POLAC MANAGEMENT REVIEW (PMR)
DEPARTMENT OF MANAGEMENT SCIENCE
NIGERIA POLICE ACADEMY, WUDIL-KANO

EFFECT OF LEADERSHIP STYLES ON THE PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA. A STUDY OF SELECTED DEPOSIT MONEY BANKS IN MAKURDI METROPOLIS

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Abstract

The study investigates the effect of leadership style on the performance of deposit money banks in Nigeria. The study adopted a survey research design. Taro Yamane formula was used to determine a sample size of 238 respondents out of a study population of 592 employees from Access Bank Plc, First Bank of Nigeria Plc, Guaranty Trust Bank Plc, United Bank for Africa Plc and Union Bank of Nigeria Plc in Makurdi Metropolis. Primary source was used to collected data with the aid of questionnaire; while Pearson's correlation and multiple regression analysis were used for data analysis with the help of Statistical Package for the Social Sciences. From the findings of the study, it was found that there was a strong positive relationship between the five independent variables and the two proxies of performance of banks in Makurdi Metropolis. This therefore means that these leadership styles can be used as predictor variables to predict future performance of the banking sector organization. The major finding of the study depicts the main objective of the study was met i.e. there exist a strong effect between bank performance and the leadership styles adopted by the banks. The study therefore recommends among others that the three dimensions of leadership styles with significant effect on organizational performance should be put into practice for effective performance; though there is no one best leadership style for all situations.

Keywords: Leadership, Banks, Performance, Employee, Organization

1. Introduction

There is hardly any conversation today in Nigeria that does not begin with the word leadership. To achieve optimal productivity, of course, a leadership style is needed that is following organizational conditions so that it can influence, guide, and evaluate each individual or group within the organization (Istikomah & Haryanto, 2020).

In recent times, many organizations in the Nigerian banking industry, have recorded cases of immoral and unethical banking practices, gratifications, high labor turnover, inability to meet basic required obligations, and incessant financial distress syndrome, which has led to many banks being merged and acquired. This may be as a result of lack of effective leadership. According to Schyns and Sanders (2007), the sources of employee job dissatisfaction include inadequate salary, conflicting job demands (from the leadership) and absence of promotion prospects.

Objectives

i. To ascertain the effect of autocratic leadership style on the performance of deposit money banks in Makurdi Metropolis.
ii. To examine the effect of democratic leadership style on the performance of deposit money banks in Makurdi Metropolis.
iii. To assess the effect of transformational leadership style on the performance of deposit money banks in Makurdi Metropolis.
iv. To determine the effect of transactional leadership style on the performance of deposit money banks in Makurdi Metropolis.
v. To ascertain the effect of lassiez-faire leadership style on the performance of deposit money banks in Makurdi Metropolis.

Statement of Research Hypothesis

For the purpose of the current study hypotheses were formulated in a null form for the basis of drawing conclusion in this study as follows:

$H_{0:1}$ Autocratic leadership style has no significant effect on the performance of deposit money banks in Makurdi Metropolis.

$H_{0:2}$ Democratic leadership style has no significant effect on the performance of deposit money banks in Makurdi Metropolis.

$H_{0:3}$ Transformational leadership style has no significant effect on the performance of deposit money banks in Makurdi Metropolis

$H_{0:4}$ Transactional leadership style has no significant effect on the performance of deposit money banks in Makurdi Metropolis.

$H_{0:5}$ Laissez-faire leadership style has no significant effect on the performance of deposit money banks in Makurdi Metropolis.

2. Literature Review

2.1 Empirical Review

The transformational leader stimulates the thinking of his subordinates by encouraging creative thinking, innovation and rationality in them, encouraging new and creative ideas in solving work problems, and addressing old prevailing situations in new ways, as well as encouraging the spirit of innovation by accepting innovative ideas even if they conflict with his ideas and not allowing public criticism in case of failure (Arafat, et al., 2021). According to this component, leaders work to motivate subordinates by discussing assumptions, reformulating problems, and addressing old situations in new ways, and there is no general mockery or criticism of the mistakes of subordinates, and it also means challenges for subordinates to practice creative thinking and find solutions to difficult problems, as transformational leadership motivates them to be creative and they excel through their presentation of ideas and early solutions (Arafat, et al., 2021).And to avoid the use of force in order to achieve personal interests, but rather to use the power in their possession to mobilize individuals and groups to achieve their mission and vision, and when these ideal qualities are present and overtime the followers work to emulate them, and the goals of these subordinates become more meaningful, so they work at their maximum potential (Arafat.et al, 2021).

