a work of Herzberg's two factor theory. The theory brought a lot of interest from academics and from managers who were looking for ways of motivating their employees. Because of Herzberg's results which comes from a dual character of his work.

The theory brought a lot of interest from academics and from managers who were looking for ways of motivating their employees. His theory not only describes employees' needs but also goes further and presents how to enrich jobs and make workforce more motivated

Herzberg indicates that job satisfaction and job dissatisfaction are not opposite phenomena (Herzberg, 1968). According to him the opposite of satisfaction is rather no satisfaction and the opposite of dissatisfaction is no dissatisfaction.

Herzberg suggests that satisfaction and dissatisfaction are produced by different factors. People are satisfied at their work by factors related to content of that work (Herzberg, 1974).

This research also mainly based on these motivational factor classification, broadly we can divide motivational factors in two, and these two types of motivation are called intrinsic and extrinsic motivators. Intrinsic motivator refers to the motivation that comes from inside an individual. The motivation is generated through satisfaction or pleasure that one gets in completing or even working on a task. Factors that influence on intrinsic motivation includes achievement, recognition, interesting work, responsibility, advancement and growth, freedom to act, scope to use and develop skills and abilities. These motivators, which are concerned with the quality of work life, tend to have a long-term effect. Since they are inherent in individuals and not imposed from outside (Armstrong, 2001)

In other hand, extrinsic motivation is something that is done to or for people to motivate them. Factors that make people unhappy with their work are called dissatisfies or hygiene factors. Herzberg found following dissatisfies: company policy, supervision, working conditions, interpersonal relationships, salary, status, security. What makes them different from motivators is the fact that they are not related to the content of the work but to the context of the job (Herzberg, 1974).

It arises from factors outside an individual, such as money, grades, criticism or punishments. These rewards provide satisfaction and pleasure that the task itself might not provide. An extrinsically motivated person might work on a task even when they have little interest in it. This type of motivation usually has an immediate and powerful effect, however, it does not tend to last for long(Armstrong, 2001).

As compared to financial resources, human resources have the capability to create competitive advantage for their organizations. Employee performance depends on a large number of factors, such as motivation, appraisals, job satisfaction, training and development and so on, but this paper focuses only on employee motivation, as it has been shown to influence a significant degree the organizational performance (Dobre, 2013).

As Kalimullah suggested, a motivated employee has his/her goals aligned with those of the organization and directs his/her efforts in that direction. In addition, these organizations are more successful, as their employees continuously look for ways to improve their work. Getting the employees to reach their full potential at work under stressful conditions is a tough challenge, but this can be achieved by motivating them (Kamalanabhan TJ, 1999).

2.5 Motivation and Employee Performance

Employee performance is frequently described as a joint function of ability and motivation, and one of the primary tasks facing a manager is motivating employees to perform to the best of their ability (Devadass, 2011).

Understanding what motivates employees is one of the key challenges for managers, although it is not possible directly to motivate others, it is nonetheless important to know how to influence what others are motivated to do, with the overall aim of having employees identify their own welfare with that of the organization (Ahmed & Ali, 2009).

It has already been argued that managers need to motivate employees to perform well in the firm, since the organization's success is dependent upon them (Keijzers, 2010).

According to Chidi, when you expect the best from your employees, they will give you their best. On the other hand, when you expect less from employees they will give you low performance in return. Many people feel that they are not recognized or appreciated by their employers for their hard work and in turn, they feel demotivated. Lack of communication and feedback from employers cause employees to feel overlooked and inhibits them from performing to the best of their ability (Chidi, 2012).

Financial motivation has become the most concern in today's organization and tying it to Maslow's basic or physiological needs. Nonfinancial aspect only comes in when the financial motivation has failed.

The most successful and performing organizations bring out the best in their employees. Such organizations focus on the human resources within. Technology, economic considerations, and the product are secondary to the human qualities, which allow people to work as a team. For employees to function at maximum level, they must feel that they are essential to an organization that challenges their human spirit, inspires their personal development, allows them to accomplish goals and tasks, and symbolizes and represents only the highest standards of ethical conduct. Such considerations define a quality work environment (Thompson, P. & McHugh, D, 2002). According to Thompson and McHugh, successful organizations embody the following characteristics:

- Trust in relationships: Without trust, any human relationship will inevitably degenerate into conflict.
- Involvement: Decision-making starts at the lowest level, where the facts are. What people help create, they support.
- Communication: People want to know as much as possible about their working environment. Lack of information hurts their pride, insults their intelligence, arouses their fears, and makes them counterproductive.
- Higher Expectations: Pride is the product of accomplishing challenging objectives.

The relationship between employee motivation and job performance has been studied for a long period. However, earlier research could not succeed in establishing a direct relationship between the two. Yet it seems that that the factors do influence each other.

Vroom reviewed the 15 studies used in his research and added another 20 more recent studies; he concluded that employee motivation and performance are indeed related (Vroom, 1970).

2.6 Empirical Literatures

Motivation research has a long history of considering employee motives and needs. Scholars and practitioners care about cultivating, increasing, and maintaining work motivation (Devadass, 2011). Interest in these areas peaked in the 1970s and early 1980s, and the last fifteen years have seen little empirical or theoretical research. The majority of work on the motives and needs in the 1990s fell into three areas: an examination of the job attributes that motivate individuals, research that examines the need for achievement, and research on the Protestant work ethic.

The first paper reviewed is a study prepared by Akanbi and Paul Ayobami, they tried to see the influence of extrinsic and intrinsic motivation on employees' performance. That is conducted on one hundred workers of Flour Mills of Nigeria PLC. The study used survey research design method and the hypothesis are tested using Pearson Product Moment Correlation Coefficient. Accordingly they decided there is a significant relationship between extrinsic motivation and workers performance there is a positive relationship between extrinsic motivation and workers performance. The other hypothesis also accepted which is there is a significant relationship between intrinsic motivation and workers performance. Finally based on the hypothesis result they conclude that the results obtained from the hypotheses that showed workers place great value on the different rewards given to them by their employers.

In another study carried out by Herzberg and Bugental (1970), they also base their research on Herzberg's two-factor theory of motivation, which separated job variables into two groups: hygiene factors and motivators. They made use of a sample of 692 subjects to test the validity of the two-factor theory. And it was discovered that at higher occupational level, "motivators" or intrinsic job factors were more valued, while at lower occupational levels "hygiene factors" or extrinsic job factors were more valued. From this work they concluded that an organization that satisfies both intrinsic and extrinsic factors of workers get the best out of them.

Another study carried out based on Herzberg's hygiene motivational factor is the research work which prepared by Bahrulmazi Bin Edrak, Benjamin Chan Yin-Fah, BehroozGharleghi and ThiamKahSeng in titled with "The Effectiveness of Intrinsic and Extrinsic Motivations".

The paper uses survey questionnaire data collected from 200 employees. The research analyzed using the well established correlation analysis, regression analysis, independent sample t-test, and one-way ANOVA. In the paper the authors find out four major findings which are; first, there is a relationship between intrinsic --and extrinsic motivations with job satisfaction. According to the correlation value, intrinsic motivation compared to extrinsic motivation tends to contribute more in job satisfaction. Second, there are significant and positive relationship between intrinsic and extrinsic motivations and job satisfaction. Both of the intrinsic and extrinsic motivation is identified as the predictor for job satisfaction. In other words, they are both significantly contribute in better job satisfaction. Third, there is no difference between gender and intrinsic and extrinsic motivations. Hence in the paper result, gender is not a factor that affects both of the intrinsic and extrinsic motivations. Lastly, the result indicates that there is a difference between age and intrinsic and extrinsic motivations. Therefore they conclude that, age is the factor that influences on both intrinsic and extrinsic motivations. there results have demonstrated the effectiveness of intrinsic and extrinsic motivations in influencing job satisfaction (Bahrulmazi, Yin-Fah, Gharleghi, & Seng, 2013).

Finally it is tried to see the research work of ElegwaMukuru entitled Effect of Motivation on Employee Performance In Public Middle Level Technical Training Institutions. The study adopted a descriptive research design with sample size of 315. It used a structuredquestionnaire with likert scalequestions to collect data fromthe respondents.

