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

BY,
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(Management)
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ABSTRAK

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.
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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 workplace 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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