

**WOLKITE UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF MANAGEMENT**



**EFFECT OF EMPLOYEE MOTIVATION ON EMPLOYEES' SERVICE  
DELIVERY PERFORMANCE IN SELECTED COMMERCIAL BANKS  
IN GURAGE ZONE CENTRAL ETHIOPIA**

**A RESEARCH SUBMITTED TO COLLEGE OF  
BUSINESS AND ECONOMICS OF WOLKITE  
UNIVERSITY IN PARTIAL FULFILLMENT OF THE  
REQUIREMENT FOR THE DEGREE OF MASTERS OF  
BUSINESS ADMINISTRATION (MBA)**

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**ADVISOR:- BERHANU TEREDA (ASS.PROF.)**

**MAY, 2025**

**WOLKITE, ETHIOPIA**

**WOLKITE UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS  
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## **DECLARATION**

I declared that, this thesis is my own original work on the title of “Effect of Employee Motivation on Service Delivery Performance of Selected Commercial Bank in Gurage Zone Central Ethiopia” and it has not been submitted in this and any other university. All sources of materials used for this study have been properly acknowledged.

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**WOLKITE UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF MANAGEMENT MBA PROGRAM**

**APPROVAL OF ADVISOR**

As this Thesis advisor, I hereby certify that I have read and evaluated this thesis prepared, under my guidance, by **Etenesh Wendimeneh**, entitled “The Effect of Employee Motivation on Service Delivery Performance of Selected Commercial Bank in Gurage Zone Central Ethiopia”. I recommended that it be submitted as fulfilling the thesis requirement for the Degree of Masters of Business Administration (MBA).

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## **APPROVAL OF THE THESIS**

As members of Board of examiners of the final MBA Thesis open defense examination, we certify that we have read and evaluated the thesis prepared by Etenesh Wendimeneh entitled “The Effect Of Employee Motivation On Service Delivery Performance Of Selected Commercial Bank In Gurage Zone Central Ethiopia: We recommend that thesis be accepted as fulfilling the thesis requirement for the degree of masters of business administration (MBA).

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Internal Examiner \_\_\_\_\_

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## **LIST OF ACRONYMS**

- ✓ SPSS: Statistical package for social science
- ✓ VIF: Variance inflated factor
- ✓ EP: Employees performance

## ABSTRACT

*This study aimed to examine the effect of employee motivation on service delivery performance in selected commercial banks in the Gurage zone of central Ethiopia, employing a descriptive and explanatory research design with a quantitative approach. Data were collected using standardized questionnaires with a 91.4% response rate from a census sample of 234 permanent employees and analyzed using descriptive statistics, Pearson correlation, and multiple linear regressions. The regression analysis revealed that goal setting ( $\beta=.290, p<.001$ ), financial incentive ( $\beta=.235, p<.001$ ), recognition and reward ( $\beta=.169, p<.001$ ), job satisfaction ( $\beta=.190, p<.001$ ), and job design ( $\beta=.350, p<.001$ ) all had a positive and significant effect on service delivery performance, thus supporting all the formulated hypotheses. The study recommends that the selected commercial banks should prioritize and enhance these motivational factors to improve employee performance and consequently boost service delivery quality*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

Motivation is defined as "a human psychological behavior that brings to a person's degree of achievement. It is the management process of getting impact on employees' behavior" (Badu, 2005).

Conversely, Bartol and Martin (1998) relate motivation to the force that initiate or stimulate behavior, provide clear direction to behavior, and underlie the tendency to prevail. In another terminology employee must be actively induced and possessed. Must have a clear vision on what to be achieved and must have a sense of commitment to exert their energy for a period of time to achieve their goal. However, other than motivation being a force that stimulates behavior, Vroom (1964) emphasized on the 'voluntary actions'. Supported by Steers et al. (2004), Vroom (1964) defined motivation as "a process governing choice made by persons".

Motivation can be broadly categorized into two types: intrinsic and extrinsic. Intrinsic motivation refers to the internal drive to engage in an activity for its own sake. According to Lawler (1969), this type of motivation is linked to feelings of esteem, growth, and competence that arise from successfully completing a task. Essentially, when individuals find joy or satisfaction in the activity itself, they are intrinsically motivated. This perspective aligns with the expectancy theory, which suggests that both intrinsic and extrinsic motivations can work together to influence behavior. On the other hand, extrinsic motivation comes from external sources. This includes rewards such as money, grades, or recognition that provide satisfaction and pleasure, even if the task itself may not be inherently enjoyable. In examining the concepts of intrinsic and extrinsic motivation, it's important to understand how they influence behavior. Intrinsic motivation refers to engaging in an activity for its own sake, driven by personal satisfaction and the joy derived from the

task itself. This type of motivation fosters a sense of fulfillment and encourages individuals to pursue activities that resonate with their interests and values. In contrast, extrinsic motivation is

fueled by external rewards or pressures, such as money, grades, or recognition. While these external incentives can effectively drive behavior, they may also undermine intrinsic motivation by shifting the focus from personal enjoyment to the pursuit of rewards (De Charms, 1968). This dynamic highlights the delicate balance between internal desires and external influences, emphasizing the need for a supportive environment that nurtures both types of motivation to enhance overall engagement and commitment.

Currently there is a big completion in labor market. Especially service companies face a high competition in the market because service sector have a greater contribution to the economy and enable to generate a higher return to their investment. So, service organizations tend to differentiate their product from competitor by delivering a superior service to the customer in order to attracting more customers and enable to retain the present customers. Therefore, employee is crucial to deliver a superior service. So, the motivation of a bank's employee plays a major role in achieving high level of customer satisfaction (Petcharak, 2004). The reason is employees are best asset to give a good service for the intended customer. Excellent service provided by employees to customer brings a goof altitude and ever lasting image by customer to the bank, so that the service delivery companies, i.e. the banks stay in the market. This is achieved by when employees are get a good attention and motivated by the management.

Ombati et al. (2010) stated that services, by definition, are intangible and can be divided into high-touch or high-tech services. "High-touch services are mostly dependent on people or employee who producing service, whereas high-tech services are predominantly based on the use of automated systems, computer and other types of physical equipment. For example, high-tech services include Internet/Telephone/Short Messaging Service (SMS), ATMs whereas high-touch services consist of instructions and personnel assistance in using the services". Even with the accessibility of high-tech services by electronic instruments, some amount of human or employee interference is required to run and monitor the instruments in organized manner.

Different study conducted on the impact of motivation on employee performance showed that motivated employee has an increasing performance. It means that motivation has a positive and significance impact on employee performance. Among these studies the finding of Shahzadi, et al. (2014) revealed that there is a significant and positive relationship between Employee motivation and Employee performance. According to Armstrong (2009), People are motivated when they expect a course of action is likely to lead to the attainment of a goal and a valued reward—one that satisfies their needs and wants.

Therefore, this study investigated the effect of motivational factor on employee motivation and employee performance within all the commercial banks at Welkite by using motivational factors such as goal setting, financial/monetary incentive, recognition and reward, job satisfaction and job design.

## **1.2. Statements of the problem**

Nowadays there is big competition around worldwide, so that organizations get themselves in anxiety to retain their workforce (Deci, 2013). Highly qualified, highly reliable, highly motivated highly skilled employees are a best asset for organization. The measure of the organization success is depending up on the type of the workforce that an organization has. Human resources should be treat with a great care, should be given unique managerial attention especially in-service delivery company since they are the one who promote the organization to where they need to be (Storey, 2013).

However, according to Certo (2006) good performance is not only the result of different motivational package; it also includes ability skill, time work environment. some organization have been experienced a high turnover even though they include a best salary incentive in their company policy (Aguinis, 2012).it means that wage and salary incentive only doesn't motivate employees to the required extent. In addition to this different employee motivated by different factors so that, it is important to manager to understand what motivates their employees to achieve the organizational goal and not assume a one-size-fits-all approach (George and Jones, 2013).

There are many studies was conducted on employee motivation and service delivery performance. A study on public and private sector banks in Punjab and Haryana find out monetary and other incentive, recognition and reward, work environment and growth opportunity are the major employee motivational factors; and concluded that Performances of employees are significantly affected by the salary and other monetary benefits provided by the organization. It means that Employees feel that they should be rewarded for meeting specific criteria above and beyond normal duties..

The study of Elisabeth (2012) on the effect of motivation on service delivery performance: a case of Pam Golding Company, Nairobi showed that reward program does not motivate the employees. And the finding of Thomas (2012) on the study of effects of motivation on employee performance: a case study of Ghana commercial bank, Kumasi zone showed that extrinsic motivational factors are more motivate employee than intrinsic factor of motivation.

The study of Erimias Birhan (2017) on his study of the effect of reward system on employee perceived performance shows that reward system has a benefit to motivate employees.

Therefore, this study were assess the effect of employee motivation on service delivery performance by using motivational factors such as goal setting, financial /monetary incentive, recognition and reward, job satisfaction and job design. In case of selected commercial banks those are found in Gurage zone; and identify, which motivational factors are/is having a great effect on employee motivation and service delivery performance?

The main reason of the researcher motivates to conduct on the effect of employee motivation on service delivery in all selected commercial banks found in gurage zone. is to full fill the gap of the research which are effect of employee motivation on service delivery in all selected commercial banks found in gurage zone. The researcher by focusing on a specific case area where little research has been conducted, you can provide unique, context-specific insights that tailor motivational strategies to the needs and conditions of organizations in that area. Additionally, a comparative analysis of different motivational factors across various organizations can highlight which factors are universally effective and which are more context-dependent. Utilizing a mixed-methods approach, combining qualitative and quantitative research methods, can offer a comprehensive understanding of motivational factors through interviews, surveys, and observational studies. Conducting a longitudinal study can reveal how motivational factors

impact service delivery performance over time, providing insights into the sustainability of different strategies. for practitioners. Finally, integrating recent theories and models of motivation and performance can provide a fresh perspective and contribute to the academic discourse on the topic. By addressing these aspects, the study can fill existing gaps in service delivery performance of selected commercial banks in Gurage zone and provide valuable contributions to both the academic community and practitioners in the field.

