

Leadership` Style: A boon or bane in Banking Sector

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Abstract

Purpose: The objective is to analyse the factors influencing the leadership style that helps in retaining staff in banking sectors.

Design/Methodology: A structured questionnaire was administered to collect the information from the employees working across private sector banks operating in urban Bangalore through cluster sampling method to arrive at a sample size of 150. Staff retention and leadership variables were considered to validate the hypothesis using SPSS V.21 through Exploratory Factor Analysis.

Findings: The three important influencing factors that have positive effect on staff retention based on the leadership styles are HRM Policy, Organizational environment and Employee engagement. Problem solving leadership style is the type considered to examine the important factors influencing the retention strategies adopted by the banking sector in context to the leadership style as most of the managers among the banks fall under this category based on the employee responses collected.

Original Value: Leadership is a practical skill encompassing the ability of an individual who can influence or guide a group of subordinates in an organization. It is an art of motivating a group of employees to act towards achieving a specific goal in the business arena. It includes the process of directing workers and colleagues with a strategy to meet the requirements of the business through human assistants.

Key words: *Leadership Style, Staff Retention, Banking Sector, Employees*

INTRODUCTION

Leadership is a practical skill encompassing the ability of an individual who can influence or guide a group of subordinates in an organization. It is an art of motivating a group of employees to act towards achieving a specific goal in the business arena. It includes the process of directing workers and colleagues with a strategy to meet the requirements of the business through human assistants. This is applicable to all the industrial sectors which is very important to motivate employees in achieving the organizational goals. Leadership styles of Managers' in banks at various levels provide a sound background to the banking industry. Trait, behavioural and situational leadership studies, ability, dynamism, perceptions, attitudes of bank managers are helpful to manage problems in the banks and hence improvement in their performance. Employee retention refers to the ability of an organization to retain their quality employees which reflects their efforts towards in the form of

productive attempt to prevent their employees in the workplace. Retention relates to the extent to which an employer retains its employees and may be measured as the proportion of employees with a specified length of service. A retention strategy is a plan that organizations create and used to reduce employee turnover, prevent attrition, increase retention and foster employee engagement (Trupti Sachin Gupte, 2020).

THEORETICAL BACKGROUND

(Abodunde, et.al, 2017) The impact of leadership style on employee's job satisfaction with specific reference to the Nigerian insurance industry. Transformational leadership style is a strong predictor of employees' job satisfaction. Subsequently, the study recommended that the managers in Nigerian insurance firms should adopt a transformational leadership style to increase the employees' job satisfaction significantly due to a strong positive correlation with their job satisfaction.(Chiekezie, O. M. et. Al, 2017). The influence of compensation management on employee retention and also examines the relationship between salary and employee satisfaction in selected commercial banks in Awka. The employee might leave their job if they find a better offer somewhere else if management fails to formulate, administer and implement good compensation policies that would allow them to retain their talented employee. The study suggested among others that compensation structure should include new and attractive ways to stimulate and retain an employee with a wide choice of aids other than salary.

(Luckmizankari, 2017) The level of employee retention in Insurance companies in the Batticaloa district. However, the operation of retaining employees for a longer period with them is a grand task for every employer because most of the human resources are not attached for a longer period in one place, if they are not fully satisfied. Therefore, this study is to analyse the employee retention level in insurance companies in the Batticaloa district. The findings of the study show there is a high level of employee retention in insurance companies.(ChanthasoneSouthammavong, 2019) Banks in Laos retain their talented employees. The aim was to explore strategies implemented by locally owned and foreign-owned banks participating in this research to retain their talent through the participants' lens. The findings policies used by the contributing banks were both monetary and non-monetary focused. From foreign-owned banks, these policies reflected the HR roles and line managers, job safety, reimbursement, workplace relationship, demographic change, career growth, equal pay, employee participation, job enhancement, flexible work arrangements, team building and human capital. (ChinweEne, 2020) The relationship between transactional leadership and employee intention to stay in insurance companies in Port Harcourt. A cross-sectional survey was adopted for the study. Empirical findings revealed that there is a positive and significant relationship between transactional leadership and employee intention to stay in insurance companies in Port Harcourt. The study concludes that transactional leadership significantly effects employee intention to stay in insurance companies in Port Harcourt. The study recommends that insurance company's management should stimulate and persuade assistants by exchanging prize with a specific performance.

RESEARCH METHODOLOGY

A structured questionnaire was administered to collect the information from the employees working across private sector banks operating in urban Bangalore through cluster sampling method to arrive at a sample size of 150. The questionnaire consisted of demographic profile along with fifteen scale items related to different aspects of retention strategies adopted by various banks. These items were presented randomly as statements and were measured on five-point Likert Scale that vary from 1

= Strongly Disagree to 5 = Strongly Agree. The construct statements facilitate in determining the quality of leadership style and its impact on staff retention. The employee staff retention construct comprises of 15 Likert-scale based statements emphasising about the retention strategies adopted by the banking sector in context to the leadership style.

The objective is to analyse the factors influencing the leadership style that helps in retaining staff in banking sectors.

H₀: Leadership style has no positive influence on staff retention in banking sector.