Akpan (2023) examined the relationship between leadership style and organizational performance of deposit money banks in Rivers State, Nigeria. The result of the analysis revealed that transformational leadership and charismatic leadership have a significant positive relationship with the dimensions of organizational performance. However, transactional leadership had no relationship with innovation and customers’ satisfaction but it was negatively related with competitive advantage. The study also revealed that organizational climate does significantly moderate the relationship between the predictor and criterion variable.

The level of organisational innovativeness fundamentally depends on employees‟ attitudes and behaviours. These attitudes and behaviours are, among others, the result of psychological contracts and the result of implemented management practices (Gadomska-Lila, & Rogozi-nska, 2022).

Idowu et al. (2023) examined the effect of five leadership styles on organization performance of selected money deposit banks in Nigeria. The study adopted stratified and convenience sampling techniques to select one hundred and fifty (150) respondents in Akure metropolis, Nigeria. It was concluded that money deposit banks should adopt a cluster of the various leadership style with transformational, transactional, autocratic and visionary to influenced organization’s performance.

The employees feel motivated because the transactional leadership is appealing to their self-interest and offer rewards and benefits. Transactional leadership is an exchange process that focuses on the exchanges between a leader and the employees. In the process, the employees who follow the leader‟s requests are rewarded. Therefore, transactional leadership styles and behaviours are focused on employees' contractual obligations and the associated rewards (Tsabitah, Jugindar and Janitha, 2021).

Good leadership is related to fairness in leading, having wisdom, and providing direction and instructions at a reasonable level (Tamimi et al., 2022). This means that leadership style is a determining factor in the rise and fall of employee productivity.

3. Methodology

3.1 Design of the Study

Descriptive and inferential statistical techniques were used for data analysis. According to Amin (2005) Descriptive statistics provides us with the techniques of numerically and graphically presenting information that gives an overall picture of the data collected. In inferential statistics, Pearson's correlation and multiple regression analysis were used to assess both relationships and effects as per the hypotheses of the study.

After the data was collected, it was coded and entered into SPSS. Correctness of data entry was checked. The scale-based variables were checked for internal consistence after which the scores were aggregated to obtain mean scores for each respondent per scale variable measure.

3.2 Population of the study

The study was staff of five Nigerian Banks: Access Bank Plc, First Bank of Nigeria Plc, Guaranty Trust Bank Plc, and United Bank for Africa Plc and Union Bank of Nigeria Plc totaling 592. The categories chosen were thought to be involved in the leadership management, decision making and operations of the bank.

3.3 Sample and sampling technique

The study adopted a survey research design. This survey research design according to Amin (2005) would be important in Nigerian Banking system since it would help the researcher attain systematic data on different respondents at the same time.

3.4 Instrument for Data Collection

There are two sources of data collection available for researchers. They are primary and secondary sources. This research work is concerned with primary source of data collection.

3.5 Method of Data Collection

To achieve a representative sample for the research study, the respondents were selected using simple random sampling methods. The researcher used a sample of 238 respondents drawn from the population of 592 Access Bank Plc, First Bank of Nigeria Plc, Guaranty Trust Bank Plc, and United Bank for Africa Plc and Union Bank of Nigeria Plc in Makurdi as demonstrated above.

3.6 Method of Data Analysis

After the data was collected, it was coded and entered into SPSS. Descriptive and inferential statistical techniques were used for data analysis.
The researcher was able to achieve 100% return rate for the questionnaire because respondents were not allowed to take them home.

4. Results and Discussion

4.1 Descriptive Statistics Result

Table 1:: Age group of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29	63	26.5	26.5	26.5
	30-39	130	54.6	54.6	81.1
	40-49	40	16.8	16.8	97.9
	50-59	5	2.1	2.1	100.0
	Total	238	100.0	100.0	

Table 1 reveals that, 26.5% are in Age range of 20-29 years with the frequency of 63 while 54.6% are in Age range of 30-39 years with the frequency of 130. 16.8% are in Age range of 40-49 years with the frequency of 40. 2.1% are in Age range of 50-59 years with the frequency of 5respondents who are staff of the five investigated bank in Makurdi.

Table 2: Respondents Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	153	64.3	64.3	64.3
	Female	85	35.7	35.7	100.0
	Total	238	100.0	100.0	

Table 2 shows that 64.3% are Male responders with frequency of 153 while 35.7% are Female responders with the frequency of 85 respondents. The numbers of Male respondent are higher than that of the Female responder.