The study used two content theories that explain the specific factors that motivate people and two process theories which are concerned about the psychological and behavioral processes that motivate an individual. The study found out that employees are not satisfied with their pay and work environment in Public Middle Level Technical Training Institutions in Kenya nowadays hold diplomas and degrees in various disciplines of studies (Elegwa).

As most of the papers reviewed above, indicate that most of the hygiene factors or extrinsic factors like pay system of the organization; working conditions and relation with the supervisor

are a source of satisfaction and dissatisfaction for employees. As many studies also suggest those factors have significant impact on the job performance of employees.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

In the third part the study attempts are made to examine the research method, the source of data, the sampling and design technique the data analysis method and ethical consideration.

3.1 The Research Design

The descriptive research type was used while investigating the impact of extrinsic employee motivation on employee job performance in DBE. The research was designed based on the extrinsic motivation is independent variable and employee job performance is dependent variable that depends on the extrinsic motivation of employee's. The causal research type used to assess the nature of relationship and its impact between the independent variable and the dependent variable.

3.2 Source of Data and Method of Data Collection

For the use of the study primarily and secondary data was compiled with the study. The primary data are the data that collected from selected respondents using questionnaires. In addition personal interaction and the researcher observation also used as a primary data collection method. The secondary data gathered from published materials, which includes related journals and articles, different electronic search engine such as the internet, and the DBE intranet and annual as well as quarterly publications.

The researcher used different extrinsic motivational factors that taken as independent variables, which are salary and benefits, company policy, administration & supervision, interpersonal relation and working conditions. Employee performance taken as a dependent variable, which assumed as depends on the above extrinsic motivational factors.

A well-structured questionnaire used to collect the primary data. The data consists of the perceptions of respondents gathered through survey questionnaire. The questionnaires used in this research study consist of three parts that are

- **Part one:** - General Information Questionnaire, which includes the respondent's, biographical and background information that was collected to establish a profile of the sample group in relation to their gender, work experience, position, employee salary and educational Qualifications.
- **Part two:** - The extrinsic motivation Questionnaire, this part present in two sections the first section presented with overall questions about the extrinsic motivations in the organization using fifteen questions. The second section used to determine the motivational level of employees based on the extrinsic motivational factor fifteen questions asked that describe motivational level of employee.
- **Part three:** - in this questioner part the employees gave their job performance result and their attitude towards the employee performance evaluation.
- **Part Four:** -Open-ended questionnaire comprises of a question which can give an opportunity for respondents regarding major factors that affect their performance, demotivating factors that affect their performance negatively and suggestions for DBE regarding motivational factors

3.3 Population and Sampling Procedures

As of December 2013, there are 1,088 employees in DBE. Among the total employee's of DBE 584 are working at the head office level that includes professionals starting from junior officers and above and it is the total Number of the population. The target population is taken by excluding the management employees from the total population which is equivalent to 550. The stratified sampling technique adopted in the selection of the sample based on the strata from the core process, immediate support and Support process. The sample for the study was taken from the staff of DBE at the head office. Yamane provides a simplified formula to calculate sample sizes. This formula was used to calculate the sample sizes in this study. (Glenn D., 1992)

Equation 1 Sample Determination

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

Where; n = Sample Size

N = the population size

e = the level of precision

Accordingly, at the 95% confidence level and with a 10% level of precision; the sample size determined to be 85 of the total population. The questionnaire distributed to the given population equally and proportionally based on their respective process and job levels. The samples divided into different subgroups, which are the bank's formal processes and sub process structure taken as strata for sampling purposes.

Stratified sampling involves dividing the population into homogeneous non-overlapping groups (i.e., strata), selecting a sample from each group, and conducting a simple random sample in each stratum (Cochran, 1953).

Based on information available from a frame units allocated to strata by placing within the same stratum, those units that are more-or-less similar with respect to the characteristics measured. The reason behind choosing stratified sampling is the sample is better represent the population because there will be a cross section of the population and possibility to represent all the segments of the population.

From core process, Appraisal sub Process and Credit process is selected due to the reason that most of the core activities of the bank passes in these process. In Addition to the core process, based on their basic support to the core processes Research Sub process, HRM, and Finance and Accounts Management processes are selected from immediate support processes. From support processes, Change Management Bureau and The Strategic Planning & Development Effectiveness ProcessPlanning ware selected. The researcher believes that those processes can represent the total population and their response can explain the impact of extrinsic motivational factors on employee's performance.

The reliability of the questioners had been tested using the Cronbach's Coefficient Alpha the result found out to be as 0.802 which describes that as there is an internal consistency and that can be used for the intended purpose.

Table 1 Reliability Statistics

Description	N	%
Valid	25	100.0
Cases Excluded ^a	0	.0
Total	25	100.0
Cronbach's Alpha	N of Items	
.802	16	

3.4 Method of Data Analysis

Data collected based on the concepts define in the research model and the questions planned to address. This study is a descriptive survey, to collect detailed and factual information that describes an existing phenomenon; it adopted the use of questionnaires aimed at finding the impact of motivation on the Employee performance.

In study descriptive statistics such as frequencies, percentages and graphs used for the analysis of the research questions, the relationship between variables checked using Pearson's correlation coefficient, which is the covariance of the variables divided by the product of their standard deviations. SPSS v.21 computer software used to run the analyses of the data collected in the survey. Standard multiple regressions used to check the impact of the extrinsic motivation on employee performance. The standard multi linear relationship can specified as

Equation 2 Regression Equation

$$EP_i = \alpha + \beta_1 SB_i + \beta_2 WC_i + \beta_3 CP_i + \beta_4 IR_i + \beta_5 AS_i + \varepsilon$$

Where

α is constant term, β is coefficient of independent variables, $i = 1, 2, \dots, 91$

EP = Employees performance, is the dependent variable which is measure by the bank threshold measurement.

SB = Salary & Benefits,

WC = working conditions

CP = Company policy

IR = Interpersonal Relation

AS = Administration and supervision

Which are measured as 4 strongly motivated

3 motivated, 2 Not motivated,

1 Not strongly motivated

To analyze the impact of extrinsic motivation on employee performance the dependent variable in the study is Employee Performance that represents individual job performance. The Employee Job performance is measured through DBE individual performance measurement system and thresholds. The respondents categorized into excellent (above 90%), good (85%-89.9%), average (80%-84.9%), Poor (75%-79.9%) and very Poor (Below 75%).

The first independent variable is Salary and benefits provided by the DBE for its staff members, which is one of the main extrinsic motivational factors. For a few decades, a large body of research has been done on the effect of money and other extrinsic factors on worker, cognition and performance. The other employees affecting extrinsic motivational variable is company policy in which the company is following. Organization administration and supervision is one of the main extrinsic motivational factors, the paper also considers this factor, which have an immense impact on employee Job performance. Interpersonal relations between employees to employee, managers to employee and organizational officials to employee have significant impact on the employee job performance. The final independent variable that considered in the

study is working condition that includes the office outlays, the human personal composition and alike.

The variables discussed above presented in a Likert scale with Strongly Motivated appearing the first end of the scale and Not Strongly Motivated the other end. Respondents are required to tick 1, 2, 3 & 4 for strongly motivated, motivated, Not Motivated and Not Strongly Motivated respectively.

3.5 Ethical Considerations

The data collected is used only for this study purpose and is not accessible for any other purposes. However, the study result only present and accessible for both the graduating school and the organization.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter includes the data presentation, analysis and discussion of the findings. The analysis begins with a description of the respondents biographical profiles, which will help the reader to understand the workforce of the respondent. The questions on extrinsic motivation and employee performance presented and analyzed graphically.