The key variables considered to examine the factors influencing the staff retention strategy based on the type of leadership style adopted by their managers across the banking sector comprises of Workplace wellness, Employee engagement, Employee education, inclusive communication, Rewards, Training & Development, Competitive salary, Job security, Organizational culture, Talent retention, Employee Engagement, Recruitment, Work-life balance, Trust and Assets.

SPSS Version 21 was the statistical package used to analyse the data collected to validate the framed hypothesis through Exploratory Factor Analysis.

RESULTS

Reliability analysis was performed on the variables comprising of 25 items. The Cronbach’s alpha reflected the questionnaire with acceptable reliability (N = 150, $\alpha = 0.719 > 0.70$). All the items appeared to be worthy of retention, confirming the items acceptable reliability. However, demographic variables were not considered for the current study though the information was collected as part of basic details of the respondents.

Exploratory Factor Analysis was performed to obtain the important factors influencing the leadership style among the managers across the banking and insurance sectors considering the Maximum likelihood.

The final set of scale statements included twelve items whose overall reliability confirming the suitability for further analysis. All item correlations between those twelve statements were above 0.30, substantial for factor analysis. The fifteen variables which were are identified, namely SR1, SR2.....SR15.is given below as per Table.

Table 1:
and
Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.810	
Bartlett's Test of Sphericity	Approx. Chi-Square	386.909
	Sig	(.000)**
Source: Computed from the primary data. ** Significant at 1 per cent level		

KMO
Bartlett’s

Table 1 explains the overall significance of the correlation matrix was assessed with Bartlett test of Sphericity, which provides the statistical probability that the correlation matrix has significant correlations among at least some of the variables. The results were significant at $p < 0.01, \chi^2$ (386.909, N = 150), which further confirmed that the data were suitable for factor analysis. Lastly, Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was computed to quantify the degree of inter correlations among the variables, and the results indicate an index of 0.81, an “Excellent” indicator of

adequacy for factor analysis. This confirms the strong relationship between the variables being statistically significant.

Table 2 : Exploratory Factor Analysis

Retention Variables	Factors			Extraction Communalities
	1	2	3	
Workplace Wellness			.747	.598
Employee Engagement		.633		.552
Employee Education	.770			.674
Inclusive Communication			.760	.617
Rewards	.639			.498
Training & Development	.592			.568
Job Security	.627			.655
Organizational Culture		.672		.647
Talent Retention		.811		.717
Employee Empowerment	.705			.601
Transparency		.803		.662
Asset	.724			.702
Total	5.002	1.348	1.140	
Per cent of variance	41.685	11.231	9.504	
Cumulative per cent	41.685	52.916	62.420	
Extraction Method: Maximum Likelihood. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 5 iterations. Source: Computed from primary data.				

Table 2 reflects Exploratory Factor analysis resulted with three key factors which influence the leadership style followed among the bank managers in their employee retention utilizing the Maximum Likelihood extraction method. Varimax rotation method was used to arrive at the factor loadings of the variables within the respective group of factors through 5 iterations while the loadings were rotated. The extraction communalities of variables Workplace wellness (0.598), employee engagement (0.552), employee education (0.674), inclusive communication (0.617), rewards (0.498), training & development (0.568), job security (0.655), organizational culture (0.647), talent retention (0.717), employee empowerment (0.601), transparency (0.662) and asset (0.702) in the extracted factors were above 0.50 considering worth interpreting the influencing factors representing the amount of variance accounted by the factor solution for each variable. The factor loadings of each variable are greater than 0.50 and all factors whose Eigen value was greater than 1.0. Hence the null hypothesis can be rejected and alternative accepted.

Therefore, the three important influencing factors that have positive effect on staff retention based on the leadership styles are HRM Policy, Organizational environment and Employee engagement.

FINDINGS & DISCUSSION

The first factor describes the variables clustered as HRM policy of the banks facilitated through effective problem solving leaders like employee education (0.770), rewards (0.639), training &

development (0.592), Job Security (0.627), Employee empowerment (0.705), and Assets (0.724) explaining the variance by 41.685 per cent (Eigen value = 5.002). The second factor relates to systematic and organized mechanism of the banks in ensuring their employees are made to feel comfortable during their course of service through the variables Employee engagement (0.633), organizational culture (0.672), Talent retention (0.811) and Transparency (0.803) explaining the variance by 11.231 per cent (Eigen value = 1.348). The third factor emphasizes the necessity to communicate among the employees in a timely manner to perform their services effectively to the customers and importance of employees exhibiting a pleasant working conditions through the variables Inclusive communication (0.760) and Workplace wellness (0.747) explaining the variance by 9.504 per cent (Eigen value = 1.140).

CONCLUSION

Problem solving leadership style is the type considered to examine the important factors influencing the retention strategies adopted by the banking sector in context to the leadership style as most of the managers among the banks fall under this category based on the employee responses collected. A leadership style refers to a leader's characteristic behaviours when directing, motivating, guiding, and managing groups of people. Great leaders can inspire political movements and social change. They can also motivate others to perform, create, and innovate. It is a leader's method of providing direction, implementing plans, and motivating people. Hence, study reflects that leadership style has a positive and important impact on staff retention in banking sector.

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