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The Effect of Leadership Style on Employee Job Satisfaction: The case of selected private Commercial Banks in Ethiopia

By: Berkenesh Tekalegn

ID No: GSE/0987/14

Advisor: Jemal Mohammed (PhD)

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APPROVAL SHEET

The Effect of Leadership Style on Employee Job Satisfaction: The Case of Selected Private Commercial Banks in Ethiopia

By

Berkenesh Tekalegn

Advisor name	Date	Signature
Jemal Mohammed (PhD)	6/6/2024	
Name of Internal Examiner	Date	Signature
Meskerem Mitiku (PhD)	04/07/2024	
Name of External Examiner	Date	Signature
Getie Andualem (PhD)	04/07/2024	

CERTIFICATE

This is to certify that the thesis entitles "The Effect of Leadership Style on Employee Job Satisfaction: The case of selected private Commercial Banks in Ethiopia'' submitted to Addis Ababa University for the award of the Degree of Master Science in Management and is a record of bonafide research work carried out by Ms. Berkenesh Tekalign under our guidance and supervision.Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

Main Advisor's Name	**Date**	**Signature**
Jemal Mohammed (PhD)	6/6/2024	

DECLARATION

I hereby declare that this thesis entitled "The Effect of Leadership Style on Employee Job Satisfaction: The case of Selected Private Commercial Banks in Ethiopia*",*has been carried out by me under the guidance and supervision of **Jemal Mohammed** (Ph.D.).

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

Researcher's Name	Date	Signature
Berkenesh Tekalegn	06/06/2024	

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TABLE OF CONTENTS

Table of Contents

APPROVAL SHEET I

CERTIFICATE II

DECLARATION III

ACKNOWLEDGEMENT IV

TABLE OF CONTENTS V

LIST OF TABLES VIII

LIST OF FIGURES IX

ACRONYMS/ABBREVIATIONS X

ABSTRACT XI

CHAPTER ONE 1

1. **INTRODUCTION** 1

1.1. Background of the Study 1

1.2. Statement of the problem 3

1.3. Research Questions 4

1.4. Objectives of the study 4

1.4.1. General Objectives 4

1.4.2. Specific Objectives 4

1.5. Significance of the study 5

1.6. Scope of the study 5

1.6.1. Geographic coverage/scope 5

1.6.2. Thematic coverage 5

1.6.3. Methodological scope 5

1.6.4. Time scope 5

1.7. Operational definition of the key terms 6

1.8. Organization of the study 6

CHAPTER TWO 7

2. REVIEW OF RELATED LITERATURE 7

2.1. Leadership 7

2.2. Leadership style 8

2.3. Employees Job Satisfaction 8

2.4. Theoretical review 10

2.4.1. Trait theory 10

2.4.2. Contingency Theory 11

2.4.3. Situational Leadership Theory 12
2.5. Empirical review of related studies 12
2.5.1. Leadership Styles and Employers Satisfaction 12
2.5.2. Transformational leadership style and Employee job satisfaction 13
2.5.3. Transactional leadership style and Employee job satisfaction 14
2.5.4. Laissez-faire leadership and Employee job satisfaction 15
2.5.5. Democratic leadership style and Employee job satisfaction 16
2.5.6. Autocratic leadership style and Employee job satisfaction 16
2.6. Conceptual framework 17
CHAPTER THREE 18
3. RESEARCH METHODOLOGY 18
3.1. Introduction 18
2.2. Description of the Study Area 18
3.3. Research Design and Approach 18
3.4. Types and Sources of Data 19
3.5. Sample Size and Sampling Technique 19
3.5.1. Sample size 19
3.5.2. Sampling techniques 19
3.6. Data Collection Tools 20
3.6.1. Procedures of Data Collection 21
3.7. Reliability and Validity Testing 21
3.8. Data Processing and Analysis 22
3.9. Ethical Consideration 23
CHAPTER FOUR 23
4. DATA PRESENTATION, ANALYSIS AND DISCUSSION 24
4.1. Introduction 24
4.2. Demographic Characteristics of the Respondents 24
4.3. Descriptive Statistics 26
4.4. Correlation Analysis 27
4.5. Multiple regression 28
4.6. Multiple Linear Regression Analysis 33
4.7. Discussion of related findings 36
CHAPTER FIVE 38
5. SUMMARY, CONCLUSION, AND RECOMMENDATIONS 38
5.1. Summary 38
5.2. Conclusion 38