### **1.3. Research Questions**

The study was guided by the following research questions:

- What is the current status of service delivery performance in selected commercial banks of Ethiopia in Gurage zone?
- What is the effect of employee motivation in selected commercial banks of Ethiopia in Gurage zone?
- Does goal setting have an effect on service delivery performance in selected commercial banks of Ethiopia in Gurage zone?
- Does financial/monetary incentive have an effect on service delivery in selected commercial banks of Ethiopia in Gurage zone?
- Does recognition and reward have an effect on service delivery performance in selected commercial banks of Ethiopia in Gurage zone?
- Does job satisfaction have an effect on service delivery performance in selected commercial banks of Ethiopia in Gurage zone?

### **1.4. Hypothesis**

Ha1: Goal setting has a positive and significant effect on service delivery performance

Ha2: Financial/ monetary incentive has a positive and significant effect on service delivery performance.

Ha3: recognition and reward have positive and significant effect on service delivery performance.

Ha4: Job satisfaction has a positive and significant effect on service delivery performance.

Ha5: job design has a positive and significant effect on service delivery performance.

## **1.5. Objective of the study**

### **1.5.1. General objective of the study**

The general objective of this study was to examine the effect of employee motivation on service delivery performance of selected commercial bank in Gurage zone central Ethiopia.

### **1.5.2. Specific objective of the study**

- In order to reach on that the above general objectives, there are few specific objectives that need to be accomplished in the case of selected commercial bank.
- These specific objectives were the following.
- To measure the effect of goal setting on employee's performance in selected commercial bank of Ethiopia in Gurage zone.
- To determine the effect of financial/monetary incentives on employee's performance selected commercial bank of Ethiopia in Gurage zone.
- To scrutinize the effect of recognition and reward program on employee's performance selected commercial bank of Ethiopia in Gurage zone.
- To determine the effect of job satisfaction on employees' performance selected commercial bank of Ethiopia in Gurage zone.
- To quantify the effect of job design on employees' performance selected commercial bank of Ethiopia in Gurage zone

## **1.6. Significance of the Study**

The findings of this study would benefit to the managers especially in commercial banks as it would enable them understand their employees better and how they behave the way they do. It would also shed light to other organizational leaders on how to motivate their employees. The recommendations that have been offered in the study may guide the leaders and

especially the human resource department on how to best motivate Employees. The findings of this study would

be beneficial to policy makers as it would help them to understand what happens at the workplace between employers and employees in terms of motivation and performance, and

Therefore enable them to formulate different motivational packaging based on different demographics factors. The output of this study helps non-governmental organization, because the styles of the business of governmental organization differ from that of non-governmental organization. The mode of their principle of operation differs from that of their counterpart. So, the result of this study helps non-governmental organization restructure their objective in line with employee motivation. The findings of this study would benefit researchers and academicians as it would contribute to the body of knowledge on motivation and management of human resource .and it is expected to be a stepping stone for further research. The Study has given suggestions on new areas for further research that would be explored.

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

This study was cover about the selected commercial banks in Gurage zone, Ethiopia. In terms of demographic factors, only age, gender, and work experience were considered. Additionally, the study focused solely on permanent employees, excluding part-time workers, contract staff, and outsourced employees. The study employed descriptive research design and explanatory research designs, Moreover; the researcher used quantitative research approach.

### **1.8. Operational Definition of key Terms**

Employee: an employee is an individual who is hired by an employer to do a specific job.  
<https://sprintlaw.co.uk/articles/worker-vs-employee/>

Service delivery refers to a business framework that supplies services from a provider to a client.

Goal setting: motivational techniques based on the concept that the practice of setting specific goals enhances the performance. (Wikipedia, the free encyclopedia)

Financial incentives: monetary benefit offered to employee, customer and organization to encourage behavior.

Reward and recognition: reward is a planned and structured approach to reward one or more persons who act in a desirable way. /<https://explore.darwinbox.com/hr-glossary/rewards-and-recognition>.

Whereas recognition is, communication between management and employees which rewards them for reaching specific goals or producing high quality job results in work place

Job Satisfaction refers to the feelings individuals have toward their roles and responsibilities at work, which can be either positive or negative.

Job Design involves outlining the specifics of a job, including its content and methods, in a way that effectively meets the various needs of the job holder (Buchanan, 1979).

Motivation encompasses both internal and external factors that drive individuals to remain engaged and committed to their jobs, roles, or subjects, as well as to strive towards achieving their goals (Jones et al., 2000).

Extrinsic Motivation is linked to tangible rewards like salary, benefits, job security, promotions, and the overall work environment and conditions.

Intrinsic Motivation pertains to psychological rewards, such as the chance to utilize one's skills. It includes feelings of challenge and achievement, receiving appreciation and positive recognition, and being treated in a caring and considerate manner.

## **1.9. Organization of the study**

This research was organized into five chapters. The first chapter consisted of the general introduction about the study, the gap or statement of the problem that this project aimed to address, the research question that was answered by this paper, the research model and hypothesis, the objectives of this research, as well as the scope, significance, and limitations of the study. The second chapter included the literature review with various theoretical concepts related to motivation and its impact on employee performance. The third chapter presented the research methodologies, including research design, target

population, sampling technique, sample size, source of data, type of data, method of data collection, procedure of data collection, and method of data analysis.

The collected data was analyzed and interpreted in the fourth chapter. In the fifth chapter, a conclusions and possible suggestions or recommendations are presented.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

The topic of this study is to analysis the effect of employee motivation on service delivery“ performance in case of selected commercial bank at Gurage zone. The basic aim for undergoing this study is to show numerous motivational factors that have potential effect on service delivery performance. In this section an overview of the extensive historical research related to motivation and service delivery performance were presented to examine the existing knowledge base regarding effect of employee motivation on service delivery performance.

#### **2.1. Theoretical Review**

##### **2.1.1. Concept of Motivation**

Motivation is the force that energizes, directs and sustains behavior. A motive is a reason for doing something. Well-motivated people who are those with clearly defined goals, prepared to exercise discretionary efforts who take action that they expect will achieve those goals and high performance (Armstrong and Taylor, 2014). According to Armstrong and Taylor (2014), the term motivation“ derives from the Latin word for movement (*movere*). Motivation is the strength and direction of behavior and the factors that influence people to behave in certain ways. People are motivated when they expect that a course of action is likely to lead to the attainment of a goal and a valued reward – one that satisfies their needs and wants. The term „motivation“ can refer variously to the goals that individuals have, the ways in which individuals chose their goals and the ways in which others try to change their behavior.

Locke and Latham (2004: 388) cited by Armstrong and Taylor (2014) observed that: the concept of motivation refers to internal factors that impel action and to external factors that can act as inducements to action.“ As described by Arnold *et al* (1991) the three components of motivation are: Direction– what a person is trying to do; Effort- how hard person is trying;

Persistence - how long a person keeps on trying. According to Hiriyappa (2009) motivation is the term used to describe the forces within the individual that account for the level, direction, and persistence of effort expended at work. Rue and Byars (1992) positioned that motivation comes from Latin word *Movere*, which means to move. Several definitions are given for the term, such words as aim, desire, end, impulse, intention, objective and purpose. These definitions normally include three common characteristics of motivation. First,

motivation is concerned with what activates human behavior. Second, motivation is concerned with what activates human behavior toward a particular goal. Work is an important event, a fact that is inevitable in the life of an individual in whatever forms it is done, it is an activities and source of satisfaction one needs. Employee try to find satisfaction in what they do and as a result the manager should be able to understand the problems faced by his employees and find a way of satisfying their needs and aspiration. The general assumption is that an adequately motivated worker will in turn give in his or her best towards the attainment of a general consensus. Consequently, when a worker is motivated the question of poor performance and inefficiency will be a forgotten issue in an organization. Managers who are successful in motivating employees are made often providing an environment in which appropriate or adequate goals called incentives are made available for the needed satisfaction of the employee.

Motivation has defined as a decision-making process in which individual set the desired out comes and sets appropriate motion or behavior to acquire them (Huczynski & Buchanan,1991, in Dartey-Baah, 2010). Lindner (2004) also sees motivation as a psychological process that gives behavior purpose, purpose and direction. It is the scientific word used to represent the reasons for our commitment, our want, and our needs. Motivation can also be defined as our guidance to our action or what stimulate us to want to repeat a behavior and vice versa. A motive is what stimulates a people to behave in a certain way or showing an inclination for specific behavior. Motivating is the management process of influencing people's behavior based on this knowledge of "what makes people tick" (Stoner, Freeman and Gilbert, 1995).

To be motivated means to go forward to do something, to a person who sense no inspiration to do something can be called as unmotivated, where as someone who develop a behavior or inclination to do something can be called as motivated (Ryan and L. Deci, 2000). We can mention two types of motivation namely; intrinsic motivation and extrinsic motivation. Intrinsic motivation means that the employee or a person motivational initiation coming from the inside of the individual. The

individual has a need to do a particular task, because its results are in accordance with his belief system or fulfills a desire and therefore importance is attached to it. extrinsic motivation refers our needs to perform a task are controlled by an outside source, in another way it means that in order to get something which is important, an individual externally motivated.

The goals of extrinsically motivated engagement might be the attainment of tangible rewards such as money, prizes, or other benefits; intangible rewards such as social approval, a sense of worthiness, or even a sense of meticulousness; or the avoidance of tangible and intangible

punishments. Some managers believe employee will be most creative primarily by the interest, enjoyment, satisfaction and challenge of the work itself and not by external pressure or inducements (D' Ausilio, 2008).

