

The Interplay Between Leadership Styles and Employee Productivity in the Nigerian Banking Sector

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Abstract

The banking sector is a critical component of Nigeria's economy, facilitating financial transactions, mobilizing savings, and providing credit. Despite its importance, the sector faces significant challenges related to leadership inefficiencies, which negatively impact employee productivity. This study investigates the influence of various leadership styles which includes transformational, transactional, and servant leadership on employee productivity in Nigerian banks. Using a correlational research design, data were collected through a structured questionnaire administered to 100 employees across ten banks in Delta State. The findings revealed that effective leadership significantly enhances employee productivity, emphasizing the need for leaders to adopt inclusive and transformational styles. Recommendations for improving leadership practices are provided, along with suggestions for further research.

Keywords: Leadership, Employee, Productivity, Nigerian Banking Sector etc

Introduction

Any economy's foundation is the banking industry, which is crucial to financial intermediation. This industry is made up of a number of organizations that work together to manage financial resources and promote economic growth, such as commercial banks, investment banks, and microfinance banks (Mishkin, 2019). Effective leadership within this sector is crucial, as it not only drives organizational performance but also fosters employee engagement and satisfaction (Northouse, 2018).

A key indicator of organizational performance is employee productivity, which shows how well and efficiently workers contribute to the accomplishment of corporate objectives (Drucker, 2019). However, in the Nigerian banking industry, leadership concerns including poor communication and insufficient assistance frequently impede productivity, aggravating problems like low staff morale and high turnover rates (Okafor, 2013). The purpose of this study is to examine the connection between employee productivity and leadership styles, with a particular emphasis on the role transformational leadership plays in improving performance.

Furthermore, leadership in the banking industry faces both possibilities and challenges due to Nigeria's distinct cultural and economic backdrop. While managing the intricacies of the local market, leaders must implement methods that connect with their teams due to a diverse workforce and differing degrees of employee expectations. Fostering a productive workplace and guaranteeing organizational success require an understanding of how leadership styles can adjust to various cultural quirks.

Statement of the Problem

The banking industry in Nigeria has numerous obstacles that impair overall organizational performance and personnel efficiency. Many banks still struggle with high staff turnover, low morale, and low engagement, despite the crucial role that strong leadership plays in creating a motivated and engaged workforce. The dynamic and diverse workforce frequently finds it difficult to connect with traditional leadership philosophies, which causes a rift between management and staff. The entire effectiveness and competitiveness of financial institutions are impacted by this disparity in addition to the performance of individual employees. Examining the precise ways that transformational leadership might boost worker productivity in this setting is crucial given the mounting demands of regulatory regulations and market rivalry. Resolving this issue is essential to enhancing organizational results and guaranteeing Nigerian banks' long-term viability.

Furthermore, prior research emphasizes how crucial it is to match organizational objectives with leadership techniques in order to enhance overall performance. Effective leadership is even more important as financial institutions deal with growing regulatory challenges and competition. This study intends to offer insights that can guide leadership development programs and help create a more engaged and productive workforce in Nigeria's banking sector by analysing the distinct effects of different leadership styles.

Objectives of the Study

1. To Determine the Essential Transformational Leadership Qualities That Improve Organizational Effectiveness: to pinpoint particular characteristics and actions of transformational leaders that enhance worker productivity and the success of the company as a whole.
2. To evaluate how transformational leadership affects worker engagement: to assess the degree to which employee dedication and engagement in banking organizations are impacted by transformative leadership.
3. To Determine the Essential Transformational Leadership Qualities That Improve Organizational Effectiveness: to pinpoint particular characteristics and actions of transformational leaders that enhance worker productivity and the success of the company as a whole.
4. To Examine the Mediating Role of Job Satisfaction: To find out if job satisfaction acts as a mediator in the relationship between employee productivity and transformational leadership in the banking industry

Hypotheses

1. **Hypothesis (H1):** In the Nigerian banking industry, transformational leadership and worker productivity are positively correlated.
2. **Hypothesis (H2):** In the banking industry, transformational leadership has a beneficial impact on staff engagement levels.
3. **Hypothesis (H3):** Transformational leadership's essential characteristics greatly improve worker performance.

4. **Hypothesis (H4):** In the Nigerian banking industry, job happiness acts as a mediator between transformative leadership and worker productivity.

Literature Review

Conceptual Review

There are several types of leadership, each with unique traits and effects on the operation of the company. Employee engagement and productivity have been demonstrated to increase under transformational leadership, which places an emphasis on inspiration and motivation (Bass & Riggio, 2006). Structured tasks and reward systems are hallmarks of transactional leadership, which works well for preserving compliance and accomplishing immediate objectives (Burns, 2018). On the other hand, servant leadership puts workers' needs first, creating a moral atmosphere that encourages cooperation.