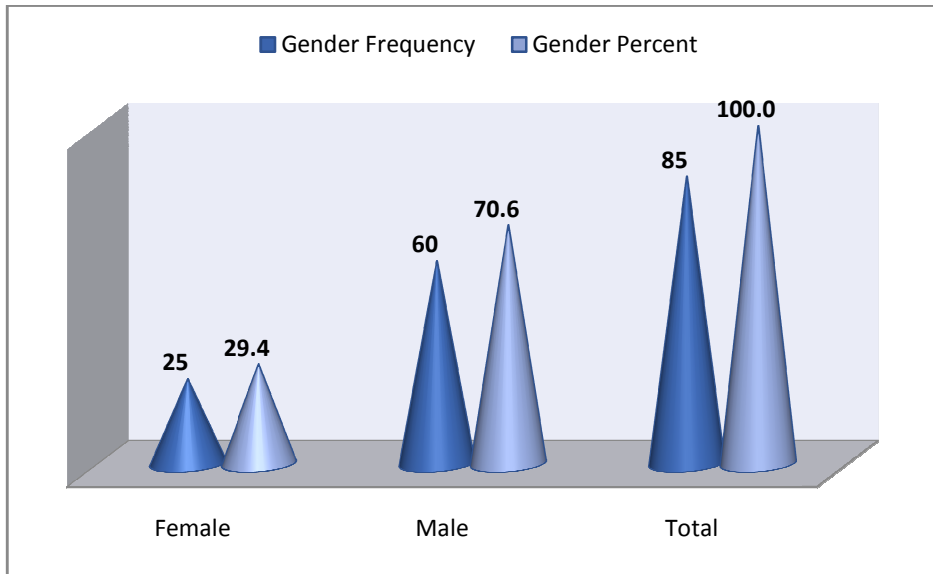
4.1. Demographic Characteristics of the Respondents

General information has been discussed in which the respondents requested to provide different types of biographical information, such as gender, age, length of experience, educational level, marital status and current salary.

4.1.1. Gender of Respondents

Among the total 85 respondents 60 (71%) of the respondents were male, and 25 (29%) of the respondents were female. The figure below shows that, the male respondents formed the majority of the target population while the female respondents were minimal in number.

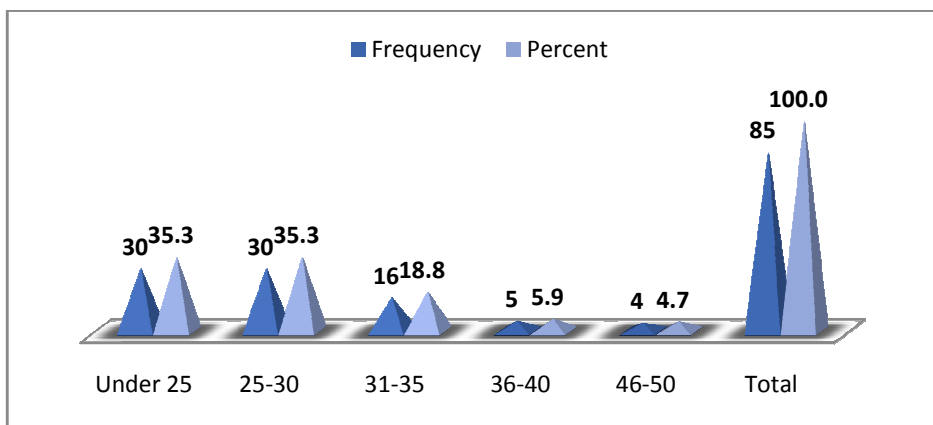
Figure 1. Classification of Respondents by Gender



4.1.2. Age of Respondents

In DBE, a large percentage of the current workforce is under 30 years of age. Among the total respondents, 35% are under 25 years of age and another 35% are between 25 and 30 years of old. Employees in the range between 31- 35 have 18.8 % share, whilst 5.9 % of employees are with age of 36-40 and the rest are above 46 years of age which is 4.7 %.

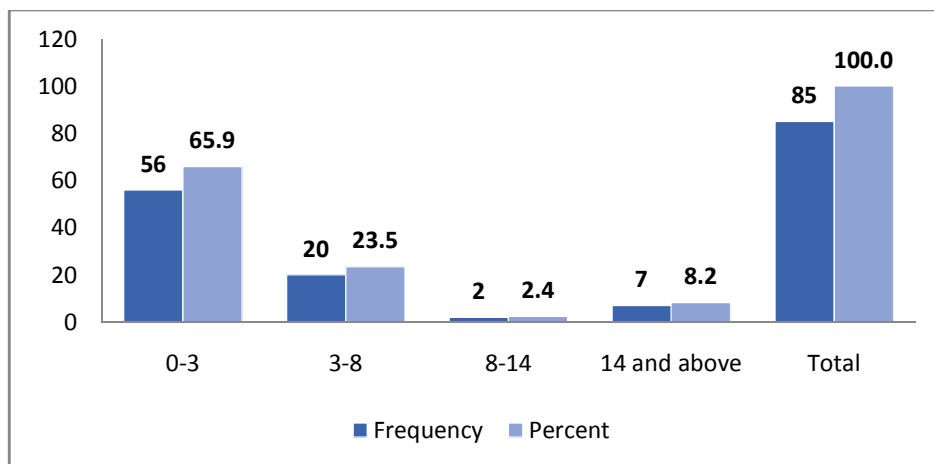
Figure 2. Respondents Age



4.1.3. Length of Experience

A large percentage of the current workforce (66%) has been with the company less than three years, 24 % of the workforce's works in the company since 3-8 years, 2 % of the work forces were with the company for 8-14 years, and 8% of the workforces are with the company for more than 14 years. Since the majority of work forces are under 30 years of age, we can conclude that most of the staff have a few years' experience with the organization.

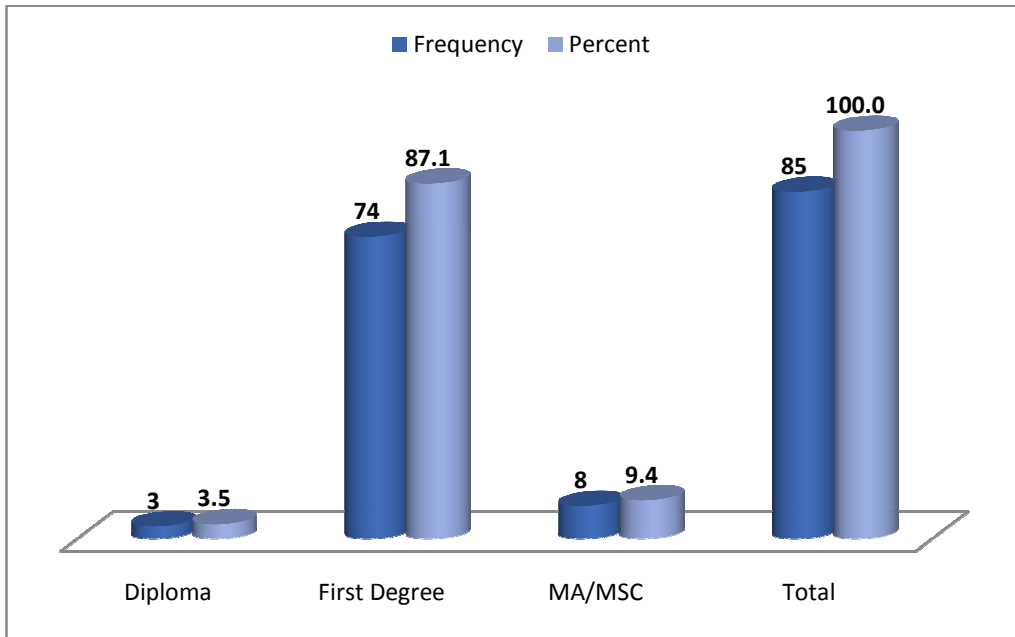
Figure 3. Years of Experience



4.1.4. Educational Level

DBE is structured in well-educated employees and the respondent's backgrounds imply the same. A large majority of the workforce (87%) has BA/BSC degree. While 9% have studied further than BA/BSC, they have MA/MSc. The remaining respondents 4% are Diploma graduated.

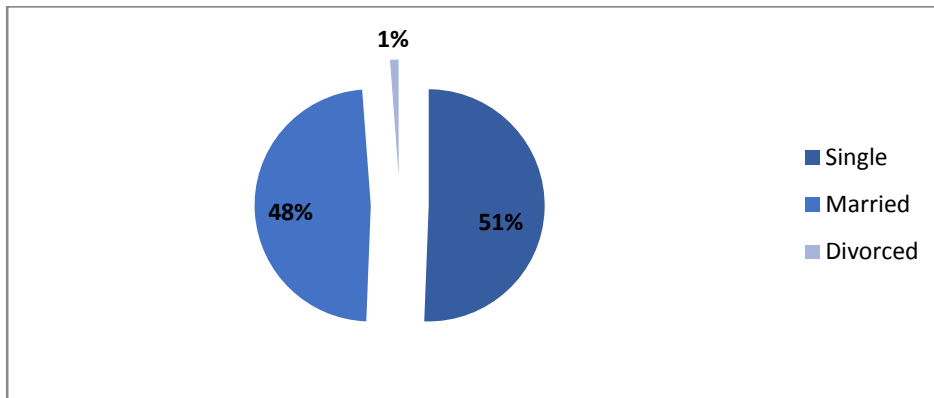
Figure 4. Educational Level



4.1.5. Marital Status

Among the total number of respondents 51% were single workers. In other hand, 48% were married respondents. The remaining 1% of the respondents is Divorced workers.