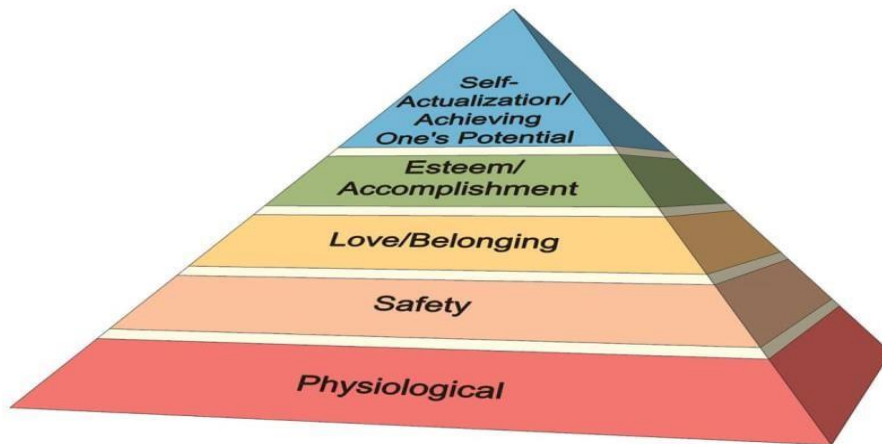
### **2.1.2. Motivational theories**

There are two broad types of motivational theories. These are content and process theory of motivation.

#### *A. Content theories motivation*

Theories of motivation focus on understanding what specifically drives individuals to be motivated at work. Content theories of motivation emphasize the internal factors that influence human behavior. These theories primarily aim to identify people's needs and their relative strengths, as well as the goals they pursue to satisfy these needs. By concentrating on the nature of these needs, content theories seek to explain what motivates individuals. The underlying belief of these theories is that motivation is fundamentally rooted in human needs (Mullin, 2005). Among the most recognized content theories are several that explore different aspects of these needs and how they impact motivation I. Abraham Maslow's Hierarchy of Need Theory

## Maslow's Hierarchy of Needs



ESa

The lower-level needs—**physiological, safety, and social**—are initially the most significant, as individuals focus on satisfying these basic requirements. Once these needs are fulfilled, people shift their attention to higher-level needs, such as **self-esteem** and **self-actualization**, which is

considered the ultimate motivator. Physiological needs encompass essential requirements like food, water, shelter, and other physical necessities. Safety needs involve the desire for security and protection from both physical and emotional harm, as well as the assurance that basic needs will continue to be met. Social needs pertain to the human desire for affection, belonging, acceptance, and friendship in in the workplace.

and external factors, like status and recognition. Finally, **self-actualization** represents the need for personal growth, achieving one's potential, and self-fulfillment—the drive to become the best version of oneself. However, research by Wahba and Birdwell (1976) found limited support for the strict ranking of needs that Maslow proposed, questioning the existence of a definitive hierarchy. Hofstede (1984) criticized this hierarchy as ethnocentric, suggesting that it reflects a Western perspective. Cianci and Gambrel (2003) further argued that Maslow's framework does not adequately address the differences between social and intellectual needs in individualistic versus collectivist societies. In individualistic cultures, the focus tends to be on self-improvement, with self-actualization at the pinnacle, while in collectivist cultures, the needs for acceptance and community often take precedence over personal freedom and individuality.

## II. Clayton Alderfer's ERG theory (Alderfer's Need Modified Theory)

Alderfer's ERG theory, introduced in 1969, simplifies Maslow's five human needs into three main categories: **Existence, Relatedness, and Growth.** **Existence needs** encompass all material and physiological desires, such as food, water, air, clothing, safety, and physical affection, aligning with Maslow's first two levels. **Relatedness needs** involve social connections and external esteem, focusing on relationships with significant others, including family, friends, co-workers, and employers. This category also emphasizes the importance of feeling recognized and secure within a group or family, corresponding to Maslow's third and fourth levels. Lastly, **Growth needs** pertain to internal esteem and self-actualization, driving individuals to make creative and productive contributions to themselves and their environment, such as striving toward their ideal self. This aligns with Maslow's fourth and fifth levels. While the priorities of these needs can vary from person to person, Alderfer's ERG theory highlights the concrete nature of these categories. Existence needs are the most tangible and easily verified, while Relatedness needs are less concrete, as they depend on interpersonal relationships. Growth needs are the least concrete, as their specific objectives are unique to each individual. Moving up the hierarchy, esteem needs include both internal factors, such as self-respect and autonomy,

### III. Frederick Herzberg's Two- Factor (Motivation-Hygiene) Theory

Frederick Herzberg (1923) developed a two-factor theory of motivation that closely aligns with Maslow's ideas. He proposed that there are specific factors that can directly motivate employees to work harder, known as Motivators. These factors are related to the nature of the job itself, including how interesting the work is and the opportunities it provides for additional responsibility, recognition, and promotion. On the other hand, there are Hygiene factors, which do not motivate employees to work harder but can lead to dissatisfaction if they are lacking. These factors are more about the conditions surrounding the job, such as reasonable pay and safe working environments. For instance, an employee may only show up for work if these hygiene factors are met, but they won't necessarily increase their effort once they are there. Importantly, Herzberg viewed pay as a hygiene factor, contrasting with Taylor's perspective, which emphasized pay as a primary motivator. Herzberg believed that to effectively motivate employees, businesses should adopt a democratic management approach and enhance the nature

and content of the job itself. Managers can implement various methods to achieve this, such as providing opportunities for personal growth, recognizing achievements, and fostering a positive work environment.

Job enlargement refers to the practice of giving workers a greater variety of tasks to perform, which may not necessarily be more challenging but aims to make the work more interesting. By expanding the scope of an employee's responsibilities, job enlargement seeks to reduce monotony and enhance job satisfaction.

On the other hand, job enrichment involves providing employees with a wider range of more complex, interesting, and challenging tasks that encompass a complete unit of work. This approach is designed to foster a greater sense of achievement and fulfillment, as employees Goal-setting theory focuses on the impact of setting specific, challenging goals on employee motivation and performance. Together, these theories provide a comprehensive framework for understanding and enhancing motivation in the workplace

#### I. Vroom's Valence/Expectancy Theory

Victor Vroom (1964) proposed that motivation stems from conscious choices individuals make to either maximize pleasure or minimize pain. He theorized that, despite differing personal goals, individuals can be motivated to work towards a common objective if certain conditions are met. For this alignment to occur, there must be a positive correlation between an employee's efforts and their performance, and successful performance must be rewarded in a way that satisfies an important need. The strength of the desire to fulfill this need should be significant enough to make the effort worthwhile; the expectation that satisfying this need will follow the successful completion of a task drives performance.

Vroom criticized Herzberg's two-factor theory for being overly reliant on the content and context of workers' roles, advocating instead for an expectancy approach to motivation (Bloisi, 2003). His expectancy theory posits that the likelihood of an individual acting in a certain way depends on the strength of their expectation that this action will lead to a specific outcome, as well as the attractiveness of that outcome to the individual. In simpler terms, employees are more likely to be motivated to perform better when they believe that improved performance will lead to favorable appraisals (Cole, 2003).

#### II. Equity Theory

Adams' Equity Theory, proposed in 1965, suggests that employees are motivated by the principle

of fair treatment, which in turn encourages them to treat others fairly within the workplace. According to Adams, maintaining this equity is based on the ratio of inputs—such as the contributions an employee makes to an organization—to the outcomes that result from those contributions. The core belief is that employees who perceive themselves as either under-rewarded or over-rewarded for their efforts will experience distress. To foster motivation, it is crucial to ensure that employees feel they are rewarded equitably. If individuals who perceive that they are not receiving equal rewards compared to their peers, their likelihood of becoming demotivated increases, leading to dissatisfaction and a potential desire to leave the organization. Conversely, if employees feel they are treated equitably and receive higher rewards, they are more likely to be motivated and work harder (Reiss, 2004). This theory emphasizes the importance of fairness in the workplace and its impact on employee motivation and retention.

### III. Goal Setting Theory

Goal Setting Theory, developed by Edwin Locke in 1979, posits that motivation and performance are enhanced when individuals set specific and challenging goals, and when they receive feedback on their performance (Mullins, 2005). Instead of assigning vague tasks, providing clear and well-defined objectives helps employees achieve their goals more efficiently. This clarity not only facilitates understanding but also minimizes misunderstandings in the workplace.

The theory emphasizes that when goals are set at a higher standard, employees are motivated to perform better and exert maximum effort. A key component of this theory is the concept of self-efficacy, which refers to an individual's belief in their ability to successfully complete challenging tasks.

According to Griffin (2008), motivation is the set of forces that drive individuals to act in specific ways to accomplish tasks. Employees may choose to exert themselves fully, work just hard enough to avoid reprimand, or do the bare minimum. For managers, the goal is to maximize productive behavior while minimizing unproductive actions. Understanding the importance of motivation in the workplace is crucial, as individual performance is influenced by three main factors: motivation (the desire to perform), ability (the capability to perform), and the work environment (the resources available to do the job).

If an employee lacks the ability to perform, a manager can provide training or consider replacing the worker to enhance productivity. Similarly, if there are resource issues, the manager can

address them. However, if motivation is the underlying problem, it presents a more complex challenge for the manager. Individual behavior is multifaceted, and effectively motivating employees requires a nuanced understanding of their needs and circumstances. Phenomenon and the manager may be hard pressed to figure out the precise nature of the problem and how to solve it. Thus, motivation is important because of its significance as the determinant of performance and because of its intangible character.

Intrinsic motivation refers to the psychological rewards that individuals experience when they engage in activities that allow them to utilize their abilities, face challenges, and achieve a sense of accomplishment. This type of motivation is driven by internal factors such as appreciation, positive recognition, and being treated with care and consideration. Unlike external rewards, intrinsic motivators are deeply rooted within individuals and tend to have a more profound and lasting impact on their work life.

#### Job Design and Employee Motivation

Job design involves defining the tasks, duties, responsibilities, qualifications, methods, and relationships necessary for a specific job. It encompasses all aspects of a job and the interactions among employees to achieve both organizational goals and the social needs of the job holder. The concept is grounded in psychological research and theories of work motivation, aiming to enhance employee satisfaction and performance, ultimately boosting organizational productivity and efficiency. The primary goal of job design or redesign is to increase employee motivation and productivity. Effective job design can lead to various positive outcomes, such as improved quality and quantity of goods and services, reduced operational costs, and lower turnover and training expenses. Nowadays, expanding job responsibilities during the design process can significantly influence employee motivation to achieve organizational objectives.