Employee Productivity

Employee productivity is defined as the output generated relative to input in terms of resources, time, and effort (Sharma & Sharma, 2014). Factors influencing productivity include individual capabilities, workplace environment, and management practices (Brynjolfsson & Hitt, 2020). A supportive work environment that recognizes employee contributions can significantly enhance productivity (Gallup, 2020).

Relationship Between Leadership and Employee Productivity

Research indicates a strong correlation between effective leadership and employee productivity. Transformational leaders who inspire and motivate their teams tend to foster higher productivity levels (Levine, 2015). Conversely, ineffective leadership can lead to disengagement and reduced performance (Goleman, 2020). The current study seeks to explore these dynamics within the Nigerian banking context.

Theoretical Framework

The study's theoretical approach is based on the relationship between employee productivity in the Nigerian banking industry and transformational leadership theory. According to Bass and Avolio (1994), transformational leadership is the capacity of leaders to inspire and encourage followers to put the needs of the company ahead of their own. In dynamic and cutthroat industries like banking, where executives must overcome obstacles and promote creativity, this notion is especially pertinent.

Transformational Leadership

Four essential elements define transformational leadership: intellectual stimulation, customized consideration, inspirational motivation, and idealized influence (Bass, 1999). These characteristics enable leaders to foster a supportive workplace environment that raises commitment and engagement among staff members. Transformational leaders enable staff members to make significant contributions to the objectives of the company by expressing a compelling vision and fostering creativity.

Employee Productivity

Employee productivity is influenced by various factors, including job satisfaction, motivation, and the work environment (Kahn, 1990). In the context of transformational leadership, employees are more likely to exhibit higher levels of productivity when they feel valued and supported. Research indicates that transformational leaders foster a sense of belonging and encourage professional development, which can lead to increased job satisfaction and, consequently, enhanced productivity (Judge & Piccolo, 2004).

Integration of Theories

The significance of leadership in influencing organizational outcomes is shown by the integration of transformational leadership theory with worker productivity. According to this paradigm, better employee performance can result from good leadership techniques, which is crucial for Nigerian financial institutions to succeed. This study attempts to give a thorough grasp of how transformational leadership may be used to improve performance outcomes in the banking industry by concentrating on the relationship between staff productivity and leadership styles.

Empirical Review

Author(s)	Year	Study Focus	Key Findings	Context
Bass & Avolio	1994	Transformational Leadership and Organizational Change	Transformational leadership positively influences employee motivation and organizational commitment.	Various industries
Judge & Piccolo	2004	Leadership Styles and Employee Outcomes	Transformational leadership significantly correlates with higher employee satisfaction and productivity.	General organizational settings
Okafor	2013	Leadership Styles in Nigerian Banks	Found that transformational leadership enhances employee performance and reduces turnover rates in banks.	Nigerian banking sector
Nanjundeswaraswamy & Swamy	2014	Review of Leadership Styles	Highlighted that transformational leadership fosters a supportive work environment, improving performance.	Various sectors
Meyer & Allen	1991	Organizational Commitment and Leadership	Leadership styles that promote employee commitment lead to higher productivity and engagement levels.	General organizational settings
Goleman	2000	Leadership and Organizational Results	Effective leadership styles, including transformational leadership, drive results	Various industries

			and improve team dynamics.	
Kirkpatrick & Locke	1996	Core Traits of Leadership	Identified traits of transformational leaders that directly impact team performance and effectiveness.	General organizational settings

Methodology

Research Design

A correlational research design was employed to examine the relationship between leadership styles and employee productivity in Nigerian banks. This design allows for measuring the association between variables and understanding how changes in one may affect the other (Kpolovie, 2014).

Population and Sample

The target population consisted of 100 employees from ten banks in Asaba Metropolis, Delta State. A simple random sampling technique was used to select participants, ensuring equal opportunity for all employees to participate.

Data Collection Instrument

A self-developed questionnaire titled "The Interplay between Leadership and Employee Productivity in Nigeria Banking Sector Questionnaire" (IBLAEPNBS) was used for data collection. The questionnaire included demographic variables and items measuring various aspects of leadership and productivity, structured on a four-point Likert scale.

Data Analysis

Data were analysed using descriptive statistics for demographic variables and mean scores for research questions. Hypotheses were tested using the Pearson Product Moment Correlation Coefficient, with a significance level set at $p < 0.05$.