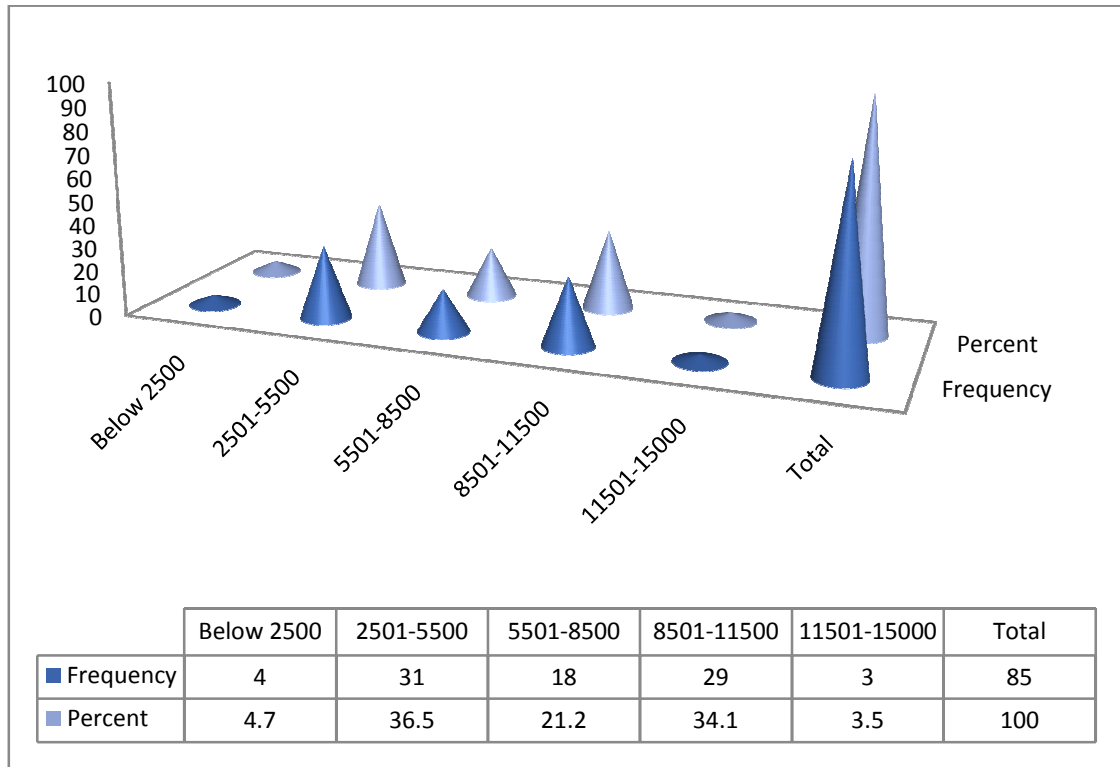
Figure 5. Marital Status



4.1.6. Current Salary

The graph below illustrates the salary that employees currently getting from DBE. There were 31 (36.5%) respondents earn a salary between Birr 2,501 - 5,500. 29 (34%) get salary between Birr 8,501-11,500, 18 (21 %) gets Birr 5,501 - 8,500.

Figure 6. Current Salary



4.2. Data Analysis and Interpretation

4.2.1. Assessment of extrinsic motivation

To assess the extrinsic motivation in DBE, the respondents addressed with 15 serious questions that will help in assessing the extrinsic motivation using the selected variables.

- Salary and Benefits

Among the total respondents (44%) strongly agree that money is a motivator for them, 36 % agree that money as a motivation for them. However, the remaining 18% and 2% of the respondents did not believe as money a motivational factor for them.

Fifty one percent (51%) and forty five percent (45%) of the respondents indicated that they strongly agree and somewhat agree that DBE pays its workers according to the amount of work done. In other hand (4%) of the respondents disagree.

Most of the employee believes that DBE pays a bonus for an employee who meets the targets. Sixty (60%) and Thirty five percent (35%) of the respondents indicated that they strongly agree and Somewhat Agree that DBE pays its workers a bonus when they meet a se target. In other,

hand only five percent (5%) of the respondents somewhat Disagree that the DBE pays its workers according to the amount of done.

Table 2. Employees Response on Salary and Benefits

Descriptions	Money is a motivator for you?		DBE pays its workers according to the amount of work done		When employees meet the set targets, they are paid a bonus	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly Disagree	2	2	1	1		
Somewhat Disagree	15	18	3	4	4	5
Somewhat Agree	31	36	43	51	30	35
Strongly Agree	37	44	38	45	51	60
Total	85	100	85	100	85	100

- Working Conditions

Among the total respondents, 79% strongly agree that working condition is a motivator for them, 36 % agree that money as a motivator for them. However, the remaining 19% and 2% of the respondents did not believe working conditions as a motivational factor for them.

In other hand among the respondents 42% somewhat agree and 21 % strongly agree that having acquiring fancy office id a work motivator for them. The remaining 30% somewhat disagree and the other 7% strongly disagree that fancy office a motivational factor for them.

The respondents also requested whether the working Condition of DBE motivated them or not, accordingly 34 % and 26 % Somewhat Disagree and Strongly Agree that the working condition of DBE motivates them. However, 33% disagree and 7 % strongly disagree that as DBE has a working condition that can motivate their job performance.

Table 3. Working Condition

Descriptions	Working conditions is a motivator for you		Acquiring a fancy office is a motivator for you		The working condition of DBE motivates you	
	Frequency	Percent	Frequency	Percent	Frequency	Percent

Strongly Disagree			6	7	6	7
Somewhat Disagree	2	2	25	29	28	33
Somewhat Agree	16	19	36	42	29	34
Strongly Agree	67	79	18	21	22	26
Total	85	100	85	100	85	100

- Administration and Supervision

More than half of the respondents (59 %) strongly agree that comfort in their organization administration and supervision is a motivator for them. In addition, 30% of the respondents somewhat agree that comfort in their organization administration and supervision. In other hand, the remaining 9% and 2% of the respondents did not believe as comfort in their organization administration and supervision is a motivator for them.

The next question employees requested is whether working independently using their own initiatives rather than working under tight supervision makes them more motivated to work their job. 55% and 24 % of the respondents strongly agree and somewhat agree, the remaining respondents 11% somewhat disagree and strongly disagree each.

Based on the last question that weather DBE promotes personal growth and gives opportunity for advancement on the job or not, 31% strongly agree and 41 % somewhat agree. The remaining 23% somewhat disagree and the other 5% strongly disagree.

Table 4. Administrations and Supervision

Descriptions	Comfort in your organization Administration & supervision is a motivator for you		Working independently using your own initiatives rather than working under tight supervision makes you more motivated to work your job		Your organization promotes personal growth and gives opportunity for advancement on the job	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly Disagree	2	2.4	9	10.6	4	4.7

Somewhat Disagree	8	9.4	9	10.6	20	23.5
Somewhat Agree	25	29.4	20	23.5	35	41.2
Strongly Agree	50	58.8	47	55.3	26	30.6
Total	85	100.0	85	100.0	85	100.0

- Interpersonal relationship

Nearly all the respondents were interested in the interpersonal relationship, 74% and 20 % were strongly agreed and somewhat agree that interpersonal relationship is a motivator for them. Only the remaining 6% somewhat disagree as interpersonal relationship is a motivator for them.

In another question in which it targets to explore that weather DBE gives opportunity for good interpersonal relation in the organization or not and which will motivate the employees to enhance their work performance, accordingly 41% strongly agree and 40 % somewhat agree. The remaining 12% somewhat disagree and the other 7% strongly disagree that DBE gives opportunity for good interpersonal relationship and in which will motivate the employee to enhance their work performance.