#### Job Satisfaction and Employee Motivation

Job satisfaction refers to how a worker feels about their job or their overall attitude toward their work, which is shaped by their perceptions of the job. Extrinsic motivation is linked to tangible rewards such as salary, benefits, job security, promotions, and working conditions. These factors are often determined at the organizational level and may be beyond the control of individual managers. While extrinsic motivators can have an immediate and strong impact, their effects may

not be long-lasting. To effectively use salary as a motivator, personnel managers must consider several components of salary structures, including the job rate, which reflects the organization's valuation of each job; performance-based payments that reward workers based on their output; personal allowances related to skill scarcity or long service; and fringe benefits like paid holidays and pensions. It is also crucial to consider prevailing pay rates in similar organizations when establishing a pay structure. Money is often viewed as the most significant motivational strategy. Historical figures like Frederick Taylor emphasized the importance of monetary incentives in motivating industrial workers to enhance productivity. Money symbolizes various intangible goals, such as security, power, prestige, and a sense of accomplishment. Research shows that money can attract, retain, and motivate individuals toward higher performance. For example, an information technology professional may be inclined to accept a job offer with better financial rewards, even if the job characteristics are similar to their current position.

Many managers utilize financial incentives to reward or penalize employees, often instilling a fear of job loss as a motivator for higher productivity. The desire for promotions and increased pay can also drive employee motivation. Regardless of how automated an organization becomes, high productivity relies heavily on the motivation and effectiveness of its workforce. Staff training is essential for motivating employees, providing them with opportunities for self-improvement and development to meet the demands of new technologies and techniques. Managers can also enhance motivation by sharing relevant information about the consequences of employees' actions on others. In today's organizations, there is often a perceived need for improved communication, cooperation, and collaboration among departments. Sharing information can create a competitive environment where employees strive to perform better. Companies sometimes offer non-cash rewards, such as enjoyable experiences, which can be more motivating than traditional monetary incentives. The perceived value of these rewards often depends on the emotional response they evoke, making them a powerful tool for motivation.

#### A. Financial Incentives and Employee Motivation

Financial incentives play a crucial role in influencing employee motivation. According to Robinson (1999), these incentives can be strategically adjusted to enhance motivation levels among employees.

#### B. Rewards, Recognition, and Employee Motivation

Rewards are a constant and often debated aspect of organizational life. Hartie (1995) emphasizes that rewards are vital in the feedback loop of performance management. While monetary rewards are significant, they are not the only form of recognition. A reward's effectiveness hinges on whether the individual values it and if it aligns with the effort and achievements made.

Recognition stands out as one of the most powerful motivational factors. Employees need to understand not only how well they have met their objectives but also that their accomplishments are acknowledged. Common forms of recognition include praise, long service awards, status symbols, sabbaticals, and work-related trips, all contributing to a comprehensive reward system.

Armstrong and Murlis (1994) highlight that recognition is a fundamental aspect of an organization's value system, reinforced through education, training, and performance evaluations. In summary, both financial incentives and recognition are essential for motivating employees, as they help create a supportive environment that values individual contributions and achievements.

### **2.1.3. Service delivery performance**

Employee performance refers to the contributions and outcomes of employees that help them achieve their goals. It can also reflect what an organization has accomplished in terms of processes, results, relevance, and overall success. Performance is often defined as the completion of specific tasks measured against established standards of accuracy, completeness, cost, and speed. Improvements in employee performance can be seen through increased production, ease of adapting to new technologies, and heightened motivation among workers. Performance appraisal is a systematic process designed to evaluate and analyze an individual's performance against specified objectives over a certain period. This process can take both formal and informal forms. The purposes of performance appraisal can be categorized into two main groups: developmental and administrative. Developmental purposes focus on providing feedback, identifying strengths and weaknesses, recognizing individual achievements, assisting in goal setting, evaluating goal attainment, and determining training needs. It also aims to enhance communication and allow employees to voice their concerns. On the other hand, administrative purposes of performance

appraisal include documenting personnel decisions, identifying candidates for promotion, determining transfers and assignments, recognizing poor performance, making decisions about layoffs, and validating selection criteria. These administrative functions are crucial for maintaining organizational efficiency and ensuring that employees are appropriately recognized and rewarded for their contributions.

#### **2.1.4. Relationship between motivation and service delivery performance**

Motivation is a crucial factor that significantly influences organizational performance. According to Shadare et al. (2009), employee motivation is one of the key policies implemented by managers to enhance effective job management within organizations. When employees are motivated, they become aware of the specific goals and objectives they need to achieve, allowing them to direct their efforts accordingly. Without motivated individuals, the organizational resources and facilities may go underutilized, leading to inefficiencies. Moreover, employee motivation and performance are essential for advancing a business. Owners, managers, and supervisors recognize that positive motivation can lead to improved performance and higher productivity. However, they sometimes rely on ineffective tools that can cause dissatisfaction among employees, ultimately resulting in diminished performance. employees and bolster their morale regarding their respective roles, which in turn promotes better performance (Shadare et al., 2009).

## **2.2. Empirical Literature Review**

Despite the extensive empirical research on motivation and its impact on employee performance, this section highlights selected findings from relevant literature. A study by Barney (1991) on firm resources and sustained competitive advantage indicated that employee performance is influenced not only by their actual skills but also by the level of motivation they exhibit. Motivation can be understood as an inner drive or an external inducement that encourages individuals to behave in ways that lead to rewards. In a study conducted by Omollo (2015) on the effects of motivation on employee performance in commercial banks in Kenya, it was confirmed that job enrichment significantly enhances job performance. The research found that a positive working environment and manageable workload greatly motivate employees to fulfill their

responsibilities. Interestingly, while money is a significant motivator for many, it is not the sole or primary motivator for everyone. Surveys often fail to accurately reflect how changes in pay levels influence employees' decisions to join or leave organizations.

Dobre (2013) explored employee motivation and organizational performance, revealing that individuals seek security, and fulfilling these fundamental needs is essential for their existence. Once these needs are met, employees tend to focus more on their job performance. Dobre emphasized the importance of social systems within organizations, noting that personal growth, self-actualization, and the need for achievement are powerful motivators that contribute to the effectiveness of organizations. He suggested that management should evaluate employee suggestion schemes and utilize feedback to enhance the organizational environment and meet employees' needs. Recognizing that individuals are motivated by diverse needs—ranging from physiological to self-actualization—Dobre argued that understanding these needs at every organizational level is crucial for improving productivity and customer satisfaction. He highlighted that the challenge for managers lies in creating and sustaining employee motivation by addressing job dissatisfaction and leveraging motivating factors such as achievement, recognition, and responsibility.

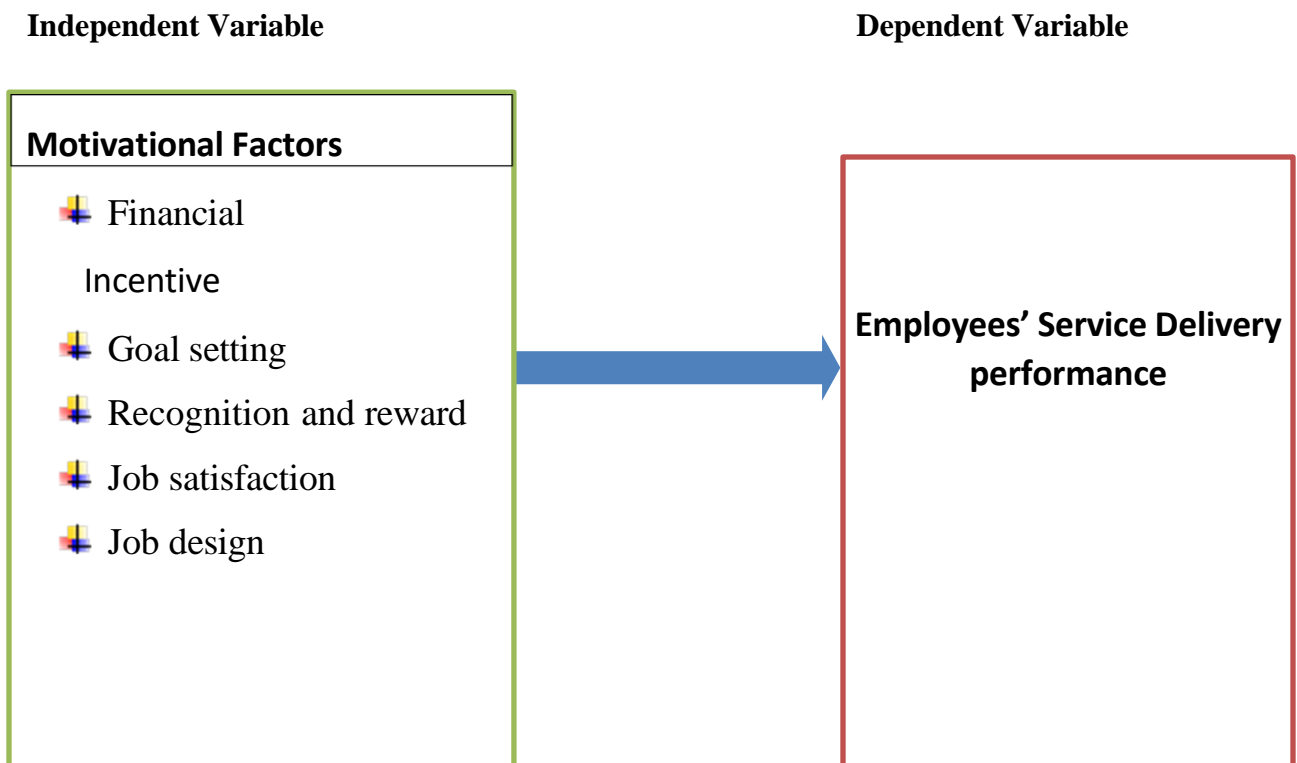
Uzonna (2013) confirmed that providing growth opportunities and challenging jobs is essential for motivating today's workforce. Without these challenges, employees may lack the incentive to perform at high levels. Recognition also plays a significant role in motivation, as employees need to feel that their contributions are valued. Uzonna's research indicated that non-cash rewards can be effective and cost-efficient motivators, with many respondents agreeing on their efficacy. Ultimately, growth opportunities, challenges, recognition, and non-cash rewards are often more effective motivators than monetary compensation. Mulwa (2003) examined employee performance in public audit institutions and discussed various motivation theories, including Maslow's hierarchy of needs, Herzberg's two-factor theory, and Adams' equity theory.

