

**LEADERSHIP STYLE AND FINANCIAL PERFORMANCE OF
SELECTED DEPOSIT MONEY BANKS IN KANO
METROPOLIS**

BY

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**BEING A RESEARCH DISSERTATION SUBMITTED TO THE
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MANAGEMENT)**

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DECLARATION

I hereby declare that this research dissertation is a product of my research efforts undertaken under the supervision of Abdu Ja'afaru Bambale (Ph.D), and has not been presented anywhere for the award of a degree or certificate. All sources used have been duly acknowledged.

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CERTIFICATION

This is to certify that the research work for this dissertation “Leadership Style and Financial Performance of Deposit Money Banks in Kano Metropolis” (Muhammed Alhaji Abubakar, SPS/13/MMN/00002) was carried out under my supervision.

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DEDICATION

This research dissertation is dedicated to my Late Father, (Alhaji Abubakar Tela Lapai) and Mother (Mallama Adama Hassan), who did everything possible to ensure my educational success at all levels.

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ABSTRACT

This study examines the effect of leadership style on financial performance of deposit money banks in Kano metropolis, Nigeria. The main objective is to examine the effect of leadership styles on financial performance of deposit money banks in Kano metropolis. Specifically, transformational and transactional leadership styles were considered in this study. The study employed a survey research design a questionnaire was used as the main technique of data collection. Out of the 292 copies of questionnaire that were distributed, only 149 copies were completed and retrieved. Also, regression analysis method using SPSS version 18 was used to analyze the data. The result showed that while transactional leadership style had less or no significant effect on financial performance, transformational leadership style had positive and significant effect on financial performance of deposit money banks in Kano metropolis. The study concluded that transformational leadership style was more appropriate in inducing financial performance of deposit money banks in Kano metropolis than transactional leadership style and therefore, recommended that emphasis should be placed more on transformational leadership style.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Deposit money banks play a significant role in the economic growth and development of countries. Through their intermediation function, banks play a vital role in the efficient allocation of resources of countries by mobilizing resources for productive activities. They transfer funds from those who don't have productive use of it to those with productive venture. Good bank performance rewards the shareholders with sufficient return for their investment. On the other hand, poor banking performance has a negative repercussion on the economic growth and development. Poor performance can lead to runs, failures and crises. Banking crisis could entail financial crisis which in turn brings the economic meltdown as happened in USA in 2007 (Marshall 2009).

That is why effective and visionary leadership is required in the banking sector to foster a sound and healthy banking system which avoid banking crisis and protect the depositors and the economy. Fry, Vitucci and Cedillo (2005) mentioned that the field of performance excellence has emphasized the need to go beyond reporting financial metrics to include non-financial predictors of financial performance such as customer satisfaction, organizational outputs such as; quality and delivery, process or internal operating measures and employee commitment and growth. Moreover, a high degree of workplace spirituality and spiritual leadership, as a driver of organizational commitment and productivity is essential to optimizing organizational performance (Fry & Matherly, 2006). Organization improve performance in order to anticipate change and develop new structures. Effective leadership performance may be essential to

ensure that change leads to increased effectiveness, efficiency and profitability (Erkutlu, 2008). Thus, understanding the relationship between leadership and financial performance is necessary in the Nigerian banking industry.

Performance is organizational ability in producing something related to desired targets (Kaithen, 2002). Performance is work results achieved by someone or a group of people in an organization, in accordance with their respective authority and responsibility to reach the organizational goal legally, without breaking laws, and in accordance with moral and ethics (Prawirosentono, 2000). According to Scott and Davis (2007), the flexibility and the ability of the organization to take advantage of its environment in the acquisition of internal and external resources are indicators of performance, its value being measured by the stock market and it is the key metric to measuring organizational performance.

Other means to increase organizational efficiency and effectiveness include strategic initiatives focused on organizational performance. Performance is the accomplishment and execution of tasks. Koontz and Donnell (1993) define organizational performance as the ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action. According to Albrecht (2011), performance is the extent to which an organization achieves a set of pre-defined targets that are unique to its mission.

Moreover, financial performance is a measure of how well a firm uses assets from its primary mode of operations to generate revenues (Duncan & Elliott, 2004). It is also used as a general measure of a firm's overall financial health or soundness over a given period of time which can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Goyit, 2015). Furthermore, financial performance could mean the level at which an organization performs during a particular time, expressed

in terms of overall profits and losses during that time (Gosselin, 2005). For that reason, evaluating a business financial performance allows decision makers to judge the results of business strategies and activities in objective monetary terms (Hoque, 2004). The success of any management team is judged over time based upon the overall financial performance of the company, so management of organizations should always be watching their financial performance and looking for ways to improve on it (Yang Spencer, Joiner & Salmon, 2009). The financial performance of the organization in terms of profitability, increased sales or revenue and stock measures (Roi, 2006). In this regard, financial performance of every organization depends on companies' ability to meet their set targets or objectives, basically profit.

But for the banks to achieve the desired performance, there is need for effective and visionary leadership. According to Meyer and Botha (2000) fast changing and increasingly complex business environment like banking sector requires visionary leadership and leaders who are willing to learn, experiment and influence organizational change. Leadership is the process of influencing groups to achieve goals, while a leader is someone who can influence others (Cole, 2006; Robbin & Coulter, 2007; Weihrich et al, 2008). Some researchers have suggested that leaders motivate and help their employees to be competitive by using effective leadership styles (Bass & Riggio, 2006; Luftman, 2004). Therefore, the leader's use of effective leadership styles is due to promote standards of excellence in the professional development of the members of the organization (La Rue, Childs & Larson, 2004). Fry (2003), explains leadership as use of leading strategy to offer inspiring motive and to enhance the staff's potential for growth and development. Thus, Glantz (2002) emphasizes the need for a manager to find his/her leadership style. We can now understand that the effectiveness of leadership to a large extent is responsible for organizational performance.

Some of the leadership issues discovered in the banks which had led to crises and failure of some banks were the cases of; Intercontinental bank, Oceanic bank, Afribank, Union bank and Finbank. In addition, the banks witnessed high turnover of staff and poor job satisfaction (Barnes, 2001). This could be the result of bad leadership style leading to high levels of stress in the working environment since a banks job has become one of the most stressful and unsecured jobs in today's modern economy. Hence, it is against these issues that, this study attempts to examine the effect of leadership style on the financial performance of some selected deposit money banks in Kano metropolis.

1.2 Statement of the Problem

Over the years the banking industry in Nigeria had witnessed many failures and crises which point to the need for effective and visionary leadership. Effective leadership style is very important for improved performance of deposit money banks. The banking industry in Nigeria has witnessed tremendous changes due to their quest for increased performance. These changes and dynamic business environment requires dynamic leadership that can enable both the people and the organization to adapt and be successful.

Notable empirical studies shows that a few studies relating to leadership style and organizational performance were conducted with significant results (Sila & Ebrahimpour, 2005; McGrath & MacMillan, 2000; Hurduzeu, 2015; Elenkow, 2002, Zhu, Chew & Spanger, 2005; Kieu, 2010; Chick-Jen & Mei-Ling, 2010; Koech & Namusonge, 2012; Zumitzavan & Udchachone, 2014; Yang, 2008; Obiwuru, Okwu, Akpa & Nwankwere, 2011; Samaitan, 2014) conducted in different locations like; Kenya, Ghana, Singapore, Taiwan, Thailand and Botswana and in different sectors such as; hospitality, banking, SMEs and Telecomms. Most of the findings revealed that different leadership style have significant relationship with organizational performance.

Also, a few studies relating to leadership style and financial performance were conducted with significant results. Specific leadership styles considered in these studies include; democratic, autocratic, transformational, transactional and laissez faire leadership styles (Roi, 2006; Moore, 2007; Khan, Asgar & Zaheer, 2014; Odumeru & Ogbonna, 2013, Puni, Ofei & Okoe, 2014) in USA, Pakistan, Greece, Ghana and Caribbean firms. Most findings showed that leadership style has significant effect on financial performance. Similarly, Koene et al. (2002) used net profit and controllable costs as dependent variables in their study, but these were only measured for a period of seven months. Xenikou and Simosi (2006) also included financial performance as a measure of organizational performance. In their study performance measures were a percentage of annual performance goal of each branch. However, the financial performance for this study represented by profitability was measured subjectively using four items; return on investment, profitability, cash flow from operations and cost control.

Majority of these studies were only conducted in the western countries, Asia and some part of Africa like; Kenya, Ghana, etc. The literature indicates that similar study need to be carried in Nigeria, Kano metropolis. Thus, the gap to be filled by this study include: this study will examine the effect of transformational and transactional leadership style on profitability (using different proxies such as; return on investment, profitability, cash flow from operations and cost control) of DMBs in Kano metropolis, Nigeria. This study became necessary because most literatures on leadership style focused on mainly the traditional leadership styles of leadership and were conducted in the western and Asian countries and some part of Africa. However this study has focused only on transformational and transactional leadership style on financial performance (profitability) of selected DMBs in Kano metropolis.

1.3 Research Question

Given the problem of the study identified above, the following questions were answered in the course of the study as follows;

- i.** To what extent does transformational leadership style significantly affect profitability of deposit money banks in Kano metropolis?
- ii.** To what extent does transactional leadership style significantly affect profitability of deposit money banks in Kano metropolis?

1.4 Objective of the Study

The main objective of the study is to examine effect of leadership style on financial performance (profitability) of selected deposit money banks in Kano metropolis. More specifically the study seeks to achieve the following objectives;

- i.** To assess the effect of transformational leadership style on profitability of deposit money banks in Kano metropolis.
- ii.** To examine the effect of transactional leadership style on profitability of deposit money banks in Kano metropolis.

1.5 Hypothesis of the Study

The following hypotheses were formulated:

H₀₁: There is no significant relationship between transformational leadership style and profitability of deposit money banks in Kano metropolis.

H₀₂: There is no significant relationship between transactional leadership style and profitability of deposit money banks in Kano metropolis.

1.6 Significance of the Study

This research which is about examining the effect of leadership style on financial performance (profitability) of deposit money banks in Kano metropolis, is important in both theory and practice.

The study has made an important contribution to leadership style and organizational performance literature, financial performance in particular. The study has found that leadership style affect performance of deposit money banks. Since managers and employees are the major stakeholders who perform most of the activities in the bank, the study of leadership style adopted by the banks is therefore very relevant in identifying which of the leadership styles (transformational and transactional) best inspires the managers and employees and motivate them to put in their best effort to attain both individuals and firms objectives. Most researches showed that leadership style has a significant relation with organizational financial performance and different leadership styles may have a positive correlation or negative correlation with the organizational performance, depending on the variables used by researchers (Fu-Jin et al., 2010). McGrath and McMillan (2000) are of the view that there is a significant relationship between leadership styles adopted by managers and performance of the organizations. Therefore if an organization wants to improve its performance, it is the leadership style that should be analyzed and adapted to new requirements (Popa, 2012). Sun (2002) compared leadership style with the leadership performance in schools and enterprises, and found that leadership style had a significantly positive correlation with the organizational performance in both schools and enterprises.

The performance of DMBs does not depend on just any form of leadership style but an effective leadership style that can facilitate the achievement of the firm's objective. This study attempts to investigate which of the modern leadership styles (transformational and transactional) has

significant effect on financial performance of DMBs. Also, the relevance of leadership style in determining performance of DMBs have not been extensively address in the literature, this study will be significant in filling the gap. Apart from theoretical significance, this study would also be significant in practical sense. Generally, this study would be important to banks management and policy makers by providing insight and knowledge into the best style of leadership for improving financial performance of DMBs. Hence, the outcome of the study will expose banks management to the importance of using and maintaining effective leadership style that will motivate both managers and employees to put in their best so as to achieve both individual and firm's objective.

1.7 Scope of the Study

The study has examined the relationship between leadership style and financial performance (profitability) of deposit money banks in Kano metropolis. The study has used questionnaire to get responses from employees of the selected deposit money banks (UBA, GTB, Sterling Bank, Access Bank, Diamond Bank, First Bank and Zenith Bank) in Kano metropolis respectively. These banks were selected on the basis of their market share, market growth, customer patronage and profitability. Also, the study was conducted between (2015-2016) and the reason for choosing Kano metropolis is that, the city is a commercial center and is the most populated city in Nigeria (Population Census, 2006).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section reviews relevant literature on leadership and leadership style and firm's performance generally. Also, it shows the review of empirical and theoretical literatures relevant to the study.

2.2 The Concept of Organizational Performance

Organizational performance otherwise referred to as financial and non-financial performance may be defined as the transformation of inputs into outputs for achieving certain outcomes. With regard to its content, performance informs about the relation between minimal and effective cost (economy), between effective cost and realized output (efficiency) and between output and achieved outcome (effectiveness) (Chen & Barnes, 2006). There is no general agreement in the literature on the criteria to be used in assessing the organizational performance (Bolman & Deal 2003; DeClerk, 2008; La Rue et al, 2004; Scott & Davis, 2007). However, there are four main dominant approaches: *Goal Approach*. People create organizations for a specific purpose which is determined by the stakeholders. The organizational performance is the ability of the organization to achieve its goals. *The System Resource Approach*. This approach explores the relation between the organization and the environment. As Boman and Deal (2003) state an organization is performant and effective when it takes advantage of its environment in the acquisition of high value and scarce resources to endorse its operations. *Constituency Approach*. According to Agle et al. (2006) an organization is effective when multiple stakeholders perceive the organization as effective. The organizations with more control over resources are likely to have the most influence on the performance (Scott & Davis, 2007). *Competing Values Approach* was developed by Cameron and Quinn (2006) and it states

that organizational goals are created in different directions by the various expectations of multiple constituencies. Therefore, organizations may have different criteria to measure performance. According to Cameron and Quinn (2006) stakeholders support the adaptability of their organizations, they want them to be flexible, stable and effective. A performant and effective organization has a high degree of collaboration and commitment among stakeholders through work groups, team projects and management (Cohen & Bradford, 2005).