Table 5. Motivations and Interpersonal Relationship

Descriptions	An interpersonal relation is a motivator for you		Your organization gives opportunity for good interpersonal relation in the organization which will motivate you to enhance your work performance	
	Frequency	Percent	Frequency	Percent
Strongly Disagree			6	7
Somewhat Disagree	5	6	10	12
Somewhat Agree	17	20	34	40
Strongly Agree	63	74	35	41
Total	85	100	85	100

- Company Policy

The final variable in which respondents requested to show their attitude towards is company policy, most of the employee believes that Company policy can motivate them 58% strongly agree and 34% somewhat agree the remaining 8 % only somewhat disagree with the question.

Among the respondents, 40 % of the employees believe that DBE has a sound personnel policy towards employee management. In addition 51 % somewhat agree and the remaining respondents (8%) somewhat disagree and the other 1% strongly disagree that DBE has a sound personnel policy towards employee management.

Table 6. Motivations and Interpersonal Relationship

Descriptions	Company policy is a motivator for you		Your organization has a sound personnel policy towards employee management	
	Frequency	Percent	Frequency	Percent
Strongly Disagree			1	1.2
Somewhat Disagree	7	8.2	7	8.2
Somewhat Agree	29	34.1	43	50.6
Strongly Agree	49	57.6	34	40.0
Total	85	100.0	85	100.0

4.2.2. Motivational Level of Extrinsic Motivation

In this section, the respondents addressed with 15 serious questions that will help in identification of the employee’s motivational level on the selected extrinsic motivational factors.

- Salary and Benefits

Based on the three questions given to the respondents that are the salaries and rewards receiving from your organization, financial rewards for a job well done, the benefit package you are acquiring; a large percentage of respondents in the organization agree that salary and benefit is a motivational factor for them.

Table 7. Frequency table for Salary and benefit

Descriptions	The salaries and rewards receiving from your organization		Financial rewards for job well done		The benefit package you are acquiring	
	Frequency	Percent	Frequency	Percent	Frequency	Percent

Not Strongly motivated	3	3.5	4	4.7	2	2.4
Not Motivated	13	15.3	13	15.3	15	17.6
Motivated	29	34.1	38	44.7	31	36.5
Strongly Motivated	40	47.1	30	35.3	37	43.5
Total	85	100.0	85	100.0	85	100.0

- Working Conditions

The employee significantly respond that they are motivated for the Bank's working conditions which is based on three questions which are the flexibility of the working hour, Working in an environment that treats employees fairly, Working in a working environment that promotes personal growth.

Table 8. Frequency Statistics for working Conditions

Descriptions	The flexibility of the working hour		Working in an environment that treats employees fairly		Working in a working environment that promotes personal growth	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Not Strongly motivated	7	8.2	6	7.1	7	8.2
Not Motivated	17	20.0	28	32.9	22	25.9
Motivated	24	28.2	29	34.1	36	42.4
Strongly Motivated	37	43.5	22	25.9	20	23.5
Total	85	100.0	85	100.0	85	100.0

- Administration and Supervision

Unlike the above two variables respondents respond that there is a motivational level of administration and supervision is minimal. There is a significant number of employee who is not strongly motivated and not motivated by the administration and supervision. Based on the three questions that are the flexibility of the administration and supervision by immediate boss, working, the way your supervisor trusts the job for you and the feeling you have your job to be relaxing and enjoyable because of the administration and supervision.

Table 9. Frequency Statistics for Administration and supervision

Descriptions	The way your supervisor trusts the job for you		The flexibility of the administration and supervision by immediate boss		The feeling you have for your job to be relaxing and enjoyable	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Not Strongly motivated	13	15.3	9	10.6	18	21.2
Not Motivated	35	41.2	17	20.0	34	40.0
Motivated	22	25.9	26	30.6	23	27.1
Strongly Motivated	15	17.6	33	38.8	10	11.8
Total	85	100.0	85	100.0	85	100.0

- Interpersonal Relation

Most of the employees also imply that interpersonal relationship in DBE can be a significant source of motivational source by answering two questions that are an opportunity for good interpersonal relation in the organization and having the freedom of decision making on the job because of the administration and supervision.

Table 10. Frequency Statistics for interpersonal relationship

Descriptions	Opportunity for good interpersonal relation in the organization		Having the freedom of decision making on the job because of the administration and supervision	
	Frequency	Percent	Frequency	Percent
Not Strongly motivated	2	2.4	5	5.9
Not Motivated	19	22.4	21	24.7
Motivated	39	45.9	33	38.8
Strongly Motivated	25	29.4	26	30.6
Total	85	100.0	85	100.0

- Company Policy

The employees also implies their motivation level of company policy by answering two questions which are the existence of a sound personal policy towards employee management in your organization and The existence of a sound company policy and administration motivated

you to enhance your work performance. Based on the questions the employee responds that company policy significantly a motivational factor for them.

Table 11. Frequency Statistics for Company Policy

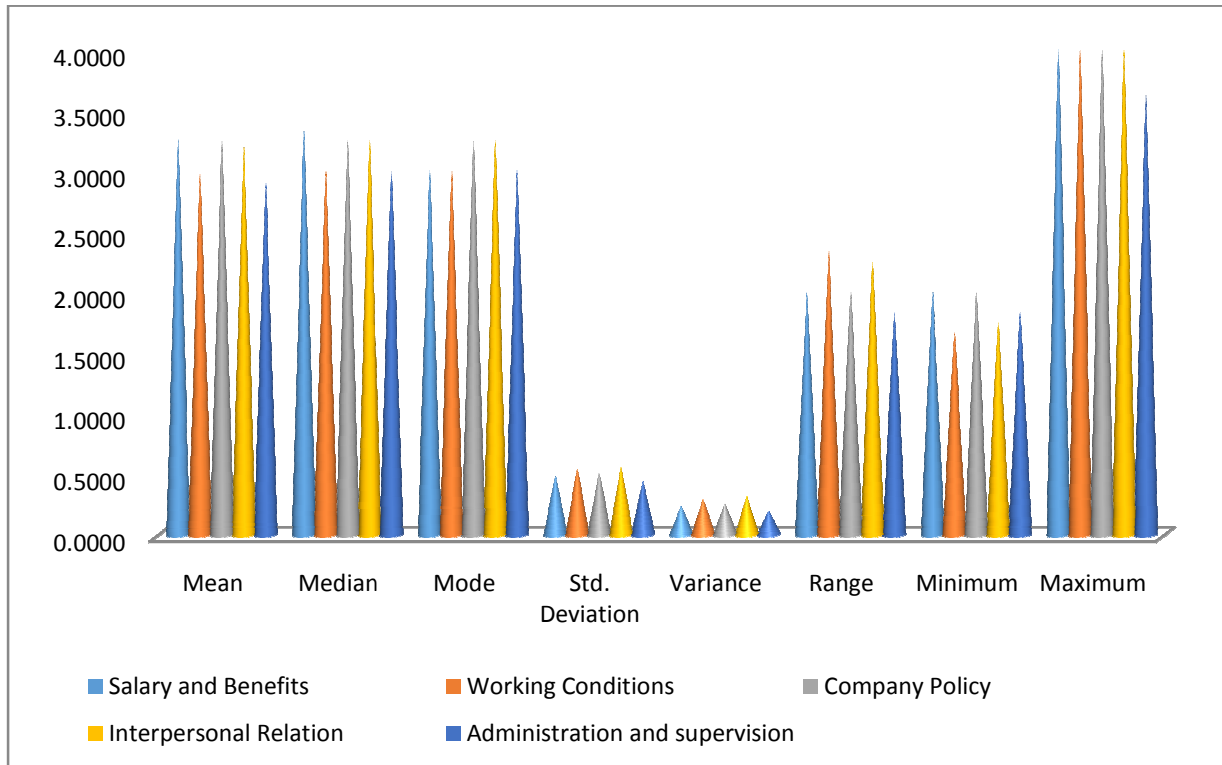
Descriptions	The existence of a sound personal policy towards employee management in your organization		The existence of a sound company policy and administration motivated you to enhance your work performance	
	Frequency	Percent	Frequency	Percent
Not Strongly motivated	2	2.4	2	2.4
Not Motivated	14	16.5	21	24.7
Motivated	39	45.9	32	37.6
Strongly Motivated	30	35.3	30	35.3
Total	85	100.0	85	100.0

4.2.3. Central tendency statistics

Employees of the Development bank of Ethiopia have identified that the extrinsic motivational factors are the main motivating factors in the organization’s employee job performance.