Jidi and Zakirai (2016) investigated the factors influencing employee performance within the Islamic Religious Council. Their findings revealed a positive and significant relationship between both intrinsic and extrinsic rewards and employee performance, with non-financial rewards having a greater influence than financial ones. Irshad (2016) also highlighted the impact of extrinsic rewards on employee performance, concluding that salary and working conditions

positively affect performance. Similarly, Korir and Kipkebut (2016) examined the effects of financial and non-financial rewards on organizational performance and employee commitment in universities in Nakuru County. Their results indicated a moderate positive relationship between financial rewards and affective performance, as well as a weak positive relationship with normative commitment, demonstrating that effective financial reward management practices significantly impact organizational performance and employee commitment.

### 2.3. Conceptual frame work

Conceptual frame work of the research is developed to find out the interrelationships between employee motivation and service delivery performance in selected commercial bank in Gura zone. The Conceptual frame work for this study is as follows:



**Figure 2. Conceptual frame work of the study**

Source: Adapted from previous studies (Dobre, 2013; Irshad A., 2016; Uzonna 2013)

# **CHAPTER THREE**

## **RESEARCH METHODOLOGY**

### **3.1 Introduction**

This section presents methods which were used in executing this study of the effect of employee motivation on service delivery performance. We have discussed about the overall methodologies that was used by this study. This section also includes many sub sections those are the research design, sampling technique, the target population and the sample size, type of data, data collection mechanism and data analyzing methods.

### **3.2 Research Design**

This study was both descriptive and explanatory research design. As a descriptive research; this study was concerned with describing the existing nature and characteristics of respondent and variables by presenting a profile of the respondents through tables, frequency distributions and percentages and to identify the mean and standard deviation of motivation and employee performance. This study as an explanatory research design; it was having an explanatory variable which is employee motivation factor to explain the dependent variable which employee performance and the study was formulated hypothesis and go to test these formulated hypotheses and examine relationships and effect employee motivation on service delivery performance.

### **3.3 Target population**

The population of study under consideration is all permanent employees who are currently working in selected commercial banks in Gurage zone were the target population of this study. Three Commercial banks were targeted for this study. So, the researcher investigated at these three commercial banks at Gurage zone which were commercial bank of Ethiopia, Abyssinia bank and Dashen Bank in the study area.

### 3.4 Sample size and sampling technique

The researcher was applied census sampling technique. According to Lohr (2010) a census is an investigation of each unit, everybody or everything, in a population. It is known as a complete identification, which implies a complete count. The reason of applying census sampling technique is the population of the study is small and it is possible to include every permanent individual employee of the bank.

**Table 1. List of commercial banks in Garage zone**

Name of commercial banks	Total number of permanent employees
Commercial bank of Ethiopia (governmetal)	111
Abyssinia bank	70
Dashen Bank	73
<b>Total</b>	<b>256</b>

**Source: own survey, 2025**

### 3.5 Type of Data

This study was used a Quantitative type of data. The reason of using Quantitative type of data is the study was analyzed the data by using statistical analysis. So, statistical analysis is uses mainly quantitative data using appropriate measurement of their variables and it can be measured numerically. In order to know the impact of independent variable on the dependent variable by using statistical approaches, it requires a quantitative type of data. Therefore, to achieve the objective of the study, it used quantitative type of data.

### **3.6 Data Source**

This study was used mainly primary and secondary source data and method of data collection.

The study has used both primary and secondary data sources. Primary sources of data have been gathered from respondents. A questionnaire has been prepared to get idea about perception towards cooperation (*Robson Colin, 2002*).

### **3.7 Questionnaire Design**

A questionnaire is a type of survey method that utilizes a standardized set or list of questions given to individuals or groups, the results of which can be consistently compared and contrasted (Trochim, 2006). It can be used to reach large number of respondents, lower costs than interviewing, reduced interviewer bias and among others are advantages associated with questionnaire. Its drawbacks are low response rates, clarity issues, possible language and literacy issues, etc. In order to measure the effect of employee motivation on the performance of service delivery on selected commercial bank of Ethiopia at Gurage zone, the researcher developed a five Likert scale questionnaire. Where; 1 represent “Strongly Disagree”, 2 represent “Disagree”, 3 represent “Neutral”, 4 represent “Agree” and 5 represent “Strongly Agree.” The questionnaire was in three sections to cover the dependent and independent variables of the study. The first part contained the details demographic information of the respondents like Status, age, gender, marital status, educational qualification, occupation, income. The second part was regarding to motivational factor and the third part regarding to service delivery performance.

### **3.8 Method of data analysis and presentation**

After the required data has been gathered through the stated data collection methods, the next steps were analysis and present these data. For this study Statistical Package for Social

Science (SPSS) software version 25 was employed to analyze and present the data by using the statistical

tools for this study. These statistical tools were used for this study are descriptive analysis, correlation and multiple regression analysis.

To present a profile of the respondents through tables, and percentages and to identify the mean and standard deviation of employee motivation and the service delivery a descriptive statistical analysis was employed for this study. In order to determine the relationships between employee motivation and the performance of employees this study was used Pearson's correlation coefficient. The study was used multiple regression analysis to determine the effect of employee motivation on the service delivery performance.

### **3.9.1 Correlation Analysis**

The Correlation analysis procedure computes Pearson's correlation coefficient, with its significance levels. Correlations measure how variables or rank orders are related. Pearson's correlation coefficient is a measure of linear association. Two variables can be perfectly related, but if the relationship is not linear, Pearson's correlation coefficient is not an appropriate statistic for measuring their association. This model needs continuous variable and it is used to the effect of motivational factors on service delivery performance of the bank workers.

### **3.9.2 Regressions analysis**

Linear and Multiple linear regressions was employed, linear regression explain the relationship between one independent and one dependent variable whereas multiple regression explain the relationship between two or more independent variables and a response variable by fitting linear equation.

The general formula for multiple linear regression models of p-explanatory variables is defined to be:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_p X_p + \mu_i$$

Where  $Y_i \rightarrow$  dependent variable (service delivery performance)

$X_i$ 's  $\rightarrow$  independent variables ( $X_1$ =Goal setting;  $X_2$ =Financial incentives;  $X_3$ = recognition and reward;

$X_4$ =job satisfaction, and  $X_5$ = job design

$\beta_0 \rightarrow$  is constant parameter

$\beta$ 's  $\rightarrow$  are coefficient parameters

$\mu_i \rightarrow$  residual due to measurement error

## II Assumptions of multiple linear regressions

1.  $\text{Var}(\epsilon_i) = \delta^2$ , the error term should have constant variance (homoscedasticity)
2. The error term is independently and identically distributed random variable having normal distributed with mean 0 and variance  $\delta^2$  i.e. it distributes  $N(0, \delta^2)$
- 3)  $X$ 's -are independent (no Multicollinearity) each other.
4. Explanatory variables and error term are uncorrelated.
5. There is no autocorrelation between error terms.

### *Assumption checking of regressions*

**Linearity** can be checked by drawing the scatter plot of response variable versus fitted value. To

attain linearity the pattern of the plot must be approximately linear. **Normality** can be checked by drawing histogram and pp-plot, if the distribution of error terms under histogram is approximately normal (bell shaped), and the distribution of points in pp- plot lays around the straight-line normality is attained otherwise it is violated. **Constant variance** can be checked drawing the scatter plot of standardize residual versus fitted value the scatteredness of points in the plot must be random, it shouldn't show any pattern. **Absence of Multicollinearity** can be checked by using bivariate correlation analysis and variance inflation factor (VIF), the value of Pearson correlation in bivariate

correlation analysis is less than 0.5 and the value of VIF is less than 10 the assumption of absence of Multicollinearity is satisfied otherwise it is violated.

*Estimation of Model Parameters*

The most popular method of estimating the multiple linear regression parameters ( $\beta$ ) is least square method. Least squares method is a method that obtains an estimate of  $\beta$  which minimizes the sum of square deviation of the observed values of the dependent variable (Y) from its function  $E(Y) = X \beta$

**3.10. Reliability and validity test**

**3.10.1. Reliability Test**

The researcher was checking the reliability of items with in the questionnaire. The researcher was checked the validity of the questionnaires by using Alpha reliability and Cronbatch’s alpha. Alpha reliability used as measuring internal consistency of the mean of the items at the time of administration of the questionnaire. Cronbatch’s alpha was indicated that the reliability coefficient of items ware set in the questionnaire is positively related to each other. It was computed in terms of the average inter correlations among the items measuring the concept. The reliability was calculated in such a way that was represents the reliability of the mean of the items. This coefficient can hold a value of 0 to 1. The result of 0.7 and above was implies an acceptable level of internal reliability of items.

<b>Variables</b>	<b>Number of items</b>	<b>Cronbach’s Alpha value</b>
Service delivery performance	5	0.881
Goal setting factors	5	0.792
Financial incentive factors	5	0.813
Recognition and reward factors	9	0.851
Job satisfaction factors	5	0.877
Job design factors	5	0.784

**Table 2. Reliability test result**

**Source: Own survey, 2025**

The reliability test table above shows all variables under the study are reliable enough. That is all value of Cronbatch's Alpha is more than 0.75. This implies that the data of the study is more reliable.