Generally, the financial performance of banks and other financial institutions has been measured using a combination of financial ratios analysis, bench marking, measuring performance against budget or a mix of these methodologies (Ahmad, Raza, Amjad & Akram, 2011). The financial statements of financial institutions commonly contain a variety of financial ratios designed to give an indication of the corporation's performance. Simply stated, much of the current bank performance literature describes the objective of financial organizations as that of earning acceptable returns and minimizing the risks taken to earn this return (Alam et al, 2011).

Financial performance is a measure of how well a firm uses assets from its primary mode of operation to generate revenues. It is also used as a general measure of a firm's overall financial health or soundness over a given period of time which can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Govit, 2015). Investopedia defines Financial performance as the level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during that time. Evaluating the financial performance of a business allows decision-makers to judge the results of business strategies and activities in objective monetary terms. The success of the any management team is judged over time based upon the overall financial performance of the company. Management of organizations should always be watching their financial performance and looking for ways to improve on it. Therefore, the measure of financial performance in this study is proxied as general profitability indicators represented by the profit, return on investment, cash flow from operations and cost control subjectively.

2.2.1 Measurement of Financial Performance

The financial performance measurement in the study of (Huang & Lee, 2013) is conducted in accordance with the financial dimension of organizational performance measurement proposed by Huang (2008; Ling & Hung, 2010). For this reason, “EPS” (Earning Per Share) and “ROE” (Return On Equity) were adopted to be the financial performance measurement indices using a questionnaire. Huang (2008) used financial growth and profitability metrics for the measurement of organizational financial performance subjectively.

Also, Le Cornu and Lockett (2000) developed an instrument to measure financial and non-financial performance subjectively. The scale contained 37 performance items and 2 dimensions (financial and non-financial measures). Classification of the measures into financial and non-financial measures was based on prior classifications by (Horngren, Foster & Datar, 1994, pp. 890-892; Waterhouse & Svendsen, 1999). To be classified as financial, an item had to be able to be expressed in monetary terms, and/or be specifically or directly reflective of financial value rather than customer-focused factors, such as quality and flexibility. In all, 13 items such as; return on investment, budget variance analysis, divisional profit, working capital ratio, cash flow return on investment, shareholder value added measures, product profitability, capital expenditure, customer profitability, percentage sales from new products, inventory turnover, sales revenue and `operating profit, were classified as financial measures and 24 items such as; customer satisfaction, customer acquisition, response time, technology utilization, percentage of market share, level of brand recognition, employee training , employee attitudes, employee performance (e.g. labour efficiency and productivity), team performance, measures of rework, measures of scrap, measures of returns, measures of defect rates, ongoing supplier evaluation, community relations, environment, health and safety, after-sales service, new product introductions vs competitors, new product innovation, new

product lead time/time to market, on-time delivery and process productivity as non-financial measures. Reliability tests were also performed to examine reliability of the two sub-scales. Financial measure sub-scale (Fin) had a Cronbach alpha of 0.76, while the non-financial sub-scale (Nonfin) had a Cronbach alpha of 0.91, indicating high reliability.

Similarly, Gupta and Govindarajan, (1984) and Govindarajan (1988) developed an instrument which measures organization's financial and non-financial performance along multiple dimensions subjectively, rather than on any single dimension. There are two parts to the measure where SBU managers are asked to rate the degree of importance of each of the performance dimensions as well as the rate their SBU's performance on the specified dimensions, using a seven-point Likert scale with anchors "significantly below average" and "significantly above average". Thus, in arriving at a measure for organizational performance, the degree of importance of each dimension was used as weights, with performance on each item being weighted by the relative importance of each item. This instrument has been widely used in prior research (Govindarajan & Fisher, 1990; Chenhall & Langfield-Smith, 1998; Bisby & Otley, 2004; Hoque, 2004). The items comprising this scale were divided into two subscales, financial organizational performance (profit, return on investment, cash flow from operations and cost control) and non-financial organizational performance (sales volume, market share, new products development, personnel development, political-public affairs and market development).

Further, Flora, Kineta and David (2008), measured financial performance of banks in Islamabad, Pakistan using four subjective items such as; sales growth, after tax net income, return on investment and employee productivity. All these items were ranked on a five likert scale. Also, growth has been argued as an essential element to the attainment of sustainable competitive advantages and profitability (Markman & Gartner, 2002) and it is hard to associate

sustained growth without profitability (Fitzsimmons et al., 2005). Profitability is also another important measure of organizational performance that must be considered as it is unlikely that firm growth can be sustained without profit contributions (Fitzsimmons et al 2005). Performance of a firm can be identified using different proxies. Ibukunle and James (2012) and Olorunsegun (2010) have identified performance in a different perspective; productivity, increase in sales, cost reduction, competitiveness, efficiency and effectiveness. Base on the above, this study proxied financial performance or profitability of deposit money banks using the following subjective items; financial (profit, return on investment, cash flow from operations and cost control).

2.3 The Concept of Leadership Style

The concept and definition of leadership and style may differ from one person, or situation, to the other. The word ‘leadership’ has been used in various aspects of human endeavor such as politics, businesses, academics, social works, etc. Leadership is perhaps one of the most important aspects of management (Weihrich, et al, 2008). This is because leadership is a major factor which contributes immensely to the general well-being of organizations and nations. In other words, the ability of management to execute “collaborated effort” depends on leadership capability. Lee and Chuang (2009), explained that the excellent leader not only inspires subordinate’s potential to enhance efficiency but also meets their requirements in the process of achieving organizational goals. Fry (2003), explains leadership as use of leading strategy to offer inspiring motive and to enhance the staff’s potential for growth and development. Effective leadership also involves motivation, management, inspiration, remuneration and analytical skills. When all these are present, the organizations record increased productivity and the profits. The positive effect of leadership on organizational performance was measured by some researchers (Sila & Ebrahimpour, 2005) through human resources (turnover rate and

job performance), organizational effectiveness (cost and quality) and financial performance (market share, profit, return on asset). To increase the organizational performance a leader must have the ability to promote creativity and innovation, stimulate the subordinates to challenge their own value systems and improve their individual performance. Leadership style is the ‘relatively consistent pattern of behavior that characterizes a leader’ (DuBrin, 2001). Today’s organizations need effective leaders who understand the complexities of the rapidly changing global environment.

Fiedler (1967) believed that leadership is a kind of relationship to apply power and influence to make people work together and accomplish common goals (Wu et al., 2006). Leadership is a social influence process in which the leader seeks the voluntary participation of subordinates in an effort to reach organization goals (Omolayo, 2000). Daft (2005) defined leadership as an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes. Messick and Kramer (2004) argued that the degree to which the individual exhibits leadership traits depends not only on his characteristics and personal abilities, but also on the characteristics of the situation and environment in which he finds himself. An effective leader influences followers in a desired manner to achieve desired goals. Different leadership styles may affect organizational effectiveness or performance (Nahavandi, 2002). Lee and Chuang (2009) explains that the excellent leader not only inspires subordinate’s potential to enhance efficiency but also meets their requirements in the process of achieving organizational goals. Leadership is defined as the ability to influence a group towards the achievement of goals (Robbins, 1993). It is widely recognized as a critical factor in the success or failure of an organization (Hasbullah, 2008). Leadership enables an organization to translate its potential for good performance into productivity (Samuel, 2005). Furnham (2002) assert that the appropriate measurement outcome from leadership quality is effectiveness (reflecting

the leader's efficacy in achieving organizational outcomes, objectives, goals and subordinates' needs in their job).

2.3.1 Theories of Leadership

Among the various theories of leadership and motivation relating to effective organizational change management, perhaps the most prominent is the transformational-transactional theory of leadership. As explained in Saowalux and Peng (2007), Burns (1978), conceptualizes two factors to differentiate "ordinary" from "extraordinary" leadership: transactional and transformational leadership. Transactional leadership is based on conventional exchange relationship in which followers' compliance (effort, productivity, and loyalty) is exchanged for expected rewards. In contrast, transformational (extraordinary) leaders raise followers' consciousness levels about the importance and value of designated outcomes and ways of achieving them. They also motivate followers to transcend their own immediate self-interest for the sake of the mission and vision of the organization. Such total engagement (emotional, intellectual and moral) encourages followers to develop and perform beyond expectations (Burns, 1978; Bass, 1985). Burns (1978), observes that transformational leadership involves the process of influencing major changes in organizational attitudes in order to achieve the organization's objectives and strategies. Bass (1985), observed that transactional leaders work their organizational cultures following existing rules and procedures, while transformational leaders change their cultures based on a new vision and a revision of shared assumptions, values and norms. When an organization must adapt to changes in technology, its leadership is a critical factor in its successful change.

2.3.2 Transformational Leadership

According to Richard and Clifford (2008), transformational leaders in order to achieve the desired performance: actively engage the subordinates' personal value systems and provide ideological explanations which connect subordinates' identities to the collective identity of their organisation, thus increasing the subordinates' intrinsic motivation to perform their job; articulate an important vision and mission for the organisation, so increasing subordinates' understanding of the importance and values associated with desired organizational performance; raise the performance expectations of subordinates' so increasing their willingness to transcend their self-interests in the name of the collective entity. Scott and Peter (2009) mentioned that by providing intellectual stimulation, transformational leaders encourage subordinates to adopt generative and explorative thinking process. They stimulate their subordinates to think about old problems in new ways and encourage them to challenge their own values, traditions and beliefs.

Bass, Riggio (2006) and Dvir, Kass, Shamir (2004) considered that transformational leadership involves the concept of motivation, mutually beneficial goals, emotional bond, common values and vision. According to Bass and Riggio (2006), transformational leadership is made up of four main parts: charisma, inspiration, intellectual stimulation and individual consideration. The transformational leader wants to achieve results beyond what is normal and sets higher corporate goals by inspiring a sense of importance of the team's mission, stimulates employees to think innovatively about a problem or task and places the group goals over personal self-interest (James, 2005). According to Tabassum, Akram and Hassan (2011) transformational leader leads their employee with inspiration and motivation having specific vision in their minds. According to Ali, Syed and Arshad (2012) transformational leaders bring positive and valuable changes in employees. A transformational leader is a person who stimulates and

inspires (transform) followers to achieve extraordinary outcomes (Robbins & Coulter, 2007). He/she pay attention to the concern and developmental needs of individual followers; they change followers' awareness of issues by helping them to look at old problems in a new way, and they are able to arouse, excite and inspire followers to put out extra effort to achieve group goals. Transformational leadership theory is all about leadership that creates positive change in the followers whereby they take care of each other's interests and act in the interests of the group as a whole (Warrilow, 2012). Transformational leadership enhances the motivation, morale, and performance of followers through a variety of mechanisms. These include connecting the follower's sense of identity and self to the project and the collective identity of the organization; being a role model for followers that inspires them and makes them interested; challenging followers to take greater ownership for their work, and understanding the strengths and weaknesses of followers, so the leader can align followers with tasks that enhance their performance.

Warrilow (2012) identified four components of transformational leadership style: *Charisma or idealized influence*: the degree to which the leader behaves in admirable ways and displays convictions and takes stands that cause followers to identify with the leader who has a clear set of values and acts as a role model for the followers. *Inspirational motivation*: the degree to which the leader articulates a vision that is appeals to and inspires the followers with optimism about future goals, and offers meaning for the current tasks in hand. *Intellectual stimulation*: the degree to which the leader challenges assumptions, stimulates and encourages creativity in the followers - by providing a framework for followers to see how they connect [to the leader, the organization, each other, and the goal] they can creatively overcome any obstacles in the way of the mission. *Personal and individual attention*: the degree to which the leader attends to each individual follower's needs and acts as a mentor or coach and gives respect to and appreciation of the individual's contribution to the team. This fulfils and enhances each

individual team members' need for self-fulfillment, and self-worth - and in so doing inspires followers to further achievement and growth.

2.3.3 Transactional Leadership

Transactional Leadership, also known as managerial leadership, focuses on the role of supervision, organization and group performance; transactional leadership is a style of leadership in which the leader promotes compliance of his followers through both rewards and punishments. Unlike Transformational leadership, leaders using the transactional approach are not looking to change the future, they are looking to merely keep things the same. These leaders pay attention to followers' work in order to find faults and deviations. This type of leadership is effective in crisis and emergency situations, as well as when projects need to be carried out in a specific fashion. Within the context of Maslow's hierarchy of needs, transactional leadership works at the basic levels of need satisfaction, where transactional leaders focus on the lower levels of the hierarchy. Transactional leaders use an exchange model, with rewards being given for good work or positive outcomes. Conversely, people with this leadership style also can punish poor work or negative outcomes, until the problem is corrected. One way that transactional leadership focuses on lower level needs is by stressing specific task performance (Hargis et al, 2001). Transactional leaders are effective in getting specific tasks completed by managing each portion individually.

Transactional leadership follow the rational and materialistic approach between a leader and a subordinate (Bushra, Usman & Naveed, 2011). Transactional leaders provide a clear idea to their subordinates on how a task or an activity must be performed and also communicate them that there will be rewards for a job done well (Bass & Avolio, 1994; Jung & Berson, 2003). Transactional leaders are concerned with processes rather than forward-thinking ideas. These types of leaders focus on contingent reward (also known as contingent positive reinforcement)

or contingent penalization (also known as contingent negative reinforcement). Contingent rewards (such as praise) are given when the set goals are accomplished on-time, ahead of time, or to keep subordinates working at a good pace at different times throughout completion. Contingent punishments (such as suspensions) are given when performance quality or quantity falls below production standards or goals and tasks are not met at all. Often, contingent punishments are handed down on a management-by-exception basis, in which the exception is something going wrong. Within management-by-exception, there are active and passive routes. Active management-by-exception means that the leader continually looks at each subordinate's performance and makes changes to the subordinate's work to make corrections throughout the process. Passive management-by-exception leaders wait for issues to come up before fixing the problems. With transactional leadership being applied to the lower-level needs and being more managerial in style, it is a foundation for transformational leadership which applies to higher-level needs.