The results of this research identified employees in the bank are motivated for the selected variables, in the figure below that the mean of variables is more than 3.00 for most of the variables.

Figure 7. Central tendency statistics



N.B the coded values as per the questionnaire are:

- 1= Strong Not Motivated
- 2 = Not Motivated
- 3= Motivated
- 4= Strong Motivated

As the above Figure illustrates the percentage ratings pertaining to the salary & benefit, company policy and interpersonal relation average result is good with a mean score of 3.26, 3.25 and 3.2. This indicates that, currently the organization started to give attention for workers remuneration to enhance their skills and attitudes, Contrary to this the average result for working condition and administration & supervision shows a small mean score 2.9 and 2.8 which indicates working condition and administration & supervision are not comfortable for employees.

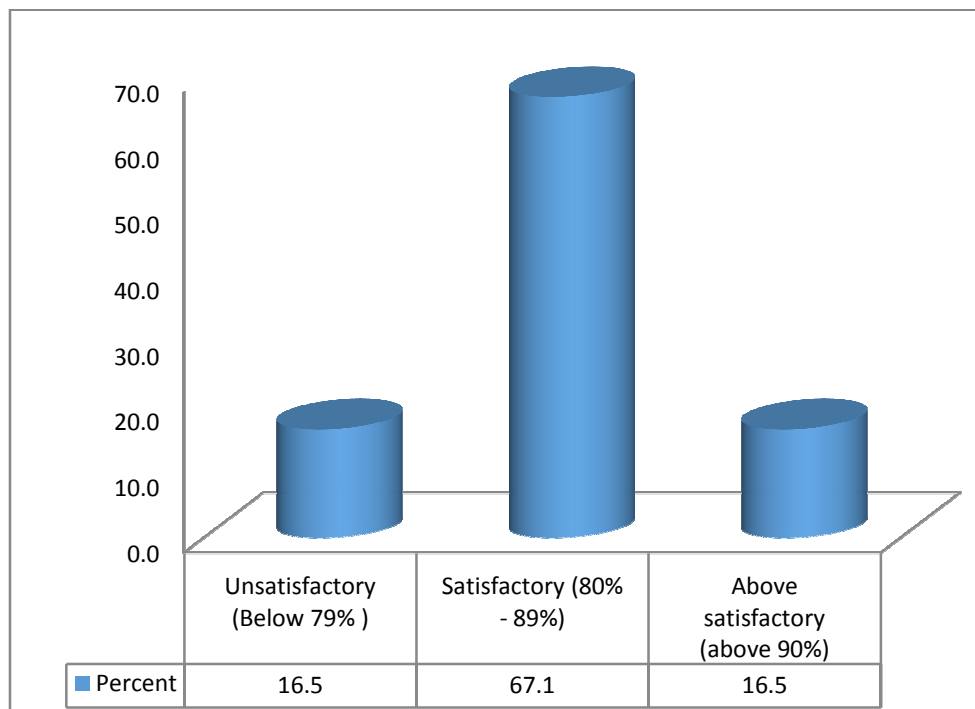
4.2.4. Individual performance result

Based on the thresholds that are selected for individual performance evaluations in the DBE are defined as Blue (outstanding), which represents outstanding performance, Green (Above Satisfactory): which represents the acceptable performance range, Yellow (Satisfactory): which

shows the marginal performance and Red (Unsatisfactory): which depicts below target performance those thresholds is used in this paper for categorical reference of individual performance.

The individual performance of the respondents shows 67% of respondents individual performance result is under the satisfactory category that is 80%-89%, 16.5% is under green, and small amount of respondents (16.5%) is under red that is unsatisfactory. Of the total respondents no one gets blue (outstanding) this shows the current employ performance should be improved through identifying the factors that affect the performance level of employees.

Figure 8. Employee Job performance result



4.2.5. Regression analysis

Regression measures the association between two quantitative variables. This form of statistical test is only possible with interval or ratio data (SPSS for Psychologists). The regression analysis showed in the following table that helps to show the measures of association between the extrinsic motivational factors and employee job performance. It also implies the impact of extrinsic variables on employee performance of DBE.

Table 12. Model summary

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.760 ^a	.578	.551	2.597535	1.925

a. Predictors: (Constant), Administration and supervision, Interpersonal Relation, Salary and Benefits, Company Policy, Working Conditions

b. Dependent Variable: Employee Performance

The R Square is reported in the Model Summary expresses the percent share of impact that extrinsic motivations have on employee performance, which means that 57.8% of the variability in % of employee performance expressed by the extrinsic motivation. The Durbin-Watson statistic is used to test for independent of residuals. The above table shows that, Durbin-Watson is 1.925, since it is close to two and within the acceptable range (1.50 - 2.50). It can be concluded that independence of residuals or the residuals are independent (not correlated).

Table 13. ANOVA Table

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	729.578	5	145.916	21.626	.000 ^b
	Residual	533.028	79	6.747		
	Total	1262.606	84			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Administration and supervision , Interpersonal Relation, Salary and Benefits, Company Policy, Working Conditions

The above table also implies that, the probability of the F statistic for the regression analysis is 0.000, which is less than the level of significance of 0.05 as a result we can conclude that there is a relationship between the independent variables and the dependent variable. In other hand the independent variables (Administration and supervision, Interpersonal Relation, Salary and Benefits, Company Policy, Working Conditions) have an impact on the dependent variable (Employee Performance).

Table 14. Regression Analysis Result

Model	Coefficient	Std. Error	T	Sig.
Employee Performance (constant)	63.064	2.245	28.086	0
Salary and Benefits	3.433	0.877	3.915	0
Working Conditions	1.193	0.818	1.459	0.149
Company Policy	0.626	0.869	0.72	0.473
Interpersonal Relation	0.87	0.722	1.205	0.232
Administration and supervision	0.804	0.847	0.949	0.346

The result of the multi linear regression of the above equation in general show that, individual performance of the DBE is determined by Salary and Benefits, Working Conditions, Interpersonal Relation, Company Policy and Administration and supervision. In the B coefficient, we see that it is positive; indicating that as extrinsic motivation increases employee performance also increases.

We would expect that for every one unit increase in Salary and Benefits, Working Conditions, Interpersonal Relation, Company Policy and Administration and supervision, there is a 3.433, 1.193, 0.626, 0.87, 0.804 unit increase in Employee individual performance respectively. This implies that there is significant impact of extrinsic motivation on employee performance. The current Salary and benefit of the bank has significantly and Positive impact on individual performance that is one percent increase in current remuneration system will increase performance by 3.433 %. In other words, the increase in salary and benefit will increase the individual job performance of DBE employees significantly. It indicates that salary and benefit has the highest impact on employee performance in DBE since it's estimated coefficient is the maximum

The working condition of the organization has an insignificant but positive impact on performance. A one percent increase in the comfort in the working conditions of employees will increase employee performance by 1.193 percent.

On the other hand, company policy of DBE has highly insignificant but positive minimum effect individual performance among all variables since its value is the minimum (0.626). This implies a one percent increase in company policy will increase employee performance by 0.626 percent as a result this variable is the least import among the independent variables.

On the other hand, Interpersonal Relation among DBE staffs has insignificant and Positive impact on individual performance in DBE. Interpersonal Relation has a positive impact on performance in DBE since it's estimated coefficient is (0.232). Thus, we can interpret the result as; on average a one percent increase in Interpersonal relationship will Increase Employee performance by 0.232 percent.

Administration and supervision have insignificant but positive impact on performance. The estimated coefficient of organizational culture is 0.804. Thus, we can interpret the result as, on average, the more comfort in administration and supervision by 1 percent will increase individual performance by 0.804 percent.

Generally, performers and low level staffs, employees under 35 years of age, employees who have less than 5 years of service and employees with lower levels of education are more resembled to salary and benefit as a motivational factor for them and their performance is highly based on the benefit they get from their organization. In other hand senior staffs, employees with work experience of more than five years, employees with 35 years of age and above and employees with high level of educational experience are less motivated by salary and benefit rather they are more resembled in to another type of extrinsic motivation tools such as Company Policy & Administration, Working Conditions and Inter Personnel Relationship.