### **3.10.2 Validity Test**

Validity is the extent to which an instrument measures what it is supposed to measure and performs as it is designed to perform. There are two main types of validity, internal and external. Internal validity refers to the validity of the measurement and test itself, whereas external validity refers to the ability to generalize the findings to the target population. (Ibid;560). Both are very important in analyzing the appropriateness, meaningfulness and usefulness of a research study. Thus, to ensure validity, the researcher has consulted the research advisor who proof read the questionnaire and advised on any necessary changes.

### **3.10 Ethical Considerations**

During data collection, respondents informed as to why the data was collected. They informed about the objectives and methods of the study. The privacy of respondent kept safe. Moreover, respondents expected to provide their response voluntarily. Finally, any work of scholar was acknowledged at bibliography part.

## CHAPTER FOUR

### DATA ANALYSIS, INTERPRETATION AND DISCUSSION

#### 4.1. Response Rate

Questionnaires	Respondents	Valid percentage
Returned	234	91.5
Returned but rejected	13	5
Not returned	9	3.5
Total	256	100

**Figure 3. Response Rate**

Source: own survey: 2025

256 questionnaires were distributed to in each of selected commercial bank which is found in Gurage zone. However, from the collected questionnaires, 13 or (5.55%) questionnaires have been rejected as they were not filled properly and 234 (91.4%) questionnaires have been utilized for the study. 9 or (3.5) % of the questionnaires has not been properly filled by the respondent due to different reason.

#### 4.2.1 Descriptive Statistics for Demographic Data

It is the initial step of data analysis which summarizes the background information about the respondents in the data set. Descriptive statistics was employed to simple demonstration of the observation result in light with the research objectives and questions. Demographic variables of the respondents such as gender, age, and tenure of the respondents have been presented and discussed below. The demographic data presented in Table 4 reveals significant insights into the characteristics of the respondents. Gender distribution shows a predominance of male respondents, comprising

73.93% of the sample, while females account for 26.07%. This disparity may indicate a male-dominated context or field of study among the participants. In terms of age,

the largest group of respondents falls within the 26-30 age range, representing 36.75% of the sample. This suggests that the survey predominantly captures the perspectives of younger adults, which could influence the findings based on their unique experiences and viewpoints. The age distribution also shows that 13.25% of respondents are below 25, while 28.63% are aged 36-40, indicating a diverse age range but a notable concentration in the younger demographic. Regarding tenure, the majority of respondents have been in their roles for 3-4 years, making up 45.73% of the sample. This suggests a relatively stable workforce, as a significant portion has substantial experience, which may enhance the reliability of their responses.

Conversely, only 5.55% have less than a year of experience, indicating that the survey likely reflects the views of individuals who are more established in their positions. Overall, the demographic profile indicates a predominantly male, younger, and relatively experienced group of respondents, which may shape the insights and conclusions drawn from the survey data

## 4.2. Descriptive result of the study

**Table 3. Summary of descriptive statistics of demographic variables**

<b>Variable</b>	<b>Category</b>	<b>Frequency</b>	<b>Percent</b>
<b>Gender of respondents</b>	Male	173	<b>73.93</b>
	Female	61	<b>26.07</b>
<b>Age of respondents</b>	Below 25	31	<b>13.25</b>
	26-30	86	<b>36.75</b>
	31-35	31	<b>13.25</b>
	36-40	67	<b>28.63</b>
	41 and above	19	<b>8.12</b>
<b>Tenure of respondents</b>	less than 1 year	13	<b>5.55</b>
	1-2 years	31	<b>13.25</b>
	2-3 years	39	<b>16.67</b>
	3-4 years	107	<b>45.73</b>
	<b>5 years and above</b>	<b>44</b>	<b>18.80</b>

Source: Own survey: 2025

The following table shows the descriptive statistics for computed study variables. The groups of similar categories have been computed into continuous variable. Summary statistics of dependent and independent variables in the study shows that the average service delivery performance is 3.55 with standard deviation of 0.613, maximum of 4.62 and minimum of 1.92. The average of goal setting factors with its standard deviation, minimum and maximum is 3.74, 0.53, 2.4 and 5 respectively. Financial incentive factors are another determinant of service delivery performance its summary statistics shows that, it has mean 3.51, standard deviation of 0.55, minimum of 2.3 and maximum of 4.7. Result of recognition and reward factors shows that, it has average of 3.37, standard deviation of 0.72, minimum of 1.4 and maximum of 5. Job satisfaction factors is the fourth determinant of employee performance, with average of 3.68, standard deviation of 0.73, minimum of 1.5 and maximum of 5. The last factor of employee performance is job design factors; it has a Mean of 3.45, standard deviation of 0.81, minimum of 1.5 and maximum of 4.8

**Table 4 Descriptive statistics of study variables**

<b>Variables</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Service delivery performance</b>	1.92	4.62	3.5463	<b>.61327</b>
<b>Goal Setting Factors</b>	2.40	5.00	3.7378	<b>.52941</b>
<b>Financial Incentive Factors</b>	2.30	4.70	3.5102	<b>.54592</b>
<b>Recognition And Reward Factors</b>	1.40	5.00	3.3675	<b>.71818</b>
<b>Job Satisfaction Factors</b>	1.50	5.00	3.6806	<b>.72635</b>
<b>Job Design Factors</b>	<b>1.50</b>	<b>4.80</b>	<b>3.4488</b>	<b>.80647</b>

Source: Own survey, 2025

To summarized all the above points, goal setting has the highest mean value of 3.74, it implies the performance of employees service delivery is relatively arises from due to employees participation in goal setting, this is consistent with Dubrin (2012) who states that managers widely accept goal-setting as a means to improve and sustain performance of the employees service delivery followed by job satisfaction with the mean value of 3.68, financial/salary

incentives. With the mean of 3.51, job design with the mean of 3.45 and reward and recognition have the least mean value which is 3.37. Descriptively, the average or mean level of employee performance was 3.55 and standard deviation 0.613, it implies that employees of the banks were good performer in return for those of motivation factors which are included in this study. It means that almost all of the service delivery performance was performed better due to employee motivational factors.

### **4.3. Inferential Result of the Study**

It is a type of statistical analysis, which shows the correlation of variables under the study. Basically, regression and correlation have been used to examine the effect of different employee motivational factors on service delivery performance of selected commercial banks in Gurage zone.

#### **4.3.1. Correlation Analysis**

Correlation analysis shows the effect of each predictor variable on the response variable. The correlation coefficients for each pair of study variables have been calculated. If the correlation value is greater than 0.5, there is a significant correlation between the variables and its significance can be shown by using the significance level or the so-called p-value.

Table 4.4 below shows the correlation analysis of the computed variables under the study. From the result of correlation there is a clear indication of strong association between service delivery performance and the set computed employee motivational factors. All employee motivational factors have a significant effect on service delivery performance.

Job satisfaction factors are the dominant determinant of employee satisfaction with Pearson correlation coefficient 0.792 which implies that the decreasing or increasing job satisfaction of the employees has similar associations with change in service delivery performance. The second most important determinant of service delivery performance with Pearson correlation coefficient 0.749 is recognition and reward factor. Subsequently financial incentive factor, job design factor, and goal setting factor have a significant correlation with that of service delivery performance.

**Table 5. Pearson correlation result**

Study variable	Employees' performance	
Goal setting	Pearson Correlation	.662**
	Sig. (2-tailed)	.000
	N	234
Financial incentive	Pearson Correlation	.689**
	Sig. (2-tailed)	.000
	N	234
Recognition and reward	Pearson Correlation	.749**
	Sig. (2-tailed)	.000
	N	234
Job satisfaction	Pearson Correlation	.792**
	Sig. (2-tailed)	.000
	N	234
Job design	Pearson Correlation	.669**
	Sig. (2-tailed)	.000
	N	234
** . Correlation is significant at the 0.01 level (2-tailed).		

Source: Output of SPSS from Own survey data, 2025

The Pearson correlation analysis indicates a strong, positive, and statistically significant correlation between each of the examined motivational factors and employees' performance.

Specifically, job satisfaction shows the strongest positive relationship ( $r=.792, p<.01$ ), followed by recognition and reward ( $r=.749, p<.01$ ), financial incentive ( $r=.689, p<.01$ ), job design ( $r=.669, p<.01$ ), and goal setting ( $r=.662, p<.01$ ). These results, based on a sample of 234 employees, suggest that improvements in any of these motivational factors are likely to be associated with a significant increase in employees' performance within the studied context.

#### **4.3.2. Multiple Linear Regression Analysis**

Simple regression analysis is a statistical model that shows the relationship between two variables which are one is the dependent and the other on is independent or the predictor of dependent variable. To achieve the objective, answer the research question and test the hypothesis of this study, multiple linear regression analysis was used.

##### *A. Multiple Linear Regressions*

The main problem with any linear regression approach is that it ignores the possibility that a collection of variables, each of which is weakly associated with the outcome, can become an important predictor of the outcome when taken together (Hosmer and Lemeshow, 2000). Multiple linear regressions are commonly used statistical tools appropriate for continuous data. The model contains one continuous dependent and two or more than two independent variables. It has distributional assumptions and these assumptions have been tested in SPSS. Before performing regression to examine the effect of each predictor on the dependent variable, the following assumptions of the regression were tested and the results are discussed below.

##### **Assumptions #1. Multi- collinearity Test**

Tolerance should be more than 0.2 and VIF should be less than 10 (Bagheri & Midi, 2009). Based on the output of survey shown on Table above the Multi-collinearity test was

acceptable. Since, Tolerance and VIF (variance inflation factor) were met the requirement or standard. As shown on the table Tolerance was more than 0.2 and VIF was less than 10.

**Table 6. Multi-collinearity test result**

Variables	Collinearity Statistics	
	Tolerance	VIF
Goal setting	.636	1.572
Financial incentive	.957	1.045
Recognition and reward	.850	1.176
Job satisfaction	.661	1.512
Job design	.858	1.165

Source: Own survey (2024)

The multi-collinearity test, as shown in Table 7, indicates that the predictor variables in the regression model exhibit acceptable levels of collinearity. The tolerance values for all variables are above 0.2, and the VIF values are below 10. This suggests that the predictor variables are relatively independent of each other, minimizing the risk of multi-collinearity. Therefore, the regression analysis can proceed without significant concerns about the reliability and validity of the results.