Table 3: Educational Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SSCE/NECO	28	11.8	11.8	11.8
	NCE/Dip	98	41.2	41.2	52.9
	B.Sc/HND	91	38.2	38.2	91.2
	M.Sc./MBA	21	8.8	8.8	100.0
	Total	238	100.0	100.0	

Table 3 shows that 11.8% are holders of SSCE/NECO while the frequency of 28,41.2% are holders of NCE/Dip, the frequency of 98, 38.2% are holders of B.Sc./HND while the frequency of 91, while 8.8% are holders of MSC/MBA with the frequency of 115 respondents who are staff of the five investigated bank in Makurdi.

Table 4: Work experience

		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	*6-10*	*152*	*63.9*	*63.9*	*63.9*
	11-15	*44*	*18.5*	*18.5*	*82.4*
	16-20	*42*	*17.6*	*17.6*	*100.0*
	Total	*238*	*100.0*	*100.0*	

Table 4: shows that 63.9% are in Age range of six years above working experience with frequency of 152 while 18.5% are in Age range of 11-15years with frequency of 44. 17.6% are in Age range of 16-20years with frequency of 42respondents who are staff of the five investigated bank in Makurdi.

4.2 Regression Analysis

From the data analysis, we refer to Autocratic Leadership as (AUT), Democratic Leadership (DEMT), Transformational Leadership (TRANS), Transactional Leadership (TRAN), Laissez-faire Leadership (LFL) which were used as predictors of organizational performance in terms of Business Growth (BUSIG) and Profitability (PRF).

From the first model, all the five dimensions of leadership style were used to predict their effect on organizational profitability in the studied banks in Makurdi Metropolis.

Table 5: Summary of Regression Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.749[a]	.561	.552	1.73650	.561	59.337	5	232	.000

a. Predictors: (Constant), LFL, TRAN, DEMT, TRANS, AUT
b. Predictors: (Constant), LFL, TRAN, TRANS, DEMT, AUT
c. Predictors: (Constant), LFL, TRAN, TRANS, AUT, DEMT
d. Predictors: (Constant), LFL, DEMT, TRAN, TRANS, AUT
e. Predictors: (Constant), LFL, TRAN, DEMT, AUT, TRANS

From Table 5 the value of 0.749 indicates a good level of the five dimensions in leadership styles. The R square also called the coefficient of determination which is the proportion of variance in the dependent variable (profitability) that can be explained by the independent variables. The R square is the coefficient of determination which is 0.561 with 56.1% proportion of variance in the dependent variable.

Table 6: Anova Result

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	894.636	5	178.927	59.337	.000[b]
	Residual	699.583	232	3.015		
	Total	1594.218	237			

a. Dependent Variable: PRF
b. Predictors: (Constant), LFL, TRAN, DEMT, TRANS, AUT
c. Predictors: (Constant), LFL, TRAN, TRANS, DEMT, AUT
d. Predictors: (Constant), LFL, TRAN, TRANS, AUT, DEMT
e. Predictors: (Constant), LFL, DEMT, TRAN, TRANS, AUT
f. Predictors: (Constant), LFL, TRAN, DEMT, AUT, TRANS

The table above shows the dependent variable, F (1, 3) = 59.337, 0.000; P > 0.05. That is in general, we reject the hypotheses that AUT, DEMT, TRANS,TRAN and LFL have no significant effect on organizational profitability in the bank sector organizations.

Table 7: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
	(Constan)	1.345	1.386		.971	.333			
	AUT	-.122	.111	-.068	-1.103	.271	.352	-.072	-.048
	DEMT	.672	.084	.449	7.984	.000	.634	.464	.347
	TRANS	.117	.071	.091	1.649	.101	.492	.108	.072
	TRAN	-.043	.055	-.038	-.788	.432	.163	-.052	-.034
	LFL	.251	.037	.439	6.769	.000	.621	.406	.294

a. Dependent Variable: PRF

Interpretation:

Based on the above table, the equation for the regression line is

$\hat{Y} = B_1x + B_0$ where B_0 is the constant.

Predicted y = $-0.122x_1 + 0.672x_2 + 0.117x_3 - 0.043x_4 + 0.251x_5 + 1.345$

From the above statistics, there is positive significant effect between leadership style and organizational profitability in banking sector in Makurdi Metropolis. The study further reveals that both democratic and laissez-faire leadership are positive and significant at democratic leadership stale having Standardized Beta Coefficients of β = 0.449 & t-test = 7.984. The laissez-faire leadership have β = 0.439& t-test = 6.769.Autocratic Leadership (AUT) has an insignificant and negative β = -0.068& t-test = -1.103 and Transactional Leadership (TRAN)β = -0.038 & t-test = -0.788. Meanwhile Transformational Leadership (TRANS) has positive but insignificant β = 0.091& t-test = 1.649.