For most of the employees good interpersonal relationship, Salary and bonus, Environment of the work, Recognition of good work, work of Freedom, good Salary, availability of training, task related to their profession, way of supervision, Cooperation between co-workers, teamwork and freedom of decision making are the main motivating factors of the bank. From this, we can conclude that the main motivating factors employees in the bank are extrinsic motivational factors that support that regression and correlation analysis.

As Herzberg indicates in his job that job,satisfaction is rather no satisfaction and the opposite of dissatisfaction is no dissatisfaction. Herzberg suggests that satisfaction and dissatisfaction produced by different factors. People are satisfied in their work by factors related to the content of that work (Herzberg, 1974). In this study, also it found out that different factors that related to work and the working environment keep employees unmotivated. Among such kinds of factors over control of supervisors, biased performance evaluation, Political intervention in decision making, arrogant supervisors, Influence on decision making and Absence of strength coaching.

Respondents note that there are different expectations from their organization to keep them motivated and enhance their performance on the job. This includes opportunities for promotion, bonus & salary increment, giving scholarship & education opportunity

Finally, employees asked the factors that lead them to stay in the organization or leave DBE for another organization most of the answers are based on the fulfillment of the motivating factors. The factors are focused on good interpersonal relationship;the good environment of the work, condition, opportunity for promotion, working on the environment is the primary concern, basic salary, job satisfaction, the influence of management on decision-making.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In the final chapter of the study important summary of the finding based on analysis of data are presented. Moreover, from the findings of the research, the researcher tried to draw conclusions and recommendations are made.

5.1. Summary of the Findings

Based on the analysis and interpretation made in the previous chapter the major findings of the research summarized as follow:-

- **Extrinsic motivational factors**

The respondents of the study expressed varied opinions towards the extrinsic motivational factors. However, it was evident that, in most cases, the respondents agree that salary and benefit, interpersonal relationship & company policy as the main motivators. However, working condition and administration & supervision attributed to less to employee motivation. The respondents of the study perceive that there is a strong impact of salary and benefit, working conditions and interpersonal relationship on employee performance currently in DBE. The employees of DBE have moderate perception towards working conditions and company policy, indicates that the respondents would prefer a visible benefit in the organization.

- **Employee performance**

The mean average for employee performance result averaged to be satisfactory, which indicates a yellow (satisfactory) score. This could be caused by the fact that the respondents get their performance evaluation not based on their performance during the period as most of the respondents pointed out. Some respondents also were not comfortable with the salary and benefits, training and other remuneration packages affects their current performance result.

Most of the respondents agree that the balanced scorecard performance appraisal system is good but as respondents explained, the system lacks uniformity in all process of the bank that needs improvements.

- **The impact of employee performance affecting variables on employee performance**

In this study employee performance of the DBE is determined by salary and benefit, working conditions, company policy, interpersonal relationship and administration & supervision. The signs of the coefficients are consistent with theoretical expectations for all variables the same checks for all variables before the analysis conducted. Salary and benefit have significant and positive impact on performance as expected from the other literatures. Thus, we can interpret the result as, the more salary and benefit given will increase individual performance. Administration and supervision have insignificant but positive impact on performance with coefficient. The working condition of the organization has also insignificant but positive impact on performance. On the other hand, company policy of DBE has highly insignificant but positive minimum effect on individual performance among all variables. Interpersonal Relation among DBE staffs also has insignificant and Positive impact on individual performance in DBE. Thus we can confidently say that the current salary and benefit has a significant and high impact on the employee performance. However, interpersonal relation, company policy and administration and supervision should be changed in way that motivate the employee and enhance their performance.

5.2. Conclusions

For an organization to be successful, it needs to have a motivated and inspired employee's and well articulated administration since satisfied employees naturally treat the organization's clients very well or give quality service and perform well. In line with this the management's awareness of maintaining employee satisfaction and the effectiveness of the existing motivation system contributes a lot for better employee performance and the success of the organization. Therefore, the focuses of this paper were on the extrinsic employee motivation that is seen as the important factor in the firm's success. To this end, the research investigates the impact of the extrinsic motivation on the employee job performance in DBE. The following conclusions are drawn based on the analysis and the interpretation of the findings.

Extrinsic motivational factors are the main motivational means that used by most of the organization as a motivational tool for their employees. The study used extrinsic variables; salary and benefits, working conditions, company policy, interpersonal relation, administration & supervision. It found out that, Salary and benefit is the main motivator followed by company policy, Interpersonal relationship, working condition and administration and supervision.

Besides there is a significant difference in the preference of motivational factors selection of employees based on their age, years of service, positions held and level of education.

The research revealed that, employees are satisfied with the current salary and benefit and not satisfied with the current performance evaluation system of the bank. Employee were not satisfied in the way they supervised by their immediate supervisors and their relation with leaders. The respondent does not feel comfortable in the company policy and the administration and supervision because of the interference of higher officials in their decision and political decision interferences. The individual performance of the respondents shows that most of the employees are under the yellow category that is satisfactory. There are few employees in the unsatisfactory and above satisfactory level.

The research shows that extrinsic motivation is positively related with employee performance but the effect of some extrinsic motivational factors on employee performance is insignificant, this shows the current way administration and the working condition of the bank should be changed.

5.3. Recommendations

Based on the research findings, the following recommendations pertaining to DBE are made.

- It is evident that the salary and benefit of the organization is highly motivated the employees and significant impact on their performance, DBE should keep its good progress in availing employee with a good remuneration system that should updated according to the labor market.
- The bank should create an effective and good performance appraisal system for the fact that, a constructive appraisal system can assist in motivating employees, as well as ensure clear performance evaluation mechanisms based on the corporate BSC.
- To increase performance of employees the bank should improve the working conditions of the organization through implementing favorable working conditions for employees
- The leadership style within an organization has a bearing on encouraging or inhibiting employee's performance (Armstrong 2004). Therefore, the management should carefully analyze the needs of its employees, and create a good relationship with employees.

- Supervisors and management established trust in the integrity and dedication of team members so that employees feel they are able to feel friendly in administration and supervision with their immediate supervisors.
- Work and decision-making should delegate to lower level managers, supervisors or employees, in order to create a good interpersonal relationship and communication and understand between employees and management.
- Professional work decision should be out of the influence of the management decisions and interference by giving the freedom of decision to employees.

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APPENDICES

APPENDIX I: Research Questioner

St. Mary's University

School of Graduate Studies

A Questionnaire for collecting data to be used for research paper entitled

“The impact of extrinsic motivation on employee performance”

Introduction

The objective of this questioner is to gather data for thesis work proposed for fulfillment of Master of Arts Degree in Business Management. The purpose of the study is to identify the Impact of Extrinsic Motivational Factors on Employee Performance in Development Bank of Ethiopia. Participation in this research is totally voluntarily and please notes that the data gathered will be held strictly confidential and will only be used for academic purposes. I appreciate your cooperation in filling out your response your genuine response for every question is very essential and has an impact on the findings of the research.

The research questioner consists of three sections

- Part one consists of Demographic elements
- Part two consists of Respondents' Opinion investigation on Extrinsic Motivation the first section included 14 questions which gives general information about the Extrinsic motivation and the employee view, the second section 15 questions with four points scale on which you are requested to indicate the importance and impact level of each motivational factors for you
- Part four consist of questions which give information about the level of employee performance
- Part Four consists of four open ended questions for which you are invited to give detail response

Instruction to fill the questioner

- **Section one:** tick your responses for all questions
- **Section two:-** tick one of the numbers of your choice
- **Section three:-** tick one of the numbers of your choice
- **Section Four:-** write your response on the space provided

Note

- Please answer all of the questions
- Please use any color pen to complete the questioner
- Please don't mention any individual or organizational name

Part One: General information

1. Current Position. _____.

2. Gender
Male Female

3. Age
Under 25 25-30 31-35
36-40 41-45 46-50
50-55 55-60

4. Highest level of education attended
Diploma First Degree MA/MSc PHD

5. Years of service in the Bank
0-3 4-8 9-14 15 and above

6. Earning
Below 2,500 2,501 -5,500 5,501- 8,500
8,501- 11,500 11,501-15,000 above 15,000

7. Marital status
Single Married
Divorced Widow(er)

Part Two: Respondents' Opinion investigation on Extrinsic Motivation

Section One; Please indicate your level of agreement or disagreement with the following statements and tick the number that contains your level of agreement.