### **Assumptions #2. Normality Test**

One of the key assumptions of multiple linear regressions is the normality of the residuals. This means that the differences between the observed and predicted values should be normally distributed. To assess this assumption, the distribution of residuals can be examined visually

using a histogram or a Q-Q plot. In this study, the histogram of the residuals appears to be approximately bell-shaped, suggesting that the normality assumption is met. Additionally, the mean of the residuals is close to zero, which is another indication of normality.

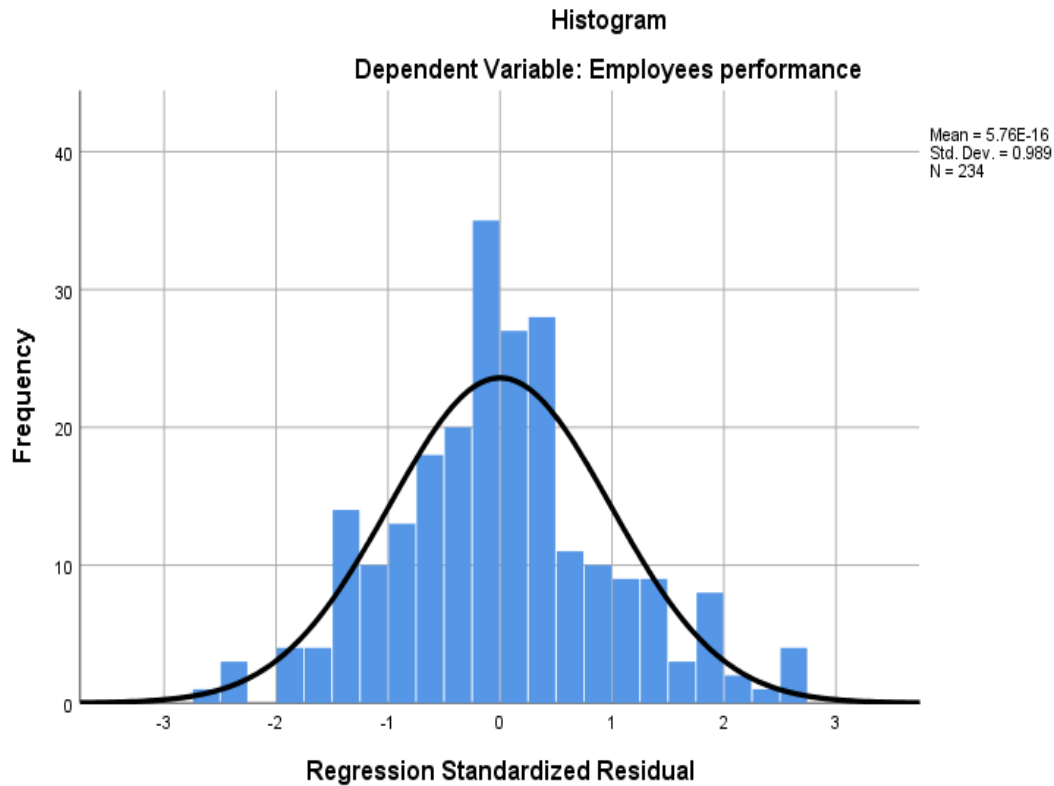
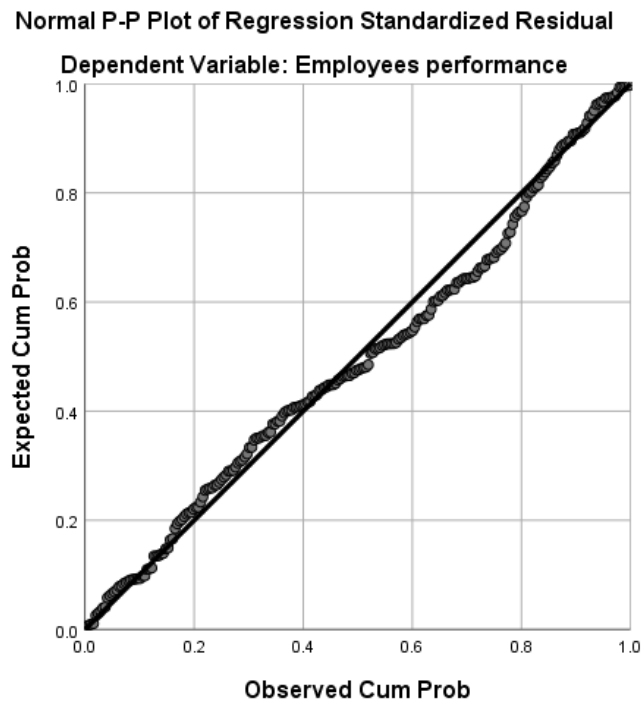


Figure 4. Normality test result

### Assumptions #3. Linearity Test

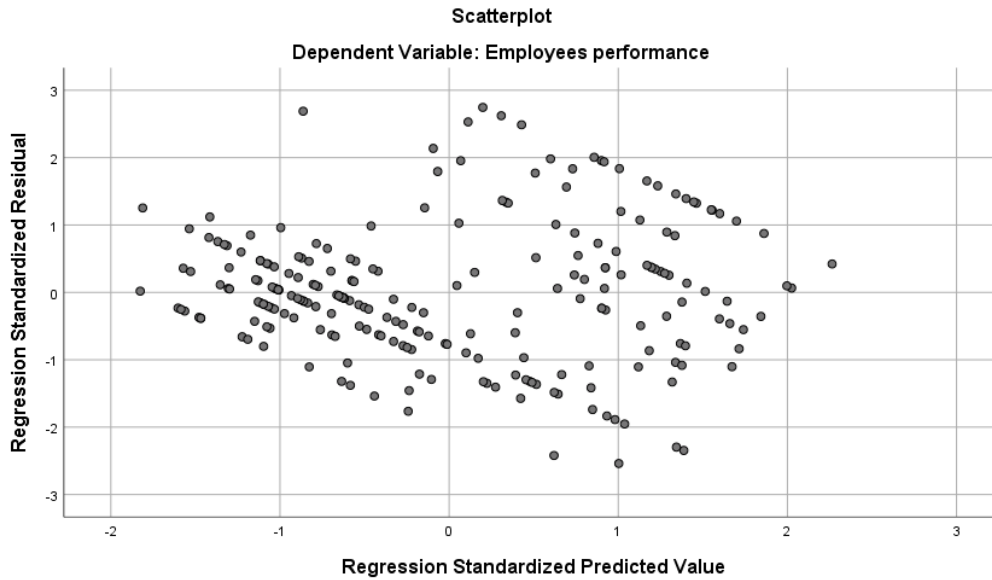
Linearity means that the predictor variables in regression have a straight-line relationship with the outcome variable. Standard multiple regressions can only accurately estimate the

cause-and-effect relationship between dependent and independent variables if the relationships are linear.



**Figure5. Linearity test result**

**Assumptions #3. Test of Heteroscedasticity**



**Figure 6. Heteroscedasticity test**

Based on result of SPSS shown on the above figure there is no issue of homoscedasticity i.e. points were fairly randomly distributed at all values of the predictor variables.

After ensured that the above required assumptions of multiple regressions are met based on the data the next step was processing multiple regression analysis to determine how well the regression model fits the data (model summary), independent variables statistically significantly predict the dependent variable (ANOVA) and statistical significance of each of the independent variables (regression coefficients).

R Square in the model summary table below shows the degree of explanation of the dependent variable by the model. The result reveals that about 87.0% of the variability in service delivery performance is explained by the set of different employee motivational factors in the model.

**Table 7. Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.933 <sup>a</sup>	0.870	0.866	0.22293

Source: own survey, 2025

Analysis of variance (F-test) part of regression analysis shows that the overall model is significant or not. The significance level in the following table reveals that the regression model is highly significance to fit the data. And the cumulative effect of the set of motivational factors on the service delivery performance is highly significance. So, this lead to accept the sixth hypothesis which is “the overall employee motivational factors have a positive impact on service delivery performance”, but it doesn’t show which predictor variable make the model significance, which can be examined by the coefficient table (t-test) in table 9 below

**Table 8. ANNOVA Table**

Source of Variation	Sum of Squares	Df	Mean Square	F	Sig.
Regression	52.068	5	10.414	209.534	.000
Residual	7.753	156	.050		
Total	59.821	161			

Source: Own survey, 2025

The coefficient table or t-test of regression analysis shows the effect of each predictor variable on the response variable. Referring significance level of each predictor variables shows that all motivational factors have significant effect on service delivery performance. From the table it has shown that; goal setting factors, financial incentive factors, recognition and reward factor, job

satisfaction factor and job design factors have significant effect on service delivery performance of the bank workers. All of the predictor variables have positive effect on employee performance, i.e. when motivational factors get improved the service delivery also increases.

**Table 9. Regression coefficient**

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.591	.151		-3.914	.000
Goal setting	.335	.043	.290	7.791	.000**
Financial incentive	.262	.043	.235	6.093	.000**
Recognition & reward Factors	.141	.038	.169	3.711	.000**
Job satisfaction	.159	.038	.190	4.184	.000**
Job design	.263	.027	.350	9.741	.000**

\*\*-significant at 1%

Source; own survey, 2025

The fitted multiple linear regression equation is given by:

$$Y_i = -.591 + .335X_1 + .262X_2 + .141X_3 + .159X_4 + .263X_5$$

Y<sub>i</sub> is the service delivery performance; X<sub>1</sub> is goal setting factor; X<sub>2</sub> is financial incentive factor; X<sub>3</sub> is recognition and reward factor; X<sub>4</sub> is job satisfaction factors and X<sub>5</sub> is job design factor. The set of predictor variables listed in the coefficient table, and the regression coefficients β<sub>i</sub> for each predictor variable also given in the above table. From the table above, it has shown that goal setting factor is highly significant with β = 0.290 and p = 0.000. This indicates that when the goal setting factor like; having clear and defined goal, matching personal goal with organizational goal, having realistic and achievable goal leads the employee's better service delivery performance. This result is in line with the result of Mullins (2005).