Transactional leadership involves an exchange process that results in follower compliance with leader request but not likely to generate enthusiasm and commitment to task objective. The leader focuses on having internal actors perform the tasks required for the organization to reach its desired goals (Boehnke et al, 2003). The objective of the transactional leader is to ensure that the path to goal attainment is clearly understood by the internal actors, to remove potential barrier within the system, and to motivate the actors to achieve the predetermined goals (House and Aditya, 1997).

2.3.4 Transformational Vs Transactional Leadership Style

Transformational and transactional leadership are not viewed as opposing leadership styles. Leaders can be both transformational and transactional (Lowe et al., 1996). In general, transformational leadership is more effective than transactional leadership (Gardner & Stough

2002). Some researchers have found data supporting the conclusion that transformational leadership is superior to transactional leadership (Bass et al., 2003; Dvir et al., 2002). Transformational leadership is more strongly correlated than transactional leadership with higher productivity and performance (Lowe et al., 1996), higher level of organizational culture (Block, 2003), and higher level of emotional intelligence (Gardner & Stough, 2002). Transformational leaders are leaders who engage with followers, focus on higher order intrinsic needs, and raise consciousness about the significance of specific outcomes and new ways in which those outcomes might be achieved (Hay, 2012). Transactional leaders tend to be more passive as transformational leaders demonstrate active behaviours that include providing a sense of mission.

Transactional	VS.	Transformational
Leadership is responsive		Leadership is proactive
Works within the organisational culture		Works to change the organisational culture by implementing new ideas
Employees achieve objectives through rewards and punishments set by leader		Employees achieve objectives through higher ideals and moral values
Motivates followers by appealing to their own self interest		Motivates followers by encouraging them to put group interests first
Management-by-exception: maintain the status quo; stress correct actions to improve performance.		Individualized consideration: Each behaviour is directed to each individual to express consideration and support. Intellectual stimulation: Promote creative and innovative ideas to solve problems.

Research suggests that leaders who exhibit transactional and transformational leadership styles engender performance by keeping to an agreed target and encouraging acquisition of skills relevant to the set goals (Casida & Pinto-Zipp, 2008; Ho & Ko, 2009). Having distinct leadership style is a key element that impacts on organizational performance. Through improving working context of employees, meeting their expertise needs and also assisting them to perform their jobs better are the positive aspects relevant to transformational leadership as a whole (Liu et al, 2003). Given the growth and expansion of product and services in the Nigerian banking industry, the transactional and transformational leadership styles appear to be the dominant leadership styles in use. The outcome of the study will be instrumental in helping to determine if leadership style basically (transformational and transactional), significantly affect financial performance (profitability) of deposit money banks in Nigeria.

2.4 Review of Empirical Literature

The debate over whether leadership style can lead to firm performance has largely been contested. Those who support the veracity and efficacy of leadership style and firm performance believe that the disposition of leaders, their roles and responsibilities in decisions-making assist organizations to find solution to challenges and adapt to the complex competitive environment which impact on profitability (Bass, 1991; Waldman & Yammarino, 1999). A number of researchers theorized that transformational leadership is linked to organizational performance (Bycio et al., 1995; Howell & Avolio, 1993). A number of studies on leadership styles (Bass, Riggio, 2006; Kouzes, Posner, 2007, Yukl, 2009) suggest that the practices of the transformational leadership have a positive impact on the organizational performance. Most researches showed that leadership style has a significant relation with organizational performance and different leadership styles may have a positive correlation or negative correlation with the organizational performance, depending on the variables used by

researchers (Fu-Jin et al., 2010). McGrath and MacMillan (2000) are of the view that there is a significant relationship between leadership styles adopted by managers and performance of the organizations. Sun (2002) compared leadership style with the leadership performance in schools and enterprises, and found that leadership style had a significantly positive correlation with the organizational performance in both schools and enterprises. Some studies have explored the strategic role of leadership to investigate how to employ leadership paradigms and use leadership behaviour to improve organizational performance (Judge, Bono, Ilies, and Gerhardt, 2002; Judge and Piccolo, 2004; Keller, 2006; McGrath and MacMillan, 2000; Meyer and Heppard, 2000; Purcell, Kinnie, Hutchinson and Dickson, 2004; Yukl, 2002). This is because intangible asset such as leadership styles skills, competence, and motivation are seen increasingly as key sources of strength in those firms that can combine people and processes and organizational performance (Purcell *et al.*, 2004).

Notable empirical researches that have linked effective leadership to firm performance can be cited in the following studies; Hurduzeu (2015), examined the impact of leadership on organizational performance. The aim of the paper was to explore the impact of leadership styles on the organizational performance. The main focus was on transformational leadership and its role in facilitating the increase in organizational performance. The result showed that there is a positive correlation between the transformational leadership style and the performance of the organizations. Samaitan (2014), examined the impact of leadership style on organizational performance in commercial Banks in Kenya. Census survey sampling technique was adopted and relevant primary data was gathered with the aid of a structured questionnaire administered on respondents. Pearson correlation was used to examine the relationship between leadership style dimensions and organizational performance. Findings showed positive and negative correlation between leadership style and organizational performance. It was also found that leadership style behaviors jointly predict organizational performance. The study concluded that

six leadership styles behaviors should be employed by the Banks' management in order to perform stronger in the competitive environment.

In his study on the transformational leadership practices in Russian companies; Elenkow (2002) examined the impact on organizational performance. Using a Multifactor Leadership Questionnaire, he analyzed the leadership behaviour of 253 leaders. The analysis underlined a strong correlation between transformational leadership practices and organizational performance. In their study on the connection between the transformational leadership style and organizational performance, (Zhu, Chew & Spanger, 2005) identified within 170 companies from Singapore, a positive relationship between the transformational leadership and the organizational performance. They also demonstrated that effective human resources management arbitrates the relationship between leadership and performance through increased commitment, higher motivation and intellectual motivation. Moreover, a positive relation between the long-term income growth and transformational leadership was depicted in a study on 94 companies investigating the impact of transformational leadership practices on the financial performance of the organization in terms of profitability, increased sales or revenue and stock measures (Roi, 2006). Moore (2007) in his research within the United State of America organization found out that there is a significant positive relationship between female transformational leaders and the revenue element of organizational effectiveness.

In another study on leadership styles and organizational performance, Kieu (2010) on 151 companies from IT industries underlined that transformational leadership relates positively and significantly to organizational performance. The study used a Multifactor Leadership Questionnaire (5X) and it revealed that transformational leadership is a stronger predictor for the performance, satisfaction and commitment within organizations by building commitment, empowerment and demanding a higher degree of respect and trust for the leader. Intellectual

stimulation and inspirational motivation were found to improve the organizational performance (Hancott, 2005). Paracha, Qamar, Mirza, Hassan and Waqas (2012), investigated the impact of leadership style (transformational & transactional leadership) on employee performance & mediating role of job satisfaction, study of 6 Schools in Rawalpindi and Islamabad private school (educator) in Pakistan. The aim of the research was to determine whether leadership styles that is, transformational leadership style and transactional leadership style, has an impact on employee performance. Also the study wish to see if job satisfaction has a mediating effect or not. Result shows that transactional and transformational both are significantly positive associated with Employee performance however transactional leadership was more significant then transformational. Another important discovery made was there is no mediating role of Job satisfaction between transactional leadership. But it mediates with transformation leadership and employee performance.

Bass, Avolio, Jung and Berson (2003), predicting unit performance by assessing transformational and transactional leadership. The aim was to To examine this question, the authors calculated the predictive relationships for the transformational and transactional leadership of 72 light infantry rifle platoon leaders for ratings of unit potency, cohesion, and performance for U.S. Army platoons participating in combat simulation exercises. The results shows that both transformational and transactional contingent reward leadership ratings of platoon leaders and sergeants positively predicted unit performance. The relationship of platoon leadership to performance was partially mediated through the unit's level of potency and cohesion. Flanigan, Stewardson, Dew, Fleig-Palmer and Reeve (2013), studied the effects of leadership on financial performance at the local level of an industrial distributor using a sample of 300 firms in US. This research fills the gap between what is known about leadership in larger organizations, and the need for greater understanding of leadership at the local level of an industrial distributor. The study used a subjective instrument to measure financial

performance. The results shows that a leader's self-reported transformational leadership was positively associated with sales and profit margin performance at the local level of an industrial distributor, while followers' ratings of a leader's transactional leadership style was negatively associated with sales performance.

Wang, Chich-Jen and Mei-Ling (2010), examined the effect of leadership style on organizational performance as viewed from human resource management strategy using a sample of 246 corporate owners, executors and operators of Kaohsiung's Nanzi Export Processing Zone in south Taiwan. It was found that (1) The charismatic, transformational and visionary of the leadership style are positively related to the organizational performance, (2) The development, motivational and transfer strategy of the human resource strategy are positively related to the leadership style, (3) Both development and motivational strategies are positively related to the organizational performance, and (4) The interaction of the leadership style and the human resource management strategy significantly contributes to the organizational performance. Amelo (2007), investigated transformational leadership impetus to sustained shareholder value in Caribbean. The study has empirically examined the relationship between Bass's transformational leadership construct and the role of culture in affecting employability and organizational citizenship behavior and financial performance, leading to sustained shareholder value. The results of the study motivates policy makers to incorporate leadership training in school curricula and business leaders were inspired to implement leadership training programs in their organizations.

Khan, Asghar and Zaheer (2014), examined the influence of leadership style on employee job satisfaction and firm financial performance: a study of banking sector in Islamabad, Pakistan. The purpose of the study was to analyze the impact of two different types of leadership styles on employee job satisfaction and firm financial performance. In measuring financial

performance, subjective measure was used. A sample of 150 bank respondents was targeted for the analysis. The data was collected via the 5-point Likert scale structured questionnaire from bank employees in Islamabad, Pakistan. For the analysis part SPSS and AMOS version 18 were used. The findings of the study shows that transformational leadership has a more significant impact on employee job satisfaction and firm financial performance as compared to transactional leadership. Firms can maximize their profits upon choosing the appropriate leadership style for their organizations. Odumeru and Ogbonna (2013), investigated transformational vs. transactional leadership theories: evidence in literature. The paper gives an introductory perspective into the the difference between transformational and transactionary leadership drawing from evidence in literature. The paper concludes that although they are conceptually different, some elements of transactionary leadership exists in transformational leadership.

Megeid, (2013), examined the impact of service quality on financial performance and corporate social responsibility: conventional versus islamic banks in Egypt. This empirical study seeks to show the impact of bank's service quality on customer satisfaction and improving financial performance, which in turn will affect the Corporate Social Responsibility implementation in the Egyptian Conventional banks versus Islamic banks to find out which of the banking streams are performing better. For this study, sample of 8 Conventional banks and the 2 major Islamic banks in Egypt were selected. This study compares the profitability, operations and liquidity ratios of Conventional and Islamic banks of Egypt. The study is done on the financial statements analysis for the period 2003-2009, based on Bankscope database. The study has used a subjective instrument to measure financial performance. The study found that there is a positive relationship between the profitability and operation levels and liquidity performance, at both conventional and Islamic banks. Also the results reveal that conventional banking has better financial position than Islamic banking, which indicate their higher expenditure ability

and commitment toward their Corporate Social Responsibility. Also, Koech and Namusonge (2012), studied the effect of leadership styles on organizational performance at state corporations in Kenya. This study investigated the main effects of leadership styles on organizational performance at state-owned corporations in Kenya. It specifically sought to determine the impact of laissez-faire, transactional and transformational leadership styles on organizational performance at state-owned corporations in Kenya. Using a sample of 30 state owned enterprises; A total of 77 managers completed the questionnaires out of the 100 distributed questionnaires, representing a 77 per cent response rate. The findings revealed that correlations between the transformational-leadership factors and organizational performance ratings were high (0.518 to 0.696, $P < .05$), whereas correlations between the transactional-leadership behaviors and organizational performance were relatively low (0.219 to 0.375, $P < .05$). As expected, laissez-faire leadership style is not significantly correlated to organizational performance. Zumitzavan and Udchachone (2014), examined the influence of leadership styles on organisational performance mediated by organisational innovation: a case study of the hospitality industry in Thailand. This paper examines the relationship between the demographics of respondents, leadership styles, organisational innovation, and organisational performance and discusses which styles of leadership are supportive to business. The research sampled 419 managers by survey questionnaire; in analysing the data, the statistical technique of hierarchical multiple regression was applied. Results show that leadership styles do have an influence on organisational performance. In addition, they indicate an association between leadership styles and organisational performance, mediated by organizational innovation.

Obiwuru, Okwu, Akpa, and Nwankwere (2011), examined the effects of leadership style on organizational performance: a survey of selected small scale enterprises in Ikosi-Ketu council development area of Lagos State, Nigeria. The major objective was to determine effect of leadership styles on performance in small scale enterprises. Transformational and transactional

leadership styles were considered in this study using a sample of 15 SMEs in Lagos, Nigeria. The result showed that while transactional leadership style had significant positive effect on performance, transformational leadership style had positive but insignificant effect on performance. Yang (2008), researched on the relationships among leadership styles, entrepreneurial orientation, and business performance. This study examines how leadership style can affect the development and implementation of entrepreneurial orientation in small and medium enterprises in Taiwan. It is also designed to examine the effects of leadership styles and entrepreneurial orientation on business performance. 20,302 enterprises in Taiwan. Significant conclusions from this study are that different leadership styles may affect business performance; that transformational leadership is significantly more correlated to the business performance than is transactional leadership and passive-avoidant leadership; that entrepreneurial orientation is positively related to performance; and that transformational leadership with higher entrepreneurial orientation can contribute to higher business performance.