Questions	Scale			
	Strongly agree	Somewhat agree	Somewhat Disagree	Strongly agree
Salary and Benefits				
Money is a motivator for you?	4	3	2	1
DBE pays its workers according to the amount of work done	4	3	2	1
When employees meet the set targets, they are paid a bonus.	4	3	2	1
Working Condition				
Working conditions is a motivator for you?	4	3	2	1
Acquiring a fancy office is a motivator for you?	4	3	2	1
The working condition of DBE motivates you?	4	3	2	1
Administration and Supervision				
Comfort in your organization Administration & supervision is a motivator for you	4	3	2	1
Working independently using your own initiatives rather than working under tight supervision makes you more motivated to work your job	4	3	2	1
Your organization promotes personal growth and gives opportunity for advancement on the job	4	3	2	1
Company Policy				
Company policy is a motivator for you?	4	3	2	1

Your organization has a sound personnel policy towards employee management	4	3	2	1
Interpersonal Relation				
An interpersonal relation is a motivator for you?	4	3	2	1
Your organization gives opportunity for good interpersonal relation in the organization that will motivate you to enhance your work performance.	4	3	2	1

Section Two; Please rate the following questions according to the level of your motivational level on your current job by circling the number from the scale given below

	1	2	3	4
Scale	Not Strongly motivated	Not Motivated	Motivated	Strongly Motivated

Questions	Scale			
Salary and Benefits				
1. The salaries and rewards receiving from your organization	4	3	2	1
2. Financial rewards for job well done	4	3	2	1
3. The benefit package you are acquiring	4	3	2	1
Working Conditions				
4. The flexibility of the working hour	4	3	2	1
5. Working in an environment that treats employees fairly	4	3	2	1
6. Working in a working environment that promotes personal growth	4	3	2	1
Administration and Supervision				
7. The way your supervisor trusts the job to you	4	3	2	1

8. The flexibility of the administration and supervision by immediate boss	4	3	2	1
9. The feeling you have for your job to be relaxing and enjoyable	4	3	2	1
Interpersonal Relation				
10. Opportunity for good interpersonal relation in the organization	4	3	2	1
11. Having the freedom of decision making on the job because of the administration and supervision	4	3	2	1
Company Policy				
12. The existence of a sound personal policy towards employee management in your organization 14	4	3	2	1
13. The existence of a sound company policy and administration motivated you to enhance your work performance 15	4	3	2	1

Part Three: Performance measurement

1. Your job performance evaluation in last evaluation is _____ %

2. Do you think that motivational factors of the Bank provides you, affects your performance on the work place

Strongly agree Somewhat agree Somewhat Disagree Totally Disagree

3. The employee job performance evaluation process of the bank is transparent and acceptable

Strongly agree Somewhat agree Somewhat Disagree Totally Disagree

4. Have you ever change or tries to change your job because of lack of motivational factors and better opportunity in your organization

Strongly agree Somewhat agree Somewhat Disagree Totally Disagree

Part Four: Open Ended Questions

1. List down the Major factors that motivate you to perform your job effectively and increase your job performance.

2. List down the major de-motivating factors that have negative influence on your job performance

3. In your opinion what should your organization provide you to keep you motivated

4. What are the important factors that you consider to stay or leave your organization?

Thank You!!!!!!!!!!

APPENDIX II: Correlation and regression analysis

• Descriptive Statistics

	Mean	Std. Deviation	N
Employee Performance	84.95882	3.876986	85
Salary and Benefits	3.2647	.48201	85
Working Conditions	2.9706	.53756	85
Company Policy	3.2471	.50517	85
Interpersonal Relation	3.2000	.56008	85
Administration and supervision	2.8980	.44103	85

• Correlations

	Employee Performance	Salary and Benefits	Working Conditions	Company Policy	Interpersonal Relation	Administration and supervision	
Pearson Correlation	Employee Performance	1	0.713	0.626	0.602	0.582	0.521
	Salary and Benefits	0.713	1	0.645	0.659	0.614	0.533
	Working Conditions	0.626	0.645	1	0.654	0.608	0.613
	Company Policy	0.602	0.659	0.654	1	0.649	0.546
	Interpersonal Relation	0.582	0.614	0.608	0.649	1	0.451
	Administration and supervision	0.521	0.533	0.613	0.546	0.451	1
Sig. (1-tailed)	Employee Performance	.	0	0	0	0	0
	Salary and Benefits	0	.	0	0	0	0
	Working Conditions	0	0	.	0	0	0
	Company Policy	0	0	0	.	0	0
	Interpersonal Relation	0	0	0	0	.	0
	Administration and supervision	0	0	0	0	0	.
N	Employee Performance	85	85	85	85	85	85
	Salary and Benefits	85	85	85	85	85	85
	Working Conditions	85	85	85	85	85	85
	Company Policy	85	85	85	85	85	85
	Interpersonal Relation	85	85	85	85	85	85
	Administration and supervision	85	85	85	85	85	85

- **Variables Entered/Removed^a**

Model	Variables Entered	Variables Removed	Method
1	Administration and supervision , Interpersonal Relation, Salary and Benefits, Company Policy, Working Conditions ^b	.	Enter

a. Dependent Variable: Employee Performance

b. All requested variables entered.

- **Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.760 ^a	.578	.551	2.597535	1.925

a. Predictors: (Constant), Administration and supervision , Interpersonal Relation, Salary and Benefits, Company Policy, Working Conditions

b. Dependent Variable: Employee Performance

- **ANOVA^a**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	729.578	5	145.916	21.626	.000 ^b
	Residual	533.028	79	6.747		
	Total	1262.606	84			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Administration and supervision , Interpersonal Relation, Salary and Benefits, Company Policy, Working Conditions

- **Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	63.064	2.245		28.086	.000
Salary and Benefits	3.433	.877	.427	3.915	.000
Working Conditions	1.193	.818	.165	1.459	.149
Company Policy	.626	.869	.082	.720	.473
Interpersonal Relation	.870	.722	.126	1.205	.232
Administration and supervision	.804	.847	.091	.949	.346

- **Coefficients^a**

Model	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	58.595	67.534					
Salary and Benefits	1.688	5.178	0.713	0.403	0.286	0.45	2.224
Working Conditions	-0.435	2.82	0.626	0.162	0.107	0.416	2.405
Company Policy	-1.103	2.355	0.602	0.081	0.053	0.417	2.398
Interpersonal Relation	-0.567	2.306	0.582	0.134	0.088	0.492	2.035
Administration and supervision	-0.883	2.491	0.521	0.106	0.069	0.575	1.739

a. Dependent Variable: Employee Performance

- **CollinearityDiagnostics^a**

Dimensi on	Eigenval ue	Conditio n Index	Variance Proportions					
			(Consta nt)	Salary and Benefits	Working Conditions	Company Policy	Interperson al Relation	Administratio n and supervision
1	5.944	1	0	0	0	0	0	0
2	0.017	18.609	0.47	0	0.11	0.01	0.19	0.07
3	0.014	20.611	0.12	0.01	0.27	0.01	0.31	0.26
4	0.009	25.665	0.02	0.25	0.08	0.08	0.44	0.49
5	0.008	26.657	0.3	0.05	0.48	0.43	0.05	0.14
6	0.007	28.331	0.09	0.69	0.05	0.47	0.01	0.04

a. Dependent Variable: Employee Performance

- **Residuals Statistics^a**

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	78.55486	90.36149	84.95882	2.947109	85
Residual	-5.605358	5.726896	.000000	2.519042	85
Std. Predicted Value	-2.173	1.833	.000	1.000	85
Std. Residual	-2.158	2.205	.000	.970	85

a. Dependent Variable: Employee Performance

DECLARATION

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

Berhan Tefera

Name

St. Mary's University, Addis Ababa

Signature

JUNE, 2014

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

ShoaJemal(Ass. Prof)

Advisor

Signature

St. Mary's University, Addis Ababa

June, 2014