Financial incentive factor also has a significant effect on the service delivery performance

with  $\beta =$

0.235 and  $p = 0.000$ . The result revealed that financial incentive factors like; satisfied on the payment, having commutative payment from other organization, getting full service like house allowance and other incentives are responsible employee motivational factors in order to enhance the service delivery performance of employees. This result is similar with the finding of Robinson (1999).

Recognition and reward factors are highly significant with  $\beta = 0.169$  and  $p = 0.000$  level of significance. That means recognition and reward factors like; getting non-monetary rewards, getting recognition from manager, getting recognition from coworkers and having formal reward and recognition system to motivate staffs have positive effect on improving the performance of employees. Job satisfaction is very important variables in predicting the performance of employees with  $\beta = 0.190$  and  $p = 0.000$  significance level. It revealed that job satisfaction factors like; feeling positive and favorable on the job, satisfied with the working condition of the organization, having sense of worthwhile in accomplishment of the task given by the organization leads the staffs motivated and increase employee performance. This finding matches the result of Campion (2005).

Job design factor is the last motivational factors having significant effect on employee performance with  $\beta = 0.350$  and  $p = 0.000$ . This implies that job design factors like: having job rotation, having sense of self-management and merit-based representation of supervisors are responsible to enhance the performance of employees.

Summary of hypotheses testing result are depicted in the following table.

<b>Hypothesis</b>	<b>Standardized Beta</b>	<b>Significance</b>	<b>Remark</b>
<b>Ha1: Goal setting has a positive and significant effect on service delivery performance</b>	.290	.000	Accepted
<b>Ha2: Financial/ monetary incentive has a positive and significant effect on service delivery performance.</b>	.235	.000	Accepted
<b>Ha3: Recognition and reward have positive and significant effect on service delivery performance.</b>	.169	.000	Accepted
<b>Ha4: Job satisfaction has a positive and significant effect on service delivery performance.</b>	.190	.000	Accepted
<b>Ha5: Job design has a positive and significant effect on service delivery performance.</b>	.350	.000	Accepted

Table 10. Summary of hypotheses testing result

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1. SUMMARY

This study aimed to examine the effect of employee motivation on service delivery performance within selected commercial banks in the Gurage zone of central Ethiopia. Employing a mixed research design encompassing descriptive and explanatory approaches with a dominant quantitative orientation, data were collected through standardized questionnaires administered to a census sample of 234 permanent employees, achieving a response rate of 91.4%. The collected data were analyzed using descriptive statistics to profile the respondents and variables, Pearson correlation to assess the relationships between motivational factors and employee performance, and multiple linear regression to determine the effect of each motivational factor on service delivery performance.

The descriptive statistics highlighted an average level of service delivery performance (Mean=3.55, SD=0.613), with goal setting exhibiting the highest mean among motivational factors (Mean=3.74, SD=0.53). Pearson correlation analysis revealed strong, positive, and statistically significant relationships between all examined motivational factors and employees' performance: goal setting ( $r=.662, p<.01$ ), financial incentive ( $r=.689, p<.01$ ), recognition and reward ( $r=.749, p<.01$ ), job satisfaction ( $r=.792, p<.01$ ), and job design ( $r=.669, p<.01$ ). Furthermore, the multiple linear regression analysis confirmed that all proposed motivational factors had a statistically significant and positive effect on service delivery performance, leading to the acceptance of all research hypotheses: goal setting ( $\beta=.290, p<.001$ ), financial incentive ( $\beta=.235, p<.001$ ), recognition and reward ( $\beta=.169, p<.001$ ), job satisfaction ( $\beta=.190, p<.001$ ), and job design ( $\beta=.350, p<.001$ ). The overall model demonstrated a strong explanatory power, accounting for 87.0% of the variance in service delivery performance ( $R^2=.870$ ). These findings underscore the crucial role of employee motivation in driving service delivery performance within the banking sector in the Gurage zone.

## 5.2. Conclusion

In conclusion, this study successfully addressed its general objective by comprehensively examining the effect of employee motivation on service delivery performance within selected commercial banks in the Gurage zone of central Ethiopia. The findings robustly demonstrate a significant positive relationship between overall employee motivation, encompassing goal setting, financial incentives, recognition and reward, job satisfaction, and job design, and the level of service delivery performance. The high explanatory power of the regression model underscores the substantial impact that these motivational factors collectively have on how well employees perform their service-related duties within the banking sector in this region. Based on the standardized beta coefficients from the multiple linear regression analysis, the explanatory variables, in order of their effect from strongest to weakest on service delivery performance, are: job design, goal setting, financial incentive, job satisfaction, and recognition and reward.

The study also effectively achieved its specific objectives. It quantified the positive and significant effects of goal setting, financial/monetary incentives, recognition and reward programs, job satisfaction, and job design on employee performance in the selected commercial banks. The statistical evidence from both correlation and regression analyses consistently supports the notion that enhancing each of these motivational aspects can lead to improvements in employee performance, thereby contributing to a higher quality of service delivery. These findings provide valuable insights for the management of these banks, highlighting key areas of focus for interventions aimed at optimizing employee motivation to achieve superior service delivery outcomes.

## 5.3. Recommendations

Based on the findings, commercial banks in the Gurage zone are advised to consider the following recommendations to enhance employee motivation and, consequently, service delivery performance:

- ✚ Banks **ought to** prioritize optimizing job design by implementing strategies such as job rotation to reduce monotony and enhance skill variety, empowering employees with a greater sense of self-management to foster autonomy and ownership, and ensuring merit-based representation of supervisors to promote fairness and career development opportunities.

- ✚ Banks **had better** establish clear, specific, measurable, achievable, relevant, and time-bound (SMART) goals at both individual and organizational levels, ensure alignment between personal and organizational goals to foster a sense of purpose, and promote employee participation in the goal-setting process to increase buy-in and commitment.
- ✚ Banks **are advised to** regularly review and enhance their financial incentive structures, ensuring that compensation is competitive with other organizations in the sector, providing comprehensive benefits packages including allowances, and linking financial rewards directly to performance outcomes to reinforce desired behaviors and motivate higher achievement.
- ✚ Banks **ought to** cultivate a positive and favorable work environment by addressing factors contributing to job satisfaction, such as improving working conditions, fostering positive interpersonal relationships among colleagues, and creating a sense of worthwhile accomplishment in the tasks assigned to employees.

Banks **had better** implement formal and informal recognition and reward systems to acknowledge and appreciate employee contributions, provide both monetary and non-monetary rewards based on performance and effort, and ensure that managers and coworkers actively recognize and appreciate employees' achievements to foster a culture of appreciation and motivation.

#### **5.4. Limitations of the study and future research directions**

The limitations of this study primarily stem from its focus on a specific geographical area (Gurage zone) and a particular sector (commercial banks in that zone), which may limit the generalizability of the findings to other regions or industries. Additionally, the reliance solely on quantitative data collected through questionnaires might have overlooked nuanced qualitative insights into employee motivation and service delivery performance. Future research could explore these dynamics using mixed-methods approaches, investigate the influence of other potential mediating or moderating variables not included in this study, and expand the geographical scope to validate these findings in diverse contexts and across different banking sectors.

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# APPENDIX

## QUESTIONNAIRE

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Post Graduate Program

Dear Respondents!

The objective of this questionnaire is to gather information for the study on “Effect of Employee Motivation on Service Delivery Performance of Selected Commercial Bank in Gurage Zone Central Ethiopia” for partial fulfillment of the requirements for the Degree of Master in business administration. So, your genuine response to the following question would have crucial importance to the results of the study. The information you provided is only used for the academic purpose and was kept confidential.

Part One: Demographic characteristics of respondents

Gender of respondents

Male

Female

Age of respondents

Below 25

26-30

31-35

36-40

41 and above

Tenure of respondents less than 1 year

1-2 years

2-3 years

3-4 years

5 years and above

Variable	Statement	1	2	3	4	5
Service delivery performance	I consistently meet or exceed the service delivery targets set for me.					
	I believe the quality of service I provide is excellent.					
	I am efficient in handling customer service requests.					
	I am proactive in addressing customer needs and concerns.					
	I contribute to a positive overall service experience for customers.					
Goal setting factors	My job has clear and well-defined goals.					
	I understand how my individual goals contribute to the bank's objectives.					
	The goals set for me are realistic and achievable.					
	I receive regular feedback on my progress towards achieving my goals.					
	I am committed to achieving the goals that are set for me.					
Financial incentive factors	I understand how my individual goals contribute to the bank's objectives.					
	The goals set for me are realistic and achievable.					
	I actively participate in setting my work goals.					
	I receive regular feedback on my progress towards achieving my goals.					
	I am satisfied with my current level of pay.					
Recognition and reward factors	The financial incentives offered by the bank motivate me to perform better.					
	I believe my salary is competitive compared to similar roles					

	elsewhere.					
	I am satisfied with the benefits package provided by the bank.					
	I feel fairly compensated for the effort I put into my job.					
	I receive adequate recognition for my good work.					
	Non-monetary rewards (e.g., praise, appreciation) are common here.					
	I feel valued by the bank for my contributions.					
	There is a fair system for recognizing and rewarding employees.					
	Recognition from my manager motivates me to improve my performance.					
Job satisfaction	Overall, I am satisfied with my job.					
	I enjoy the work that I do.					
	I am satisfied with the working conditions at the bank.					
	I feel a sense of accomplishment from my work.					
	I feel positive and enthusiastic about coming to work.					
Job design factors	My job allows for variety in the tasks I perform.					
	I have sufficient autonomy in deciding how to do my work.					
	I have opportunities for skill development and growth in my role.					
	The tasks in my job are challenging but manageable.					
	I feel my job utilizes my skills and abilities effectively.					

Part Two: Items to measure service delivery of employees on Study variabl