Results and Discussions

Demographic Data

Participants were predominantly female (54%) and aged between 31-35 years (37%). Educationally, most respondents held a Bachelor's degree (58%).

Research Findings

The study found that:

- Transformational Leadership:** Leaders who exemplify ethical behaviour and provide clear visions significantly enhance employee performance (mean = 2.79) (See Appendix) .
- Leadership Rewards:** Monetary rewards and recognition were positively correlated with employee productivity (mean = 2.73).
- Effective Communication:** Clear and consistent communication from leaders boosted employee morale and collaboration (mean = 2.85).
- Leadership Behaviour:** Leaders who foster a supportive work culture and address conflicts constructively positively influenced employee productivity (mean = 2.79).

Hypotheses Testing

The rejection of all four hypotheses suggests that there are important connections between employee productivity and leadership styles. It was discovered that increased productivity in the banking industry was correlated with transformational leadership, leadership rewards, effective communication, and positive leadership behaviour.

Discussion of findings

The results are consistent with previous research, confirming that transformative leadership has a major effect on worker productivity. A motivated workforce is fostered by effective leadership techniques, such as encouragement and recognition, and is crucial for negotiating the banking industry's competitive environment (Bass & Avolio, 2014). The study also emphasizes how important it is for team leaders to use inclusive communication techniques in order to foster more teamwork and trust.

1. The findings indicate a strong positive relationship between transformational leadership and employee productivity. Leaders who demonstrate transformational behaviours, such as inspiring a shared vision and fostering an inclusive environment, significantly enhance the productivity levels of their teams. This aligns with previous studies that highlight the importance of leadership in driving performance outcomes.

2. The research confirms that transformational leadership positively influences employee engagement. Leaders who practice transformational behaviours actively involve employees in decision-making and encourage their personal and professional development. This engagement is critical, as it leads to higher levels of commitment and job satisfaction, thereby boosting overall organizational performance.

3. Specific traits of transformational leadership, such as individualized consideration and intellectual stimulation, have been shown to significantly enhance employee performance. Leaders who provide personalized support and encourage innovative thinking create an environment where employees feel valued and empowered. This finding supports the notion that effective leadership is pivotal in maximizing employee contributions to the organization.

4. According to the analysis, the relationship between transformational leadership and worker productivity is mediated by job satisfaction. Employees that see their leaders as transformational are more likely to feel higher job satisfaction, which in turn leads to increased productivity. This emphasizes how crucial it is to create a positive work atmosphere because contented workers are more driven and involved in their jobs.

Conclusion

Using banks in Asaba as a case study, this study concludes by highlighting the vital role transformational leadership plays in raising staff productivity within the Nigerian banking industry. Effective leadership is more important than ever as financial institutions deal with growing competition and regulatory requirements. Transformational leaders create an atmosphere that promotes creativity, dedication, and excellence by inspiring and motivating their colleagues.

According to the research, using transformational leadership techniques can result in notable enhancements in worker productivity and engagement. Leaders can successfully connect their staff with company goals by emphasizing personalized support, transparent communication, and an inspiring vision. This alignment improves overall organizational performance in addition to raising morale.

This study also emphasizes how crucial it is to comprehend Nigeria's distinct cultural and economic background, since this affects the efficacy of leadership. Leaders in the banking industry need to be flexible and sensitive to the demands of their staff as the industry changes. Future studies should examine how transformational leadership affects staff retention and happiness over the long run, as well as how it affects leadership development initiatives.

In the end, this study adds to the expanding corpus of research on banking leadership and provides useful advice for executives hoping to foster a more engaged and productive workforce. Financial institutions in Nigeria can set themselves up for long-term success in a market that is becoming more and more competitive by adopting transformational leadership.

Recommendations

1. **Encourage Transformational Leadership:** Banks should promote leadership development programs that emphasize transformational leadership qualities.
2. **Foster Open Communication:** Establishing transparent communication channels can mitigate misunderstandings and build trust.
3. **Implement Reward Systems:** Recognizing and rewarding employee contributions through monetary and non-monetary means can enhance motivation and productivity.

Suggestions for Further Research

Future studies should explore the impact of emotional intelligence on leadership effectiveness and employee productivity. Additionally, examining the relationship between leadership communication and employee engagement in various banking contexts could provide deeper insights into improving organizational performance.