From the second model, all the five dimensions of leadership style were used to predict their effect on organizational growth in the studied banks in Makurdi Metropolis

Table 8: Summary of the second regression result

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Change Statistics*				
					R Square Change	*F Change*	*df1*	*df2*	*Sig. F Change*
1	*.698[a]*	*.488*	*.477*	*1.35404*	*.488*	*44.164*	*5*	*232*	*.000*

a. Predictors: (Constant), LFL, TRAN, DEMT, TRANS, AUT
b. Predictors: (Constant), LFL, TRAN, TRANS, DEMT, AUT
c. Predictors: (Constant), LFL, DEMT, TRAN, TRANS, AUT
d. Predictors: (Constant), LFL, TRAN, TRANS, AUT, DEMT
e. Predictors: (Constant), LFL, TRAN, DEMT, AUT, TRANS

In the table above, the value of 0.698 indicates a good level of the five dimensions in leadership styles. The R square also called the coefficient of determination which is the proportion of variance in the dependent variable (organizational growth) that can be explained by the independent variables. The R square is the coefficient of determination which is 0.488 with 48.8% proportion of variance in the dependent variable.

Table 9: Second Model Anova Result

Model		*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	*Regression*	*404.862*	*5*	*80.972*	*44.164*	*.000[b]*
	Residual	*425.357*	*232*	*1.833*		
	Total	*830.218*	*237*			

a. Dependent Variable: BUSIG
b. Predictors: (Constant), LFL, TRAN, DEMT, TRANS, AUT
c. Predictors: (Constant), LFL, TRAN, TRANS, DEMT, AUT
d. Predictors: (Constant), LFL, DEMT, TRAN, TRANS, AUT
e. Predictors: (Constant), LFL, TRAN, TRANS, AUT, DEMT
f. Predictors: (Constant), LFL, TRAN, DEMT, AUT, TRANS

The table above shows the dependent variable, F (1, 3) = 44.164, 0.000; $P > 0.05$. That is in general, we reject the hypotheses that AUT, DEMT, TRANS,TRAN and LFL have no significant effect on organizational growth in the bank sector organizations.

Table 10: Second Regression Coefficients Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. Error	Beta			Zero-order	Partial	Part
(Constan)	5.443	1.081		5.036	.000			
AUT	-.418	.086	-.321	-4.843	.000	.047	-.303	-.228
DEMT	.291	.066	.259	4.435	.000	.483	.280	.208
TRANS	.302	.055	.326	5.454	.000	.599	.337	.256
TRAN	-.027	.043	-.033	-.619	.536	.230	-.041	-.029
LFL	.166	.029	.404	5.765	.000	.469	.354	.271

a. Dependent Variable: BUSIG

Interpretation:

Based on the above table, the equation for the regression line is

$\hat{Y} = B_1x + B_0$ where B_0 is the constant.

Predicted y = $-0.418x_1 + 0.291x_2 + 0.302x_3 - 0.027x_4 + 0.166x_5 + 5.443$

From the above statistics, there is positive significant effect between leadership style and organizational growth in banking sector in Makurdi Metropolis. The study added that both laissez-faire leadership revealsβ = 0.404 & t-test = 5.765and democratic leader style having Standardized Beta Coefficients of β = 0.259& t-test = 4.435. The Transformational Leadership (TRANS) have β = 0.326 & t-test = 5.454. Autocratic Leadership (AUT) has an insignificant and negative β = -0.068 & t-test = -1.103 and Transactional Leadership (TRAN) β = -0.321& t-test = -4.843. Meanwhile Transformational Leadership (TRANS) has positive but insignificant β = -0.033& t-test = -0.619.

4.1 Analysis of Results

From the cross examination about the first objective which the study was to ascertain the effect of autocratic leadership style on the performance of deposit money banks in Makurdi Metropolis; It was uncovered that AUT has Standardized Coefficients β of (-0.068, P value 0.271).The findings from autocratic leadership style on the profitability of deposit money banks in Makurdi Metropolis has no significant and negatively affect the profitability of deposit money banks in Makurdi Metropolis since the exposure fails to meet the threshold of P value calculated is $P > 0.05$.