Puni, Ofei and Okoe (2014) examined the effect of leadership on financial performance of two Ghanaian banks. The autocratic, democratic and laissez-faire leadership styles theories have been extensively discussed. Correlational research design was employed to determine the predictive relationship between the independent variables (autocratic, democratic and laissez-faire leadership styles) and the dependent variable (financial performance). Multiple Regression test was used to test the hypothesis in the study. The result showed that, none of the leadership styles significantly predicted financial performance of the two banks. However, democratic leadership style ($\beta = -.222$) was found to account for more variance in financial performance than autocratic ($\beta = -.043$) and laissez-faire ($\beta = -.039$). Farrel (2001), examined the effect of leadership styles on service quality delivery in Birmingham, United Kingdom. The research makes a practical contribution by indicating how service managers' adoption of

leadership characteristics reduces employees' role stress levels and increases their motivation, satisfaction, and ultimate service quality delivery. Alloubani, Almatari and Almkhtar (2014), investigated the effects of leadership styles on quality of services in healthcare . The result shows that, transformational leadership processes have been found to enhance followers' work-oriented values and shape self-efficiencies of followers. Aghashahi, Davarpanah, Omar and Sarli (2012), studied the relationship between different leadership styles, specifically transformational and transactional and the three components of organizational commitment, namely affective, continuance, and normative in a contact center setting in Kuala Lumpur, Malaysia. The study used a sample of 300 employees and the supported the positive effects of transformational leadership style on two components of organizational commitment namely affective and normative, in context of service industry.

Spencera, Joinerb and Salmon (2009), this study examines the mediating role of both non-financial and financial performance measures in the relationship between a differentiation strategic orientation and organizational performance in Australia. The study used subjective instrument to measure financial and non-financial performance. The results indicate that, firstly, firms pursuing a differentiation strategy (product flexibility or customer service focus) utilize non-financial as well as financial performance measures; secondly, these performance measures are associated with higher organizational performance; and thirdly, there is a positive association between a firm's strategic emphasis on differentiation and organization performance through the mediating role of non-financial and financial performance measures. Also, Syed, D i n g and Ge (2008), This study examined the factorial validity of strategic human resource management practices and their effects on company performance in a sample of 465 Chinese enterprises. The study used subjective instrument to measure financial and non-financial performance. The findings indicate that a valid set of strategic HRM practices (training, participation, results-oriented appraisals, and internal career opportunities) affect

both product/service performance and financial performance. Employment security and job descriptions contribute uniquely to product/service performance, whereas profit sharing contributes uniquely to financial performance.

Shehu and Mahmood (2014), this study aimed at examining the association between market orientation and business performance of Nigerian small and medium enterprises (SMEs). 640, SMEs in Nigeria. The study used subjective instrument to measure financial and non-financial performance. The result from correlation analysis established a good relationship between market orientations, organizational culture and business performance. However, regression results established no relationship between market orientation and SME performance, whereas, the mediation test was not supported. Similarly, Shehu (2012), studied relationship between market orientation and firm performance: A look at Nigerian SMEs. The aim of this research is to examine the relationship between market orientation and performance of SMEs in Nigeria. The study used subjective instrument to measure financial and non-financial performance. The findings reveal that significant relationships exist between market orientation and SME performance.

Akhigbe, Finelady and Felix (2014), investigated the effect of transactional leadership style on employee satisfaction in selected banks in Rivers state of Nigeria. The study used a sample of 160 employee and the study revealed that there is a positive and significant relationship between all the dimensions of transactional leadership style and employee satisfaction except passive management by exemption. Jaroslav (2012), investigated the relationship between applied leadership style of branch managers and productiveness of bank sales clerks and room for their productiveness improvement applicable in the banking sector in Slovakia. The research used a sample of 116 and the results confirmed that the directive style of leadership is the mandatory style in the banking sector in Slovakia whereas the intensity of its

implementation during the analysis period was increased. Rehman, Mansoor and Bilal (2012), studied the impact of leadership styles on job satisfaction at work place in Pakistan. The study used a sample of 320 employees and the result which indicates that consideration has much effect than initiating structure. Omidifar (2013), researched on leadership style, organizational commitment and job satisfaction: a case study on high school principals in Tehran, Iran. The study used a sample of 357 staff and the findings revealed positive and significant relationships between leadership style, organizational commitment and job satisfaction. Sanda and Kuada (2013), this study sought to identify the determinants of effective leadership style that is appreciated by employees in retail banking firms in Ghana. The study used a sample of 11 Banks and was established that managers of retail banks in Ghana could be perceived by their employees as good leaders if they give employees full credit for the work that they do.

Sanda and Kuada (2013), the impact of leadership style organizational culture, national culture on job satisfaction and organizational commitment towards enhancing organizational performance in retail banks in Ghana. The study used a sample of 282 employees from 9 Banks and was found that organizational performance in retail banks in Ghana is directly influenced by the characteristics of leadership style and organizational culture and the subsequent impact on employee job satisfaction and organizational commitment. Arzi and Farahbod (2014), investigated the impact of leadership style on job satisfaction: a study of iranian hotels. The study used a sample of 121 employees and was found that among the components of transformational leadership, intellectual stimulation, vision and supportive leadership had the significant impact and on the other side inspirational communication and personal recognition did not have any significant impact. Moreover, supportive leadership had the most significant impact. Both two dimensions of transactional leadership had significant and positive impact on job satisfaction. The impact of contingent reward was more than management expectation.

Emu and Umeh (2014), studied the relationship between leadership styles/practices and job satisfaction among customer relationship officers in Nigerian banks. The study used a sample of 85 employees and the findings of this study provide useful information to Nigerian bank leaders in determining which leadership styles may be associated with employee job satisfaction and performance. Ekaterini (2010), explored the relationship between four prominent models of leadership and the fundamental organizational features such as commitment, satisfaction, communication and effectiveness in Greece. The study used a sample of 190 employees and the results revealed that, the spectrum of four leadership styles containing basic characteristics, such as the type of branches, the age and educational level are inter-related with communication, commitment, satisfaction, and effectiveness. Khan, Asghar and Zaheer (2014), studied the influence of leadership style on employee job satisfaction and firm financial performance: a study of banking sector in Islamabad, Pakistan. The study used a sample of 150 employees and the findings of the study shows that transformational leadership has a more significant impact on employee job satisfaction and firm financial performance as compared to transactional leadership.

Similarly, Riaz, Akram and Ijaz (2010), investigated the impact of transformational leadership style on affective employees' commitment: an empirical study of banking sector in Islamabad (Pakistan). The study used a sample of 210 employees and findings of the study show that there is significant and positive relation between transformational leadership and employees' affective commitment. Belias and Koustelios (2014), studied a critical review of the relation between leadership and the levels of job satisfaction experienced by employees in Greece. The findings shows that contemporary job-related phenomena like job satisfaction are related to employees' relations with colleagues and superiors, performance and perceptions of their organization's specific culture.

2.5 Theoretical Review

Several theories were relevant in this research. For instance, *Theory X and Y* (Douglas McGregor, 1960); McGregor identified two sets of assumption- two theoretical construct about the nature of people. He called one ``theory X`` and the other ``theory Y``. According to (Koontz, 1999) he used X and Y because he wanted a neutral terminology without any connotation of being ``good`` or ``bad``

Theory X Assumptions: Traditional assumptions about people are included in theory x below:

1. Average human beings have an inherent dislike of work, and will avoid it if they can.
2. Because of this human characteristics of dislike of work, most people must be coerced, controlled, directed and threatened with punishment to get them to put forth adequate effort toward the achievement or organizational goal.
3. Average human beings prefer to be directed, wish to avoid responsibilities, have relatively little ambition and want security above all.

Theory Y Assumptions:

1. The expenditure of physical and mental effort in work is as natural as play/ or rest.
2. External control and threat are not the only means for producing effort. People practice self-direction and control in the service of objective to which they are committed.
3. Commitment to objective is a function of the rewards associated with their achievement.
4. Average human being learn under proper conditions, not only to accept but also seek responsibility.
5. The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problem is widely, not narrowly distributed in the population.

6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

It has been stated in Koontz, (1999) that theory X and Y are not prescription or suggestion for managerial strategies, but are assumptions that are to be tested against reality. Also, the assumptions are not based on research finding but intuitive. Theory did not denote hard or soft management, because hard management produce resistance and soft approach may result in laissez- faire which is not in agreement with theory Y. An effective manager/leader recognizes the capability as well as limitations of people and adjusts accordingly. Therefore, it implies that theory X and Y are not based on the matter of two degree or extremes but a view about different people (Koontz, 1999).

The relationship in the model could be explained using the following theories; firstly, Douglas McGregor's (1960), *theory X and theory Y* which are theories of human motivation and management. These theories describe two contrasting models of leadership style and performance of organizations. Theory X stresses the importance of strict supervision and external rewards and penalties, while Theory Y highlights the motivating role of effective leadership style and its effect on performance. Theory Y and Theory X can also be compared with these two leadership styles. Theory X can be compared with transactional leadership where managers need to rule by fear and consequences. In this style and theory, negative behaviour is punished and employees are motivated through incentives. Theory Y and transformational Leadership are found to be similar, because the theory and style supports the idea that managers work to encourage their workers. Leaders assume the best of their employees. They believe them to be trusting, respectful, and self-motivated. The leaders help to supply the followers with tool they need to excel.

Secondly, ***Human Capital Theory*** which explains that widespread investment in human capital create in the labour-force the skill-base indispensable for economic growth. Based on the above, Torrington (2008) explains that human capital signifies the combined intelligence and experience of staff as a source of competitive advantage that cannot be imitated by rivals. This theory has implications thus for attracting, engaging, rewarding and developing people in organizations. The theory has cross cutting significance in leadership styles. In the context of the current study human capital theory will be used to underpin the relationship in the model of this study. It is useful in the context of banks because leadership styles to be studied in this research must ensure these organizations attract, retain and motivate employees. Investments in employees need to be done by the use of transformational and transactional leadership styles.

Human capital arises out of any activity able to raise individual worker productivity. The theory is a modern extension of Adam Smith's explanation of wage differentials by the so-called net (dis) advantages between different employments. In human capital, personal income vary according to amount of investment on each worker in terms of the education and training undertaken by individuals or groups of workers etc.

This model of the study could also be underpinned by the ***Expectancy Theory*** by (Armstrong, 2010). In the expectancy theory, motivation is likely to be when there is a perceived and usable relationship between performance and outcome, with the outcome being seen as a means of satisfying needs. In other words there must be a link between a certain reward and what has to be done to achieve it. This theory is very important in the context of this research. The theory is instrumental especially when banking industry are designing performance based pay. Reason for this is that management of banks needs to design performance based pay in the form of transformational and transactional leadership perspective, so as to ensure that both the employees and managers the organizations continue to improve their performance.

Additionally, in the expectancy theory, motivation is likely to be when there is a perceived and usable relationship between performance and outcome, with the outcome being seen as a means of satisfying needs. In other words there must be a link between a certain reward and what has to be done to achieve it. This theory is very important in the context of this research. The theory is instrumental especially when banking industry are designing performance based pay. Reason for this is that management of banks needs to design performance based pay in the form of transformational and transactional leadership perspective, so as to ensure that both the employees and the organizations continue to improve their performance.

The Social Exchange Theory (Blau, 1967) argues that perception of good treatment from one party creates obligation to reciprocate in kind to the other party. In line with this theory, workers may consider an effective implementation of both transformational and transactional leadership styles as special and deliberate attempts by management to help employees both achieve organizational and personal goals. Accordingly, an employee would be obliged to put extra effort if the organization he/she works for has effective and functioning styles of leadership, thus leading to the performance of the organization. Therefore, in line with the social exchange theory (Blau, 1967).

Other theories include; ***Goal Setting Theory*** (Locke, 1968) Edwin Locke opined that intentions can be important source of motivation and hence satisfaction. Specific goal (in form of intention) will lead to increase in performance. He asserts that complex and difficult goal, if accepted result in higher performance than easy goals. Also, he opined that feedback triggers performance than no feedback. Therefore, to motivate and get satisfaction hard goals need to be set than generalized and simple goals (Koontz, 1999).

Maslow's Theory of Satisfaction/Motivation; According to Koontz and Weihrich, (1999) Maslow's theory of hierarchy of needs is the most popular theory of job satisfaction and

motivation. Based on his clinical experience and the knowledge of psychology, he views human needs in the form of hierarchy from the lowest to the highest, and he asserts that when one kind of need is satisfied this kind of need ceases to be a motivator. The ascending order of Maslow's hierarchy of needs as cited by Koontz and Weihrich (1999) are as follows:

- **Physiological Needs:** These are the basic needs for sustaining human life like food, water, clothing, shelter, sleep, sex. These according to Maslow until they are satisfied to the degree necessary to maintain life, other needs will not motivate and hence satisfy an individual
- **Security:** These are needs to be free from any kind of danger; physical, emotional, economical which include fear of loss of one's job, property, food, clothing or loss of shelter. This however supports the finding of Cornelissen (2006) that insecurity on the job affects job satisfaction and increases probability of job search
- **Affiliation:** This is a need to belong, to be accepted by others. Hawthorne's experiment has acknowledged the importance of social relationship in improving productivity
- **Esteem Need:** Once people begin to satisfy their need for affiliation, they tend to want to be held in esteem. This kind of need produces satisfaction like power, prestige, status and self-confidence. The higher ranking officers are more satisfied than lower ranking officers (Abdullah, Uli & Parasuraman, 2009).
- **Need for Self-Actualization:** This is the highest need in the hierarchy. It is the desire to become what one is capable of becoming. That is, to maximise one's potential

Herzberg's Two Factor Theory

Herzberg attempts to find two factor explanation of job satisfaction/motivation. In one group are the "Dissatisfiers". If they exist in high quantity and quality they yield no dissatisfaction and their absence will yield dissatisfaction, they include: supervision, salary, status, job security, and personal life. In the other groups are the "satisfiers" all related to job content

they include achievement, recognition, challenging work, advancement, and growth in the job. Their existence will yield satisfaction or no satisfaction (not dissatisfaction). Kim (2004) found Herzberg two factor theory to be one of the most important theories of motivation and job satisfaction. Different researches used the theory in their study of motivation and job satisfaction (Getahun, Seble, Sims & Hummer, 2007).