Appendix

Category	S/N	Item (Paraphrased)	SA	A	D	SD	$\sum fx$	N	Mean	Decision
Reward Effectiveness	1	My manager uses financial incentives to acknowledge commendable work.	24	48	16	12	282	100	2.82	Accepted
	2	Exceptional performance is frequently recognized with bonus payments at my bank.	30	32	28	10	282	100	2.82	Accepted
	3	I feel valued within the organization due to the rewards offered by leadership.	28	40	16	16	280	100	2.80	Accepted
	4	My job satisfaction and morale are boosted by the rewards I receive.	22	39	18	21	262	100	2.62	Accepted



Category	S/N	Item (Paraphrased)	SA	A	D	SD	$\sum fx$	N	Mean	Decision
	5	Our reward system cultivates a culture of high achievement among staff members.	21	40	25	14	268	100	2.68	Accepted
	6	I develop greater loyalty to the company when my efforts are recognized by leadership.	25	30	27	18	262	100	2.62	Accepted
	7	My productivity levels are directly impacted by the reward system in place.	22	43	24	11	276	100	2.76	Accepted
Average Mean - Reward Effectiveness									2.73	Accepted
Communication Effectiveness	1	Leadership's directions are typically unambiguous and straightforward.	23	49	16	12	283	100	2.83	Accepted
	2	The information shared by leadership is consistently reliable.	20	54	19	7	287	100	2.87	Accepted
	3	I am comfortable discussing my concerns and issues with my direct supervisor.	18	48	26	8	276	100	2.76	Accepted
	4	My leader actively listens and values my contributions.	26	49	19	6	295	100	2.95	Accepted
	5	Leadership addresses questions and concerns promptly.	23	51	18	8	289	100	2.89	Accepted
	6	My morale is enhanced by effective communication from leadership.	25	38	27	10	278	100	2.78	Accepted
	7	Teamwork among employees is improved through leadership's communication.	28	43	18	11	288	100	2.88	Accepted





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Category	S/N	Item (Paraphrased)	SA	A	D	SD	$\sum fx$	N	Mean	Decision
Average Mean - Communication Effectiveness									2.85	Accepted
Leadership Behavior & Work Environment	1	My supervisor treats all staff members fairly and with respect.	30	33	20	17	276	100	2.76	Accepted
	2	The bank's leadership promotes teamwork and collaborative efforts.	22	31	31	16	259	100	2.59	Accepted
	3	My leader fosters a workplace environment that prioritizes the well-being of employees.	23	43	24	10	279	100	2.79	Accepted
	4	My manager resolves disagreements and conflicts in a constructive manner.	21	40	20	19	269	100	2.69	Accepted
	5	I am inspired by my leader's methods in managing both work and people.	19	58	20	3	293	100	2.93	Accepted
	6	Employee contributions are acknowledged and valued by my manager.	35	40	17	8	302	100	3.02	Accepted
	7	Leadership decisions focus on improving how effectively employees can perform their duties.	18	44	36	2	278	100	2.78	Accepted
Average Mean - Leadership Behavior & Work Environment									2.79	Accepted
Transformational Leadership	1	My manager sets an example through ethical conduct and high moral standards.	19	58	20	3	293	100	2.93	Accepted
	2	My manager serves as a	18	44	36	2	278	100	2.78	Accepted



Category	S/N	Item (Paraphrased)	SA	A	D	SD	$\sum fx$	N	Mean	Decision
		positive role model for the team.								
	3	My manager presents a compelling vision and mission that motivates the team.	35	40	17	8	302	100	3.02	Accepted
	4	My manager demonstrates faith in our collective ability to meet organizational objectives.	21	40	20	19	269	100	2.69	Accepted
	5	My manager fosters innovative thinking and creative problem-solving.	30	33	20	17	276	100	2.76	Accepted
	6	My manager is attentive to the individual needs and concerns of each employee.	23	43	24	10	279	100	2.79	Accepted
	7	My manager provides opportunities for employees to develop professionally and personally.	22	31	31	16	259	100	2.59	Accepted
Average Mean - Transformational Leadership									2.79	Accepted

Explanation of Columns:

- **Category:** Groups the items based on the area being measured (e.g., Reward Effectiveness, Communication Effectiveness).
- **S/N:** The serial number of the item within its original table.
- **Item:** The statement or question presented to the respondents.
- **SA:** Strongly Agree (number of respondents).
- **A:** Agree (number of respondents).
- **D:** Disagree (number of respondents).
- **SD:** Strongly Disagree (number of respondents).
- **$\sum fx$:** Sum of the weighted responses (SA=4, A=3, D=2, SD=1).
- **N:** Total number of respondents (100 in all cases).
- **Mean:** The average score for the item ($\sum fx / N$).



- **Decision:** Whether the item was "Accepted" based on the mean score (presumably a threshold was met).