From the assessment about the second objective of the study to examine the effect of democratic leadership style on the performance of deposit money banks in Makurdi Metropolis; the study revealed that AUT has Standardized Coefficients β of (-0.321, P value 0.000).The findings from autocratic leadership style on the growth of deposit money banks in Makurdi Metropolis have significant effect and positively affect the growth of deposit money banks in Makurdi Metropolis since the exposure meets the threshold of P value calculated is < 0.05.

The determination of the third objective was on the effect of transformational leadership style on the performance of deposit money banks in Makurdi Metropolis; this analysis statistically exposed that DEMT has Standardized Coefficients β of (0.432, P value 0.000).The result of democratic leadership style on the profitability of deposit money banks in Makurdi Metropolis have significant effect and positively affect the profitability of deposit money banks in Makurdi Metropolis since the exposure meets the threshold of P value calculated is < 0.05.

From the investigation of the fourth objective concerning investigating the effect of transactional leadership style on the performance of deposit money banks in Makurdi Metropolis; this analysis statistically discovered that DEMT has standardized coefficient β of (0.259, P value 0.000).The result of democratic leadership style on the growth of deposit money banks in Makurdi Metropolis have significant effect and positively affect the growth of deposit money banks in Makurdi Metropolis since the exposure meets the threshold of P value calculated is < 0.05.

From the determination about the fifth objective of the study to ascertain the effect of laissez-faire leadership style on the performance of deposit money banks in Makurdi Metropolis; this analysis statistically exposed that TRANS has Standardized Coefficients β of (0.059, P value 0.091).The findings from transformational leadership style on the profitability of deposit money banks in Makurdi Metropolis has insignificant effect on the profitability of deposit money banks in Makurdi Metropolis since the threshold of P value calculated is > 0.05.

From the findings of p-value, which is the proxy measure of the level of significance, the study found that there was a strong positive relationship between the five independent variables and the two proxies of performance of banks in Makurdi Metropolis. This therefore means that these leadership styles can be used as predictor variables to predict future performance of the banking sector organization. The major finding of the study depicts the main objective of the study was met i.e. there exist a strong effect between bank performance and the leadership styles adopted by the banks.

4.3 Discussion of Major Findings

The findings of this study emerged from the analysis of the research questions and hypotheses. These findings include:

A bank comes to existence in order to maximize profit objectives. And leadership style adopted by a bank manager who is a leader has implication on the profitability and growth of the organization. Therefore, management of Banks Branches in Makurdi Metropolis in particular and Nigerian banking sector in general must formulate policies in respect to leadership style to be used by managers. This is because democratic leadership style, transformational leadership style, and laissez-faire leadership style have significant effect on organizational performance of the Banks Branches in Makurdi Metropolis of Nigeria; while autocratic leadership style and transactional leadership style have significant effect from one point or the other on organizational performance. In some point that the study reveals insignificant effect on profitability or growth of the banks, it means the dimension of leadership style was wrongly applied the managers who are the leader of the bank. That means, there is no one best leadership style for all situation.

The study established that three dimensions of leadership styles (democratic leadership style, transformational leadership and laissez-faire leadership style)significantly related to bank performance in the industry, as exemplary and visionary leadership is embedded in these three dimensions(democratic leadership style, transformational leadership style, and laissez-faire leadership style) is highly desired in the industry.

It is important to note that, adopting appropriate leadership styles at the right is necessary for provision of teamwork and ensuring everyone understands their roles within the bank. It means therefore that staff that are properly motivate and guided by the management to work to achieve the desired results leads to increased efficiency, reduction of costs and improved performance.

5. Conclusion and Recommendations

Based on the findings above, the following are the recommendations that can be made for managerial policy and managerial practice.

i. Leadership style behaviors that have a strong positive relationship with organizational performance should be put into practice. and ask no more of others than what is absolutely essential.

ii. Managers should consider formulating and implementing effective reward and recognition systems.

iii. Managers should consider practicing all these forms of leadership styles under study (autocratic leadership style, democratic leadership style, transformational leadership style, transactional leadership style, and laissez-faire leadership style) because there is no one best leadership style for all situation.

iv. The study recommends that management should adhere to democratic leadership style, transformational leadership style and laissez-faire leadership style because they have consistently yielded significant effect on both profitability and growth of those Banks studied.

v. Extensive training of managers who are leaders in the banking system in leadership-related workshops and seminars needs to be planned and conducted regularly.

vi. It is recommended that a key element in implementing leadership intervention is the use of a training programs designed to extend beyond the actual training sessions.

vi. Feedback sessions and follow-up workshops are also recommended.

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