The theory did not go unchallenged; the theory ignores individual difference and assumes that all employees react in a similar manner in changes in hygiene and motivators (Wikipedia, 2014). Some other researchers like Koontz, (1999) found that the so-called hygiene factors were actually potent in yielding satisfaction or dissatisfaction

McClelland's Need Theory of Satisfaction/Motivation; According to Shajahan and Shajahan (2004) some people have a strong desire to succeed so they pursue personal achievement than the reward of success. McClelland identify three types motivating/satisfying needs. They are: need for power (n/POW), need for achievement (n/ACH), and need for affiliation (n/AFF). These needs are of vital use to management since all must be recognize to make an organize enterprise work well. Any organized enterprise and its department are collection of people working together to achieve a goal, so the need for achievements is important (Koontz, 1999). McClelland's needs are explained below. Need for power, People with high need for power have a great concern for exercising control and influence on others (Koontz, 1999). On the other hand, need for affiliation describe the desire for being loved and to avoid the pain of been rejected by a group. Those that are strong on this prefer cooperative than competitive situation (Robbins, 2005). Finally, need for achievement this is an intense desire for success and to excel and achieve beyond the standard for success and intense fear for failure

Lastly, ***ERG Theory (Alderfer's Clayton);*** Clayton Alderfer (1969) built on Maslow's hierarchy of need and practicalize it base on research. He categorized Maslow's hierarchy of need into

three types of needs, they are: Existence, Relatedness and Growth, he called them ERG theory. Existence includes Maslow's physiological and security needs, Relatedness includes Maslow's social and esteem needs, finally growth is the Maslow's self-actualization need (Shajahan & Shajahan, 2004). To Clayton Alderfer (1969) needs are not hierarchical but continuum of need.

2.6 Theoretical Framework

The relationship in the model could be explained using the following theories; firstly, Douglas McGregor's (1960), *theory X and theory Y* which are theories of human motivation and management. These theories describe two contrasting models of leadership style and performance of organizations. Theory X stresses the importance of strict supervision and external rewards and penalties, while Theory Y highlights the motivating role of effective leadership style and its effect on performance. Theory Y and Theory X can also be compared with these two leadership styles. Theory X can be compared with transactional leadership where managers need to rule by fear and consequences. In this style and theory, negative behaviour is punished and employees are motivated through incentives. Theory Y and transformational Leadership are found to be similar, because the theory and style supports the idea that managers work to encourage their workers. Leaders assume the best of their employees. They believe them to be trusting, respectful, and self-motivated. The leaders help to supply the followers with tool they need to excel.

Secondly, *Human Capital Theory* which explains that widespread investment in human capital create in the labour-force the skill-base indispensable for economic growth. Based on the above, Torrington (2008) explains that human capital signifies the combined intelligence and experience of staff as a source of competitive advantage that cannot be imitated by rivals. This theory has implications thus for attracting, engaging, rewarding and developing people in organizations. The theory has cross cutting significance in leadership styles. In the context of

the current study human capital theory will be used to underpin the relationship in the model of this study. It is useful in the context of banks because leadership styles to be studied in this research must ensure these organizations attract, retain and motivate employees. Investments in employees need to be done by the use of transformational and transactional leadership styles.

The model of the study could also be underpinned by the *Expectancy Theory* by (Armstrong, 2010). In the expectancy theory, motivation is likely to be when there is a perceived and usable relationship between performance and outcome, with the outcome being seen as a means of satisfying needs. In other words there must be a link between a certain reward and what has to be done to achieve it. This theory is very important in the context of this research. The theory is instrumental especially when banking industry are designing performance based pay. Reason for this is that management of banks needs to design performance based pay in the form of transformational and transactional leadership perspective, so as to ensure that both the employees and managers of the banks continue to improve their performance. Additionally, in the expectancy theory, motivation is likely to be when there is a perceived and usable relationship between performance and outcome, with the outcome being seen as a means of satisfying needs. In other words there must be a link between a certain reward and what has to be done to achieve it. This theory is very important in the context of this research. The theory is instrumental especially when banking industry are designing performance based pay. Reason for this is that management of banks needs to design performance based pay in the form of transformational and transactional leadership perspective, so as to ensure that both the employees and the organizations continue to improve their performance.

Fig. 2.1 The Model of the Study



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter attempts to discuss research methodology and procedures to be undertaken by the study. Specifically, this chapter covers research design, the population of the study, sample size and sampling technique, measurement of research variables, method of data collection as well as method of data analysis used for the study and model development.

3.2 Research Design

Research design has been viewed as a blue print or road map indicating the methods and procedure for collecting and analyzing information (Zikmund, Babin, Carr, Griffin, 2010). This study adopted survey research design because it attempts to investigate the relationship between leadership styles and financial performance. Lavrakas (2008) describes a descriptive survey research design as a systematic research method for collecting data from a representative sample of individuals using instruments composed of closed-ended and/or open-ended questions, observations, and interviews. It is one of the most widely used non-experimental research designs across disciplines to collect large amounts of survey data from a representative sample of individuals sampled from the targeted population. Orodho (2003) and Kothari (2004) describe a descriptive survey design as a design that seeks to portray accurately the characteristics of a particular individual, situation or a group.

3.3 Population of the Study

The whole group of people, objects, events or things that a researcher has interest in investigating is called population (Sekaran & Bourgie, 2010). The population of this study

comprises all the employees of the selected DMBs operating in Kano metropolis. These are; First Bank, Zenith Bank, Diamond Bank, Sterling Bank, UBA, GTB and Access Bank. Since the study examines the effect of leadership style and financial performance (profitability) of DMBs in Kano metropolis, the unit of analysis would be the employees of the selected DMBs. There are 1205 employees in all the selected deposit money banks in Kano metropolis.

3.4 Sample Size and Sampling Technique

A sample has been defined by Zikmund, et al., (2010) as a sub-set or some part of a larger population. An ideal sample is needed to reduce the cost of sample error and to truly represent the population. In determining the sample size, Krejcie and Morgan (1970) provided a table for selection of sample size (see Appendix A). Therefore, the sample size for this study was obtained as follows:

Table: 3.1 POPULATION AND SAMPLE SIZE OF THE RESPONDENTS

S/NO	BANKS	POPULATION	SAMPLE(Proportionate)
1	First Bank	205	50
2	Zenith Bank	187	45
3	Access Bank	203	49
4	Diamond Bank	120	29
5	Sterling Bank	137	33
6	GTB	178	43
7	UBA	175	42
	Total	1205	292

Source: Field Survey (2016)

Also, the correct use of sampling technique can mean that the validity of the research leads to higher overall accuracy (Saunders *et al* 2003). This study has used a simple random sampling technique. Questions regarding leadership style and financial performance (profitability) were both answered by the employees of the selected deposit money banks in Kano metropolis.

3.5 Data Collection Technique

The data for this study were obtained using a questionnaire. Before setting out for data collection a letter of introduction was collected from the Department of Business Administration and Entrepreneurship, Bayero University Kano. The letter requested for assistance from the participating organizations regarding the conduct of the study. The letter has helped greatly in facilitating the conduct of this study by building confidence and trust in the minds of the management of these organizations who gave permission for distribution of the copies of questionnaire.

3.6 Method of Data Analysis

Data analysis refers to the strategies and procedures for summarizing and exploring relationship among the variables on which data have been collected. The statistical technique used in analyzing data in this research work is regression analysis. However Statistical Package for Social Sciences version 18 (SPSS, Version18) was used for the analysis. Justification of this method is that, linear regression is used because the researcher's objective is to find the extent of relationship between two independent and a dependent variable. Also regression is to see which variable predict the dependent variable and its degree of influence on the prediction.

Therefore, upon the completion of data collection, combination of both descriptive was employed to analyze the data. Dependent and independent variables (financial performance and leadership style) was analyzed using regression. Specifically, regression analysis was

employed to test the effect of transformational and transactional leadership style on the financial performance of DMBs in Kano metropolis.

3.7 Model of the Study

The researcher used financial organizational performance as the dependent variable and leadership style (transformational and transactional leadership style) as independent variables. As stated in the previous section, the study employed regression model to assess the level of the effect, the independent variables (transformational and transactional leadership style), have on the dependent variable, performance (financial organizational performance). The model is specified below:

$$Y_i = a + \beta_1 X_{1i} + \dots + \beta_n X_{ni} + e_i$$

Y_i indicate the dependent variable and X_i denote the number of the independent variables.

Y_i = Financial Performance (FP)

X_1 = Transformational Leadership Style (TF)

X_2 = Transactional Leadership Style (TS)

a = Constant value

β_i = the co-efficient of variable

e_i = error term

Therefore, the regression equation would be:

$$FP = a + \beta_1 TF + \beta_2 TS + e_i, \text{ } I$$

3.8 Measurement of Research Variables

This research has two constructs to be measured. They are: leadership style (transformational and transactional leadership style) and financial performance. This section shows how the research variables were measured.

3.8.1 Leadership Style: The study adapted the 8 itemed scale developed by (Fujin, Shieh & Tang, 2010) on the basis of the Multifactor Leadership Questionnaire (MLQ) instrument by (Avolio & Bass, 2004) to measure leadership styles (transactional and transformational leadership styles). Reliability coefficient of transformational leadership style is 0.807 and transactional leadership style is 0.534. The study has used a 5 – point likert scale representing a range of attitude from 1 – Strongly Disagree to 5 – Strongly Agree. The MLQ was found to be a reliable measure of Leadership styles (Avolio & Bass, 2004; Weberg, 2010; Haidar, 2010).

3.8.2 Financial Performance

The financial performance which is represented by profitability of the selected deposit money banks was measured by adapting an instrument developed by (Gupta & Govindarajan, 1984; Govindarajan 1988), which measures organizational performance along multiple dimensions subjectively. This instrument has been widely used in prior research (Govindarajan & Fisher, 1990; Chenhall & Langfield-Smith, 1998; Bisby & Otley, 2004; Hoque, 2004). The items comprising this scale were divided into two subscales, financial organizational performance (*profit, return on investment, cash flow from operations and cost control*) and non-financial organizational performance (*sales volume, market share, new products development, personnel development, political-public affairs and market development*). Financial measure sub-scale (Fin) had a Cronbach alpha of 0.600, while the non-financial sub-scale (Non-fin) had a Cronbach alpha of 0.640, indicating high reliability. However, this study has adopted and

modified only the financial measures which is represented by profitability. All items were ranked on a 5 – point Likert scale representing a range of attitude from 1 – Strongly Disagree to 5 – Strongly Agree.

Also, the following studies (Huang & Lee, 2008; Huang & Ling, 2008; Khan et al., 2014; Flora, Kineta, & David, 2008) have also adapted subjective instrument which is a dimension of organizational performance to measure financial performance of organizations.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents, analyzes and interprets results from the data collected for this study. Specifically, the chapter covers the characteristics of the respondents, inferential analysis and regression analysis of the data. The chapter further discusses the findings of the study under which the research questions were answered and hypotheses formulated were tested.

4.2 Characteristics of the Respondents

A total of two hundred and ninety two (292) copies of questionnaire were distributed to the respondents, where one hundred and sixty nine (149) copies were completed and returned representing 51.02% while 143 copies were not retrieved representing 48.97% of the total copies of the questionnaire.

Table 4.1 DEMOGRAPHIC CHARACTERISTICS

Respondents Characteristics		Frequency	Valid Percentage
Gender:	Male	109	73.6
	Female	39	26.4
Marital Status:	Single	62	41.9
	Married	84	56.8
	Others	2	1.4
Age Group:	20-29	48	32.4
	30-39	79	53.4
	40-49	18	12.2
	50-59	1	0.7
	60 and above	2	1.4

Work Experience in Years:	Less than 1	6	4.0
	1-5	75	50.3
	5-10	52	34.9
	10-15	10	6.7
	Above 15	6	4.0
Education:	Master's Degree	39	26.4
	First Degree/HND	79	53.4
	NCE/ND	29	19.6
	Others	1	0.7

Source: Field Survey (2016)

The table 4.1 above shows the demographic statistics of the respondents. It depicts the frequencies and valid percentage of the characteristics of the respondents in terms of gender, marital status, age, work experience and educational qualification.

4.3 Reliability of the Research Instruments

The instrument used for data collection for this study has gone through an internal consistency test which measured the degree to which items that made up the instrument were measuring the same underlying attribute. It measured the extent to which the items in the scale 'hang together'. This means that reliability test shows how the items in the instrument measure the construct under study. Nunally (1978) recommends a minimum of 0.70 Cronbach alpha. A Cronbach alpha of 0.50 and above, according to (Hulland, 1999), is considered appropriate for measuring reliability. Therefore, this study adopts 0.50 thresholds as suggested by (Hulland, 1999) in measuring internal consistency of the instrument. Below is the summary of the reliability test results for all variables.

Table 4.2 Summary of Reliability Analysis of Variables

Variables	Number of Items	Number of Items Deleted	Cronbach alpha
Transformational Leadership	4	0	0.822
Transactional Leadership	4	0	0.558
Financial Performance	4	0	0.617

Source: Field Survey (2016)

The above table shows that Cronbach alpha for transformational leadership is 0.822, followed by financial performance 0.617 and lastly transactional leadership which is 0.558. This means that all the variables were reliable enough for the study (Hulland, 1999). See appendix for details.

4.4 Correlation

The table below shows the correlation between the dependent variable (financial performance) and independent variables (transformational and transactional leadership styles).

TABLE 4.3 CORRELATION MATRIX

	FINANCIALPERFORMANCE	TRANSFORMATIONALLEADERSHIP	TRANSACTIONALLEADERSHIP
Pearson Correlation	1.000	.376	-.160
FINANCIALPERFORMANCE			
TRANSFORMATIONALLEADERSHIP	.376	1.000	-.262
TRANSACTIONALLEADERSHIP	-.160	-.262	1.000

Source: Field Survey (2016)

The table 4.3 above shows the correlation among the research variables. As can be observed from the table, none of the correlation among the research variables is up to .70. This means that there no problem of multicollinearity.

