

**THE IMPACT AND INFLUENCE OF LEADERSHIP STYLE ON  
EMPLOYEE LOYALTY AND PERFORMANCE IN COMMERCIAL BANKS  
IN KLANG VALLEY**

**BY,**

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**Thesis Submitted to**

**Othman Yeop Abdullah Graduate School of Business,**

**Universiti Utara Malaysia,**

**in Partial Fulfillment of the Requirement for the Master of Science**

**(Management)**

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## ABSTRAK

Tesis ini cuba untuk membentangkan gambaran mengenai keberkesanan dan pengaruh gaya kepimpinan dan beberapa faktor lain yang berkaitan dalam memberi kesan terhadap prestasi dan kesetiaan pekerja-pekerja di dalam industri perbankan. Skop kajian dalam tesis ini adalah meluas dan cuba untuk menanangi semua isu yang melibatkan prestasi pekerja, kesetiaan pekerja, gaya kepimpinan transformasi dan kepimpinan transaksi. Oleh itu, kajian ini hanya memberi tumpuan kepada faktor-faktor yang paling berpengaruh, seperti gaya kepimpinan, kesetiaan pekerja dan pembolehubah yang mampu memberi kesan terhadap prestasi pekerja di dalam industri perbankan. Populasi kajian terdiri daripada lima ibu pejabat bank komersial di sekitar Bandaraya Kuala Lumpur. Kajian ini mengkaji data yang diperolehi daripada 118 responden terdiri daripada pengurus, eksekutif dan kerani daripada beberapa bank komersial di dalam Bandaraya Kuala Lumpur. Untuk menentukan sama ada rumusan yang dibuat boleh diterima atau tidak, analisis *Pearson Coefficient correlation* telah dijalankan. Ujian *Sobel* juga telah digunakan bertujuan untuk mengenal pasti sekiranya pengantara digunakan mempunyai kesan pengantara diantara pembolehubah bebas dan pembolehubah bergantung. Hasil daripada kajian yang dilakukan mendapati ia menyokong sebahagian besar daripada kajian yang dilakukan sebelum ini berkaitan dengan gaya kepimpinan transformasi dan kepimpinan transaksi kerana ia telah mendapati bahawa kedua-dua gaya kepimpinan mempunyai hubungan yang ketara (positif) terhadap prestasi pekerja dalam industri perbankan. Kajian ini juga membuat kesimpulan bahawa kesetiaan pekerja mempunyai kesan pengantaraan antara kepimpinan transformasi dan prestasi pekerja serta antara kepimpinan transaksi dan prestasi pekerja. Faktor-faktor demografi tidak mempunyai kaitan yang kuat dengan kesetiaan dan prestasi pekerja di dalam syarikat berdasarkan keputusan yang diperolehi daripada soalan-soalan di dalam kajian ini.

## **ABSTRACT**

This thesis attempts to present a snapshot of leadership's style impact and influence and other related effecting reasons towards the employee's performance and loyalty in banking industry. The scope of this research is broad and attempts to address all issues involved in the employee's performance, transformational and transactional leadership style and loyalty. Therefore, this research is just focusing on those most influential factors, such as leadership style, employee's loyalty and variables that affects employee performance in banking industry in Malaysia. The study population comprised five headquarter offices of commercial banks around Kuala Lumpur City. It analysis and describes data collected from 118 respondents comprises of manager, executive and clerical staff of several commercials banks within Klang Valley area. To determine whether the hypothesis were accepted or rejected, Pearson Coefficient correlation analysis was conducted. Sobel test was also used in order to determine whether the mediator applied have mediating effect between independent variable and dependent variable in this thesis. The result of this research did support most of the researches done on transformational leadership and transactional leadership since it has been found that both leadership styles have significant (positive) relationship towards employee performance in banking industry. This thesis also concluded that employee loyalty do have mediation effect between transformational leadership and employee performance as well as between transactional leadership and employee performance. Demographic characters do not have strong influence on employee loyalty and performance within the organization based on the output received from the respondents of the distributed survey.

**Keyword:** transformational leadership style, transactional leadership style, employee performance, employee loyalty.

## **ACKNOWLEDGEMENT**

In the name of Allah, the Most Merciful and Most Compassionate. I would like to take this opportunity to sincerely appreciate the involvement of individuals who give me their support and efforts in completing this research effectively with great success.

First of all, I would like to express gratitude to my supervisor, Dr. Amer B. Hj Darus (UUM College of Business) for his guidance, feedback and suggestion throughout this research. I appreciate for all his contribution and advice in completion of this research.

I would also like to dedicate my sincere gratitude to my beloved wife, for her undivided support and encouragement to motive me to complete this research.

I would like to express my deepest gratitude towards the respondents. I am very grateful to them for spending their precious time to complete my questionnaire.

Last but not least I would like to extend my greatest appreciation to my friends and colleagues who had patiently helped me in completing this research.

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## **LIST OF ABBREVIATIONS**

Bank Negara Malaysia	(BNM)
National Union Bank Employees	(NUBE)
Cash Deposit Machines	(CDM)
International Monetary Fund	(IMF)
Risk-weighted capital adequacy ratio	(RWCR)
Independent variable	(IV)
Dependent variable	(DV)
Multifactor Leadership Questionnaire	(MLQ)

# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 Introduction**

In this first chapter, the study context of the overall research outline is explained together with the research problems. In the research, the core idea of the study is described in the problem statement in order to stimulate unblemished research objectives to be acquired and answered the research questions. Besides, the hypotheses that will be tested are clarified by the researcher and the benefits outcome in conducting this research is explained.

### **1.1 Background of the Study**

Good performance and loyalty towards a company are considered to be some of the preferred value of employers around the world. Since every business owner and big corporation main target are to maximize profits and minimise cost. They aim to hire workers or staff that can give their best performance at work place and stay loyal to the company. Big corporation such as banks in Malaysia are currently facing some issue on this matter with their young talents. Referring to research done by MSC Malaysia for Jobstreet.com (2013), about 84 percent of young employees tend to quit their jobs more easily and 49 percent of them intend to switch job within 1-2 years. Most of the respondent of the survey highlighted that dissatisfaction and de-motivation at workplace as the factors of job-hopping.

Turnover or employee loyalty issue is now becoming a culture in working environment especially in many Asian countries. Turnover for employee is defined as a



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