

## **ABSTRACT**

A tip can be defined as “a gift or a sum of money tendered for a service performed or anticipated and it is a common reward system nowadays especially in the hospitality industry. Previous researchers have conducted many studies on the subject of tipping. Among them most research looked at tipping as a societal norm, racial and ethnic differences in tipping, tipping and service quality, hotel tipping systems, and consumer incentive to tip. Further, most studies have focused on tipping from the perspective of customers and why they get tipped. Hence, this research concerned the impact of tipping on employee motivation and performance in restaurant operation of Sri Lanka with special reference to the Colombo district while exploring the employee’s perception regarding the tipping and relationship of tipping on employee motivation and performance. The sample was 120+ operational level employees who serve to the Food & Beverage departments in 3, 4 & 5 star category hotels. Purposive sampling technique was employed to reach the sample. The collected data was analyzed by applying the quantitative analysis approach by using Structural Equation Modeling (SEM) with the SmartPLS & SPSS data analysis software’s. The outcomes show that majority of the respondents prefer to receive monetary tips at working hours rather than receipt of nonmonitory tips and the relationship between tipping and employee motivation and performance and mediating impact of motivation in between tipping and performance. Furthermore this states that tip pooling is as fair distribution method. Furthermore, this study recommended some alternatives for tipping methods and tip distribution methods related to motivation and performance.

Key Words: Tipping, Tip Distribution method, Employee Motivation, Employee Performance