4.5 Regression Analysis

For appropriate conclusion to be drawn about the regression analysis output, according to (Hair, Black, Babin & Anderson, 2010) assumptions of normality, collinearity, linearity, homoscedasticity and independence of the residual need to be examined and met. According to the authors, these assumptions apply to the dependent and independent variables and the relationship as a whole.

To meet the homoscedasticity assumption, (Norusis, 1999) maintained that it holds when there is no pattern to the data distribution and residuals are randomly around the horizontal line through zero of the residuals plot. In this study, the residuals scores were not scattered around the horizontal line but concentrated at the center along zero point (see appendix C). In addition, to meet the assumption of independence of error term, Durbin Watson was used. Norusis (1999), reported that if the Durbin Watson value falls between 1.5 and 2.5, the assumption of independence of error term is not violated. The Durbin Watson for this study was 1.750. As shown above, hence it met the assumption.

Multicollinearity/Collinearity has to do with the degree of high correlation among independent variables. According to Hair et al. (2010), collinearity exist when the ability of an additional independent is related not only to its correlations to the independent variable already in the regression equation. The correlation matrix for the study shows no sign of multicollinearity problem among all the independent variables (see appendix). In addition to the above, Hear et al.(2010) stated that variance inflation factor (VIF) and tolerance statistics are two important

statistical tools that can be used to check for multicollinearity. According to them any VIF that exceeds 10 and a tolerance value that is lower than 10 are indications of a problem of multicollinearity. Thus, the results of this study shows a VIF that is less than 10 and tolerance value is more than 10 (see table 4.6 below).

Table 4.4 MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.382 ^a	.146	.133	1.88032	.146	11.765	2	138	.000	1.808

a. Predictors: (Constant), TRANSACTIONALLEADERSHIP, TRANSFORMATIONALLEADERSHIP

b. Dependent Variable: FINANCIALPERFORMANCE

The above table 4.4 shows the coefficient for the study which is $R^2 = 0.146$. This indicate that 15% of the variability in financial performance (dependent variable) has been significantly explained by the independent variables (transformational and transactional leadership) under study. The R square is reasonable enough considering the nature of this study which is in social sciences (Cohen, 1988). Also, the Durbin Watson is 1.808 which falls within the acceptable range of 1.5-2.5 as recommended by Norusis (1999).

TABLE 4.5 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	83.193	2	41.597	11.765	.000 ^a
	Residual	487.913	138	3.536		
	Total	571.106	140			

a. Predictors: (Constant), TRANSACTIONALLEADERSHIP, TRANSFORMATIONALLEADERSHIP

b. Dependent Variable: FINANCIALPERFORMANCE

The ANOVA table 4.5 indicates that the model as a whole is significant, considering the sig. F change value ($F(2, 157) = 11.765, p < 0.0005$). The level of significance is 0.000 which implies that the analysis of variance for the study has fallen within the acceptable standards. It shows that the model is good and fit for the study.

TABLE 4.6 COEFFICIENTS

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	11.715	1.258		9.311	.000		
TRANSFORMATIONALLEADERSHIP	.265	.060	.359	4.401	.000	.931	1.074
TRANSACTIONALLEADERSHIP	-.048	.058	-.066	-.814	.417	.931	1.074

a. Dependent Variable: FINANCIALPERFORMANCE

The table 4.6 above shows the contribution of each independent variable (transformational and transactional leadership) in predicting the dependent variable (financial performance). The table shows that transformational leadership style is statistically significant with p value = .000. The contribution of transformational leadership style is 35.9% (Beta = 0.359). This means that transformational leadership style has made a unique and significant contribution in explaining profitability or financial performance. While transactional leadership style was found to be not significant with p value = .417. This implies that transactional leadership style contributed only 6.6% (Beta = 0.066) in explaining variation in the financial performance.

4.6 Test of Hypotheses

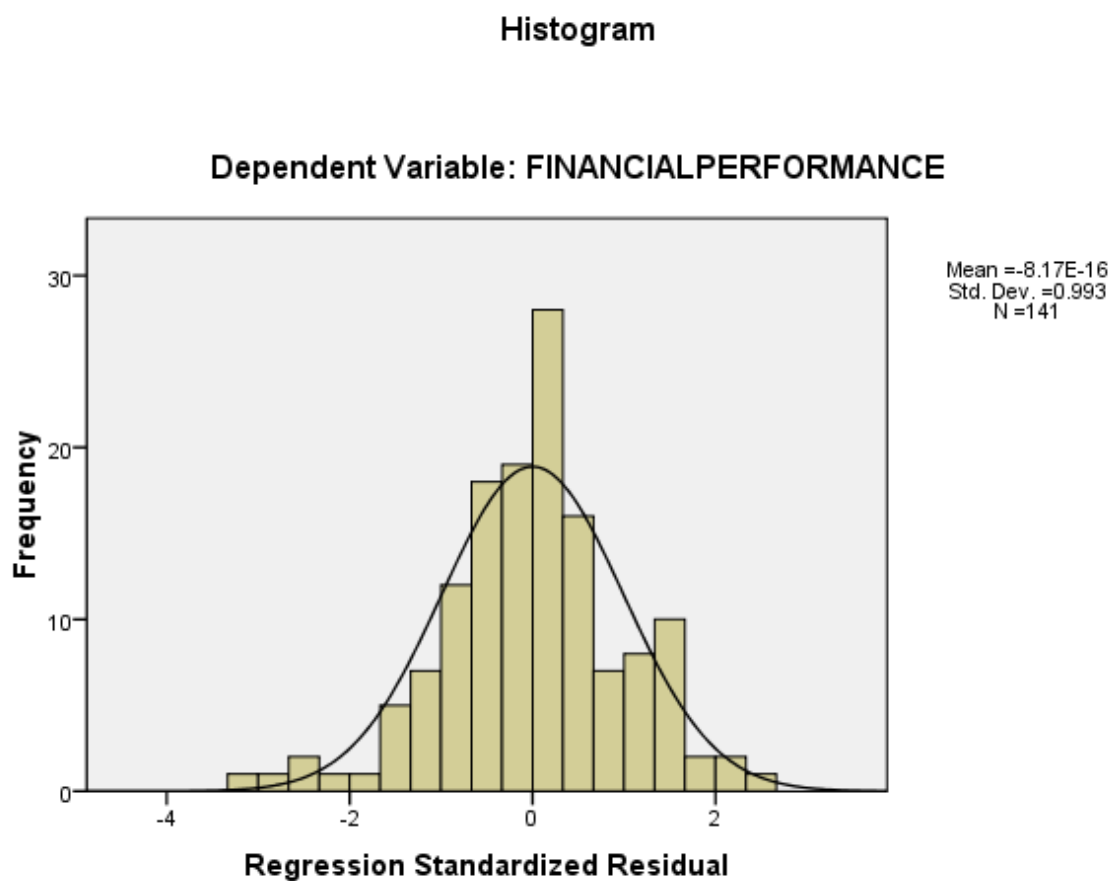
Based on the above analysis, hypothesis (1) which states that there is no significant relationship between transformational leadership style and profitability was rejected by the statistical analysis with p value = 0.000 and Beta coefficient = .359. This means that transformational

leadership style is significant in predicting profitability or financial performance of deposit money banks.

Also, hypothesis (2) which states that there is no significant relationship between transactional leadership style and profitability was accepted with p value = .417 and Beta coefficient = .066. This implies that transactional leadership style is not significant in predicting profitability or financial performance.

To meet the normality assumption, below are the histogram and P-P Plot.

Fig. 4.1



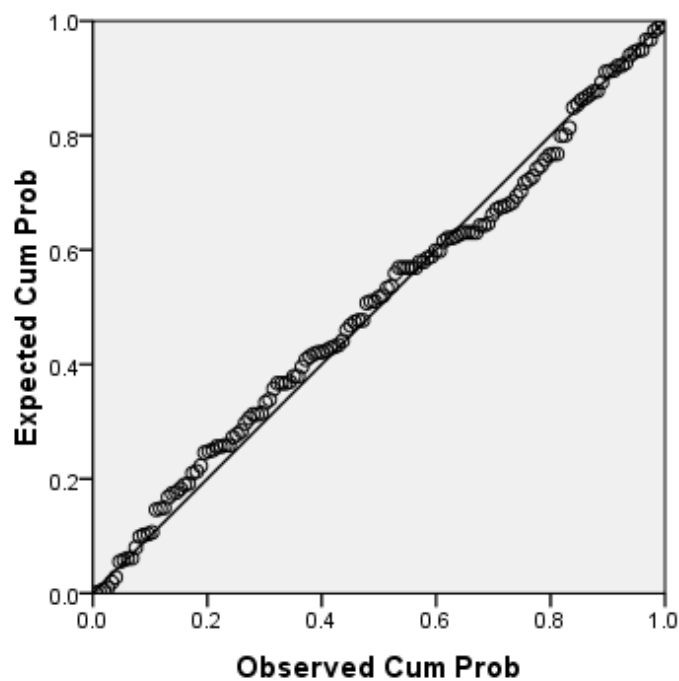
Source: Field Survey (2016)

The plots need to be normally distributed. This means that the assumption of normality is met when the residuals fall along the diagonal with no substantial systematic departures and can be examined from the histogram of the standardized residuals and Q-Q plots (Hair et al., 2010). Figure above of the normal histogram shows that the normality assumption was met since almost all the bars on the histogram were very close to the normal curve.

Fig. 4.2

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: FINANCIALPERFORMANCE



Source: Field Survey (2016)

Linearity assumption was also met because the analysis of the residuals did not show any nonlinear pattern. Linearity assumption requires that the relationship between the independent and dependent variables is linear.

4.7 Discussion of Findings

The primary purpose of this research was to gain a better understanding of the effect of leadership style on organizational financial performance among selected deposit money banks in Kano metropolis. This study set out to examine the effect of subordinate's ratings of transformational and transactional leadership styles on profitability or financial performance of some selected deposit money banks.

i) Assuming the essence of leadership is influence, leadership could broadly be defined as the art of mobilizing others to want to struggle for shared aspirations. However, it could be argued this "influence, mobilization and struggle" is of little value in an organizational context unless it ultimately yields an outcome in line with the "shared aspiration" for leadership to be deemed successful. At the same time, the literature suggests that empirical evidence on the link between leadership styles and performance in an organizational context is limited and inconclusive. Subsequently, this study investigated the effect of transformational and transactional leadership styles on organizational financial performance. iii) On the other hand, transformational leaders encourage subordinates to put in extra effort and to go beyond what they (subordinates) expected before. Transformational leaders achieve the greatest performance from subordinates since they are able to inspire their subordinates to raise their capabilities for success and develop subordinates' innovative problem solving skills. As expected, relational analysis found that all transformational leadership behaviors have a strong positive effect with organizational financial performance.

The importance of these findings may be of value to those interested in leadership positions in the banking sector. To be a successful leader in the banking setting, the results suggest that transformational leadership style is more effective than transactional leadership. These results seem to confirm what Burns (1978) found when he stated:

‘Transforming leadership, while more complex, is more potent [than transactional leadership]. The transforming leader recognizes and exploits an existing need or demand of a potential follower. But, beyond that, the transforming leader looks for potential motives in followers, seeks to satisfy higher needs, and engages the full person of the follower. The result of transforming leadership is a relationship of mutual stimulation and elevation that converts followers into leaders and may convert leaders into moral agents’.

The results of this research add to the growing body of knowledge in transformational leadership research. This study adds in other ways, also. First, it is one of few leadership studies that examined managers and subordinates perceptions of leadership style to actual financial performance. Some have posited that “good” leadership does make a difference in organizational success (Koene et al., 2002); this research supports this idea through demonstration of financial performance among deposit money banks in Kano metropolis. Also, the findings of this study is in line with the findings of previous studies (Koech et al., 2012; Khan et al., 2014; Flanigan, et al., 2013 & Samaitan, 2014) which revealed that transformational leadership style has more significant effect on financial performance than transactional leadership. The reason for the above results may be because transformational leadership style helps both the managers and the subordinates to growth with the organization. Transformational leaders motivates, set mutually beneficial goals, emotional bond, common values and vision. Also, transformational leadership is made up of four main parts: charisma,

inspiration, intellectual stimulation and individual consideration. The transformational leader wants to achieve results beyond what is normal and sets higher corporate goals by inspiring a sense of importance of the team's mission, stimulates employees to think innovatively about a problem or task, and places the group goals over personal self-interest (James, 2005).

The findings of this research suggest that transformational leadership matters most in the banking context. The results showed that there is a significant relationship between the way a leader believes he/she leads, and the success of their organization. A positive relationship exists between a manager leading in a transformational style, and an increase in financial performance. The results from this research study may provide the management of deposit money banks with the information needed to staff banks branches with leaders that will be effective in guiding and directing the branch to long term success, profitability and overall performance. Understanding more about what makes a leader more effective will help banks further define characteristics and requirements for promoting and hiring leaders at all levels of the organization.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, the conclusions drawn from the findings and the recommendations made from the interpretation of the findings. Suggestions for further research in the area have also been discussed in this chapter.

5.2 Summary

The result of this study revealed that transformational leadership style have positive and significant effect on financial performance of deposit money banks in Kano metropolis. Also, the result showed that transactional leadership style has no significant effect on financial performance of deposit money banks in Kano metropolis. Different leadership styles may affect performance. Transformational leadership is significantly more correlated to the financial performance than transactional leadership. Among the two different leadership styles, transformational leadership is the best predictor of the financial performance.

This study supports the position of (Gardner & Stough, 2002) that transformational leadership is more effective than transactional leadership. Transformational leadership is more strongly correlated than transactional leadership with higher productivity and performance (Bass et al. 2003; Lowe et al. 1996). Eggers and Leahy (1995) reported that both management and leadership skills such as financial management, communication, motivation of others, vision, and self-motivation play important roles in determining the growth rate of an organization. The results of this study confirmed these findings because key aspects of transformational

leadership include idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Avolio & Bass, 2004).

5.3 Conclusions

This study was conducted to identify which leadership style has a greater impact on financial performance of deposit money banks. The findings showed that transformational leadership styles has a significant relationship with banks financial performance but in comparison with transactional leadership style, the transactional leadership has no significant effect on financial performance.

On the other hand, transformational leaders encourage subordinates to put in extra effort and to go beyond what they (subordinates) expected before. Transformational leaders achieve the greatest performance from subordinates since they are able to inspire their subordinates to raise their capabilities for success and develop subordinates' innovative problem solving skills. As expected, relational analysis found that all transformational leadership behaviours have a strong positive correlation with organizational performance.

From the findings of the study, it was concluded that transformational leadership style has positive and significant effect on financial performance of deposit money banks in Kano metropolis. The study also concluded that transactional leadership style has no significant effect on financial performance of deposit money banks in Kano metropolis. It was however concluded that less emphasis should be placed on transactional leadership. In addition, effort should be made by the banks management to re-strategize their transactional leadership style to transit to the transformational leadership in the long run as it has more significant effect on the financial performance of the deposit money banks.

5.4 Recommendations

Based on the findings, the following recommendations are given: i) transformational leadership style have a significant effect with financial performance of deposit money banks in Kano metropolis. It is therefore recommended that managers should: strive to become role models to their subordinates; inspire subordinates by providing meaning and challenge to work; stimulate subordinate efforts to become innovative & creative and pay attention to each individual's need for achievement and growth. In addition, since transactional leadership style has no significant effect on financial performance of deposit money banks in Kano metropolis, the managers should exhibit less of transactional styles and focus more on transformational to improve the financial performance.

Similarly, since transactional leadership style was found have no significant in predicting variability of financial performance, the banks management should either modify the composition of the transactional leadership in a way that will inspire the subordinates or adopt other leadership styles that may be feasible to the banking context and which may consequently leads to improvement in financial performance of deposit money banks in Kano metropolis.

5.5 Limitation and Suggestions for Future Research

The major limitation of this study was the inability of the respondents to accept the questionnaire and divulge information that will assist in conducting the research. In addition, after obtaining the financial reports from other sources, it was difficult for the researcher to analyze the data due to the combination of research variables (primary and secondary data) which necessitates the use of the subjective instrument to measure financial performance (profitability).

Also, the study has only selected the banking sector for the analysis while this can be implemented in other profitable organizations as well or even in the banking sector, other researchers can adopt more leadership styles and test their effect on financial performance using secondary data. Similarly, the study was based on 149 responses only. The sample of the study can be varied and can be checked with a larger sample.

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APPENDIX A

TABLE I
Table for Determining Sample Size from a Given Population

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size.
S is sample size.

APPENDIX B



DEPARTMENT OF BUSINESS ADMINISTRATION AND
ENTREPRENEURSHIP

BAYERO UNIVERSITY, KANO.

Dear Respondent,

ACADEMIC RESEARCH QUESTIONNAIRE

This questionnaire is designed purely for academic research purpose. It is meant to aid in data collection that can satisfy requirement for the award of *Master of Science Degree in Management*. The questionnaire was designed to source data for testing *the effect of leadership style on financial performance of Some Selected Deposit Money Banks operating in Kano metropolis* under the supervision of *Abdu Ja'afaru Bambale (P.hD)*. Be assured that your responses will be treated strictly as confidential and for the intended purpose. Also, your identity is not required. Please you may contact the researcher for any enquiry about this research. Thank you very much in anticipation of your prompt cooperation and assistance.

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PART A: DEMOGRAPHIC INFORMATION

Instructions: Please read and tick as appropriate in the provided boxes, your exact assessment of the following demographic information.

Q1- Gender: 1) Male ☐ 2) Female ☐

Q2- Marital status: 1) Single ☐ 3) Married ☐ 3) Others ☐

Q3- Age: 1) 20 to 29 ☐ 2) 30 to 39 ☐ 3) 40 to 49 ☐
4) 50 to 59 ☐ 5) 60 and above ☐

Q4- Work Experience: 1) Less than 1 year ☐ 2) 1 to 5 years ☐ 3) 5 to 10 years ☐
4) 10 to 15 years ☐ 5) Above 15 years ☐

Q5- Educational Qualification: 1) P.hD ☐ 2) Master Degree ☐ 3) First Degree/HND
4) NCE/ND ☐ 4) Others (Specify) _____

Q6- Department/Unit: 1) Marketing ☐ 2) Finance ☐ 3) Customer Relations ☐
4) Human Resource ☐ 5) Operations ☐
Others _____

PART B: LEADERSHIP STYLE

Instructions: Below are statements that describe how you perceive the *leadership style* adopted by your bank. Please use the following scale to indicate by ticking the appropriate box, your level of acceptance regarding the respective statements.

S/N	Questionnaire Items	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	<i>Transformational Leadership Style</i>	1	2	3	4	5
TF1	Working with my supervisor make me feel good.					
TF2	My supervisor inspires me to rethink the key points of the past smooth operations.					
TF3	My supervisor provide a good model for me to follow.					
TF4	My supervisor encourage employees to be good team players.					
	<i>Transactional Leadership Style</i>					
TS1	Unless the target cannot be reached, my supervisor does take actions.					
TS2	Unless the problem get worse, my supervisor interferes.					

TS3	My supervisor frequently acknowledges my good performance.					
TS4	My supervisor gives me special recognition when I produce at high level.					

PART C: FINANCIAL PERFORMANCE (PROFITABILITY)

Instructions: Below are statements that describe how you perceive the *financial performance (profitability)* of your bank. Please use the following scale to indicate by ticking the appropriate box, your level of acceptance regarding the respective statements.

S/NO	Questionnaire Items	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	<i>Financial Performance(Profitability)</i>	1	2	3	4	5
FP1	Our bank cash flow from operations has continued to increase yearly					
FP2	Our bank has experienced a significant level of profit every year.					
FP3	Our bank make appreciable return on investment every year					
FP4	Our bank provide some mechanisms for controlling overall cost.					

APPENDIX C

FINANCIAL PERFORMANCE

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.608	.617	4

TRANSACTIONAL LEADERSHIP

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.554	.558	4

TRANSFORMATIONAL LEADERSHIP

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.821	.822	4

Statistics

		GENDER	MARITAL STATUS	AGE	WORK EXPERIENCE	EDUCATIONAL QUALIFICATION
N	Valid	148	148	148	149	148
	Missing	69	69	69	68	69
Mean		1.2635	1.5946	1.8514	2.5638	2.9459
Median		1.0000	2.0000	2.0000	2.0000	3.0000
Skewness		1.085	-.093	1.107	.971	.195
Std. Error of Skewness		.199	.199	.199	.199	.199
Kurtosis		-.835	-1.329	2.792	1.150	-.526
Std. Error of Kurtosis		.396	.396	.396	.395	.396
Minimum		1.00	1.00	1.00	1.00	2.00
Maximum		2.00	3.00	5.00	5.00	5.00

GENDER

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	109	50.2	73.6	73.6
	FEMALE	39	18.0	26.4	100.0
	Total	148	68.2	100.0	
Missing	System	69	31.8		
Total		217	100.0		

MARITAL STATUS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SINGLE	62	28.6	41.9	41.9
	MARRIED	84	38.7	56.8	98.6
	OTHERS	2	.9	1.4	100.0
	Total	148	68.2	100.0	
Missing	System	69	31.8		
Total		217	100.0		

AGE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29	48	22.1	32.4	32.4
	30-39	79	36.4	53.4	85.8
	40-49	18	8.3	12.2	98.0
	50-59	1	.5	.7	98.6
	60 AND ABOVE	2	.9	1.4	100.0
	Total	148	68.2	100.0	
Missing	System	69	31.8		
Total		217	100.0		

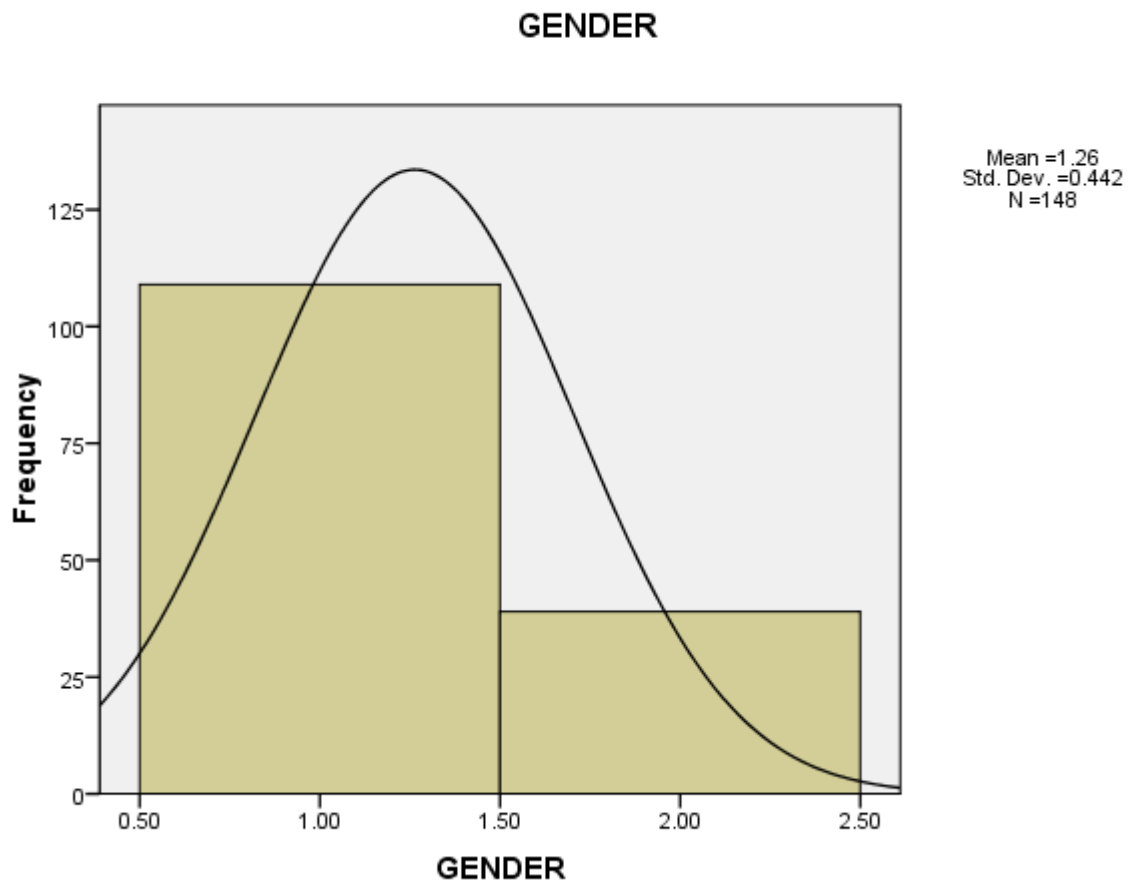
WORK EXPERIENCE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LESS THAN 1 YEAR	6	2.8	4.0	4.0
	1-5 YEARS	75	34.6	50.3	54.4
	5-10 YEARS	52	24.0	34.9	89.3
	10-15 YEARS	10	4.6	6.7	96.0
	ABOVE 15 YEARS	6	2.8	4.0	100.0
	Total	149	68.7	100.0	
Missing	System	68	31.3		
Total		217	100.0		

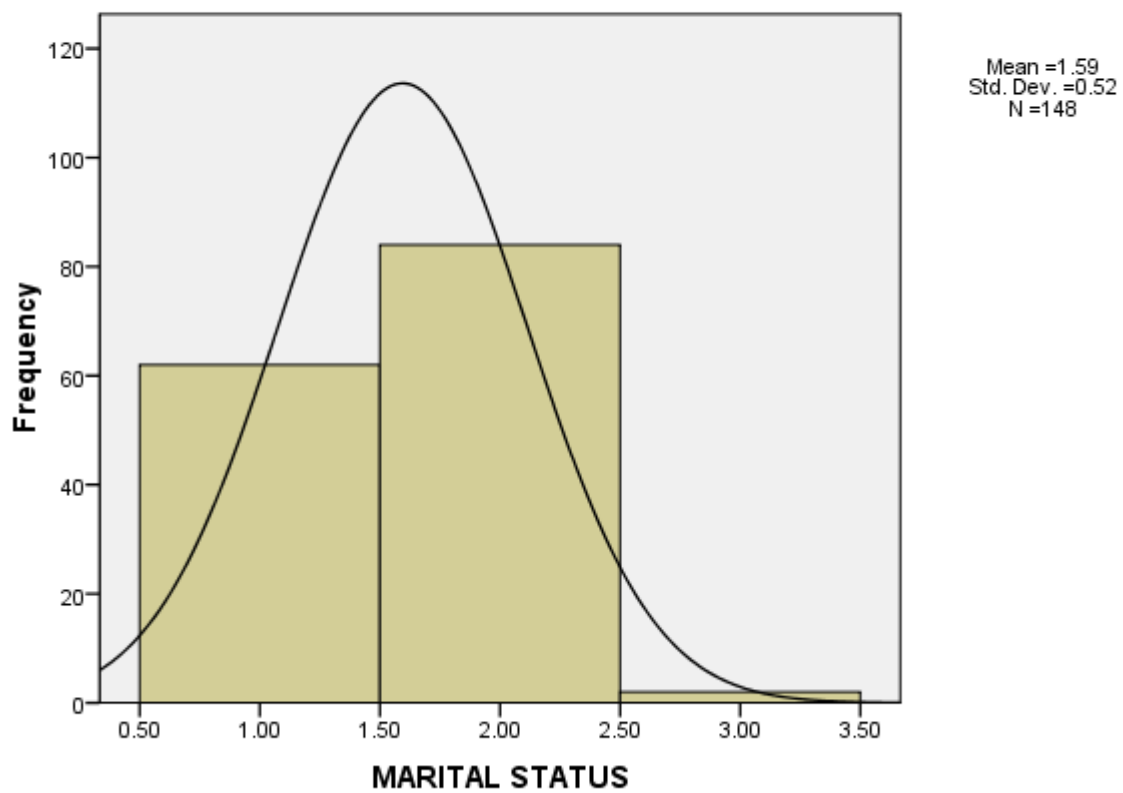
EDUCATIONAL QUALIFICATION

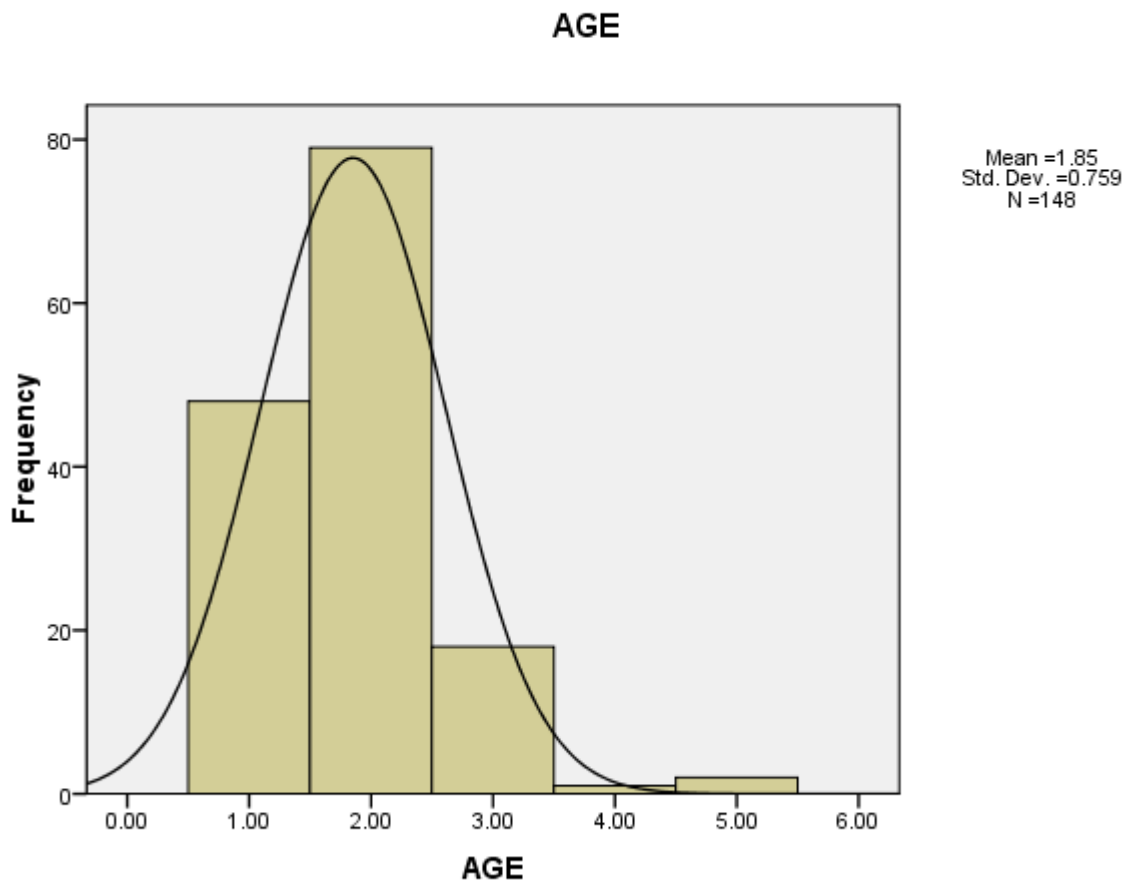
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MASTERS DEGREE	39	18.0	26.4	26.4
	FIRST DEGREE/HND	79	36.4	53.4	79.7
	NCE/ND	29	13.4	19.6	99.3
	OTHERS	1	.5	.7	100.0
	Total	148	68.2	100.0	
Missing	System	69	31.8		
Total		217	100.0		

Histogram

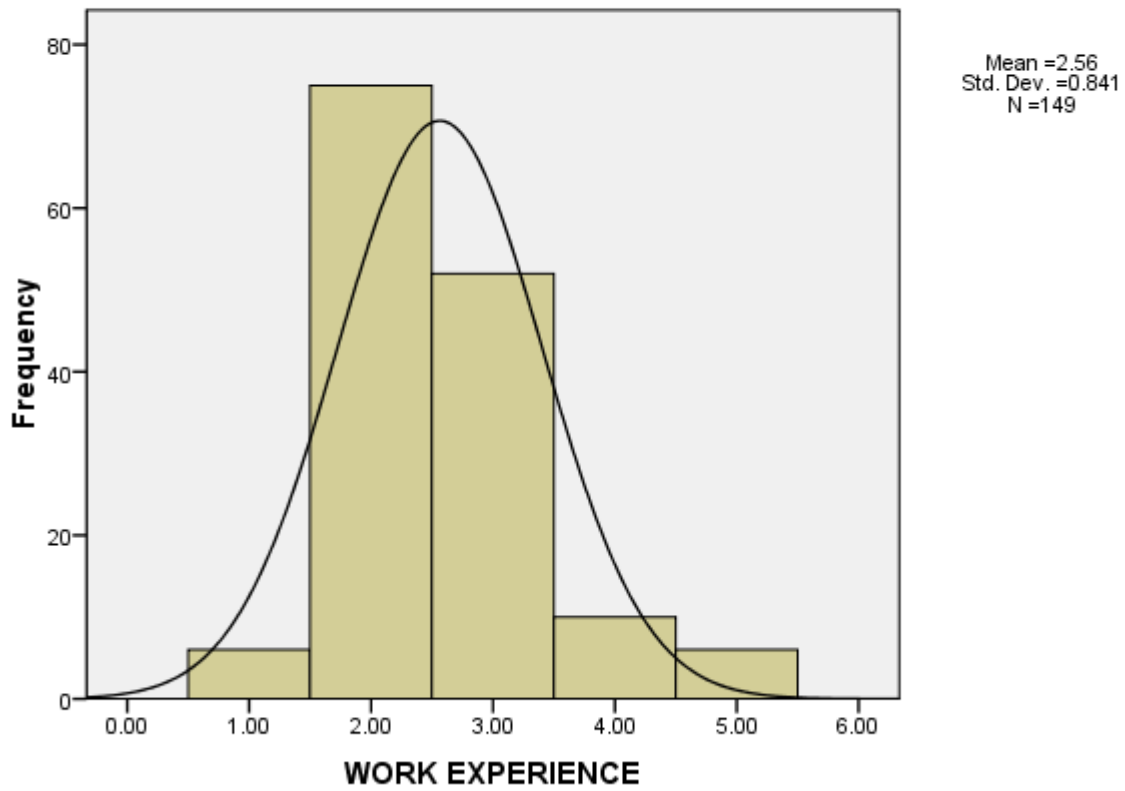


MARITAL STATUS

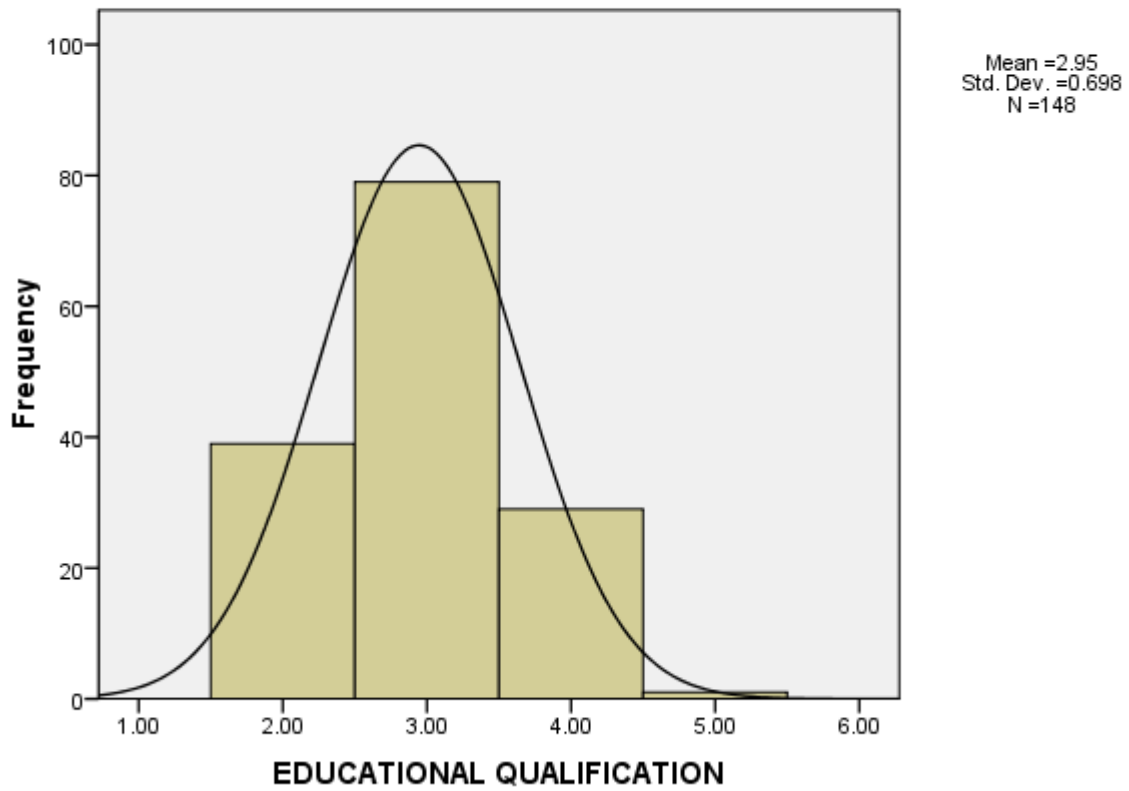




WORK EXPERIENCE



EDUCATIONAL QUALIFICATION



Descriptive Statistics

	Mean	Std. Deviation	N
FINANCIALPERFORMANCE	15.4681	2.01974	141
TRANSFORMATIONALLEADERSHIP	15.9433	2.73280	141
TRANSACTIONALLEADERSHIP	10.0000	2.82084	141

Correlations

		FINANCIALPERF ORMANCE	TRANSFORMATI ONALLEADERSHI P	TRANSACTIONAL LEADERSHIP
Pearson Correlation	FINANCIALPERFORMANCE	1.000	.376	-.160
	TRANSFORMATIONALLEADE RSHIP	.376	1.000	-.262
	TRANSACTIONALLEADERSHI P	-.160	-.262	1.000
Sig. (1-tailed)	FINANCIALPERFORMANCE	.	.000	.029
	TRANSFORMATIONALLEADE RSHIP	.000	.	.001
	TRANSACTIONALLEADERSHI P	.029	.001	.
N	FINANCIALPERFORMANCE	141	141	141
	TRANSFORMATIONALLEADE RSHIP	141	141	141
	TRANSACTIONALLEADERSHI P	141	141	141

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	TRANSACTIONAL LEADERSHIP, TRANSFORMATI ONALLEADERSHI P ^a		Enter

a. All requested variables entered.

b. Dependent Variable: FINANCIALPERFORMANCE

Collinearity Diagnostics^a

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions		
				(Constant)	TRANSFORMATIONAL LEADERSHIP	TRANSACTIONAL LEADERSHIP
1	1	2.924	1.000	.00	.00	.01
	2	.066	6.642	.01	.14	.64
	3	.010	17.120	.99	.86	.35

a. Dependent Variable: FINANCIALPERFORMANCE

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	12.0154	16.8292	15.4681	.77087	141
Std. Predicted Value	-4.479	1.766	.000	1.000	141
Standard Error of Predicted Value	.168	.730	.261	.086	141
Adjusted Predicted Value	11.6627	16.8209	15.4598	.79086	141
Residual	-6.17039	4.65945	.00000	1.86684	141
Std. Residual	-3.282	2.478	.000	.993	141
Stud. Residual	-3.296	2.498	.002	1.004	141
Deleted Residual	-6.22315	4.73453	.00826	1.90879	141
Stud. Deleted Residual	-3.421	2.547	.001	1.014	141
Mahal. Distance	.128	20.133	1.986	2.519	141
Cook's Distance	.000	.078	.008	.014	141
Centered Leverage Value	.001	.144	.014	.018	141

a. Dependent Variable: FINANCIALPERFORMANCE

Coefficients^a

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
Model	B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	12.176	1.351		9.014	.000					
Working with my supervisor make me feel good.	.037	.266	.015	.138	.891	.288	.012	.011	.516	1.937
My supervisor inspires me to rethink the key points of the past smooth operations.	.015	.261	.006	.059	.953	.247	.005	.005	.578	1.730
My supervisor provide a good model for me to follow.	.135	.233	.059	.582	.562	.250	.051	.046	.598	1.671
My supervisor encourage employees to be good team players.	.749	.242	.331	3.096	.002	.415	.260	.243	.537	1.861
Unless the target cannot be reached, my supervisor does take actions.	-.066	.179	-.037	-.370	.712	-.085	-.032	-.029	.610	1.639
Unless the problem get worse, my supervisor interferes.	.060	.170	.035	.351	.726	.068	.031	.028	.618	1.617
My supervisor frequently acknowledges my good performance.	-.130	.230	-.061	-.565	.573	-.235	-.049	-.044	.532	1.879
My supervisor gives me special recognition when I produce at high level.	-.080	.203	-.042	-.394	.694	-.204	-.034	-.031	.552	1.812

a. Dependent Variable:

FINANCIALPERFORMANCE