5.3. Recommendations..... 39
REFERENCES 40
APPENDIX..... 50

LIST OF TABLES

Table3.1: Proportional sample size allocation……. 21

Table 3.2: Reliability analysis result…… 23

Table 4.3: Age category of the respondents…… 26

Table 4.4: Marital status of the respondents…… 27

Table 5.5: work experience of the respondents…….. 27

Table 4.6: Descriptive statistics of the variables……. 28

Table 4.7: Correlation Analysis between independent variables with employee job satisfaction…….. 29

Table 4.8: Result of Multicollinearity Test…….. 30

Table 4.9: Autocorrelation test…… 32

Table 4.10: Normality test…… 33

Table 4.11: ANOVA of regression analysis…….. 35

Table 4.12: Linear regression analysis on employee job satisfaction and independent variables……. 36

LIST OF FIGURES

Fig 2.1: Conceptual framework of the study…….. 18

Fig 4.2: Characteristics of respondents by gender…….. 26

Fig 4.3: Histogram of variables…… 31

Fig 4.4: Scattered plot of variables…….. 32

Fig 4.5: Norma P-P plot of variables…… 34

ACRONYMS/ABBREVIATIONS

BOA……. Bank of Abyssinia

CEO …… Chief Executive Officer

DB……Dashen Bank

HB……Hibret Bank

NBE…….National Bank of Ethiopia

SPSS……Statistical Package for Social Sciences

ABSTRACT

The main objective of this thesis was to investigate the effect of leadership styles on employee job satisfaction in the case of selected private commercial banks of Ethiopia. The study used quantitative research approach, both descriptive research and explanatory research design due to its intent to find the effect of the independent variables transformational leadership, transactional leadership, laissez-faire leadership, democratic leadership, and autocratic leadership on the dependent variable employee job satisfaction. This study used proportionate sampling and simple random sampling technique. Primary data was collected through structured questionnaires. The study also used a cross-sectional research survey, in which data from respondents was gathered at a single point in time. In this study, a total of 338 questionnaires were provided to the respondents. To analyse the collected data through questionnaires from the respondents, the researcher used SPSS version 23. The researcher used descriptive statistics to describe & summarizing data and inferential statistic such as correlation analysis and multiple linear regressions analysis. Accordingly, the Pearson correlation test revealed that all the two independent variables have a positive and significant relationship with dependent variable employee job satisfaction. The regression result confirmed that, two independent variables (transactional leadership and democratic leadership have positive and significant impact and the other transformational, laissez-faire and autocratic leader ship style are insignificant) on the employee job satisfaction. Transactional and democratic leadership styles were identified as the most influential predictors of employee job satisfaction. These leadership styles appear to foster a work environment that enhances satisfaction among employees, thereby highlighting the importance of effective leadership in organizational settings

Key words: transformational leadership, transactional leadership, laissez-faire leadership, democratic leadership, and autocratic leadership

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Scholars strive to define leadership in their own unique manner due to the lack of a precise definition for the term (Bennis, 2007; Hackman and Wageman, 2007). Igbaekemen (2014) defined leadership as the process by which individuals exert influence on others to direct their endeavors towards the attainment of specific organizational objectives.Besides, (Omonona, Oni and Joseph, 2019) argue that leadership pertains to the role an individual assumes in influencing followers with the ultimate aim of accomplishing organizational goals.Similarly, Rue and Byres (2009) provide a definition for leadership that encompasses the capacity to exert influence over individuals, thereby encouraging their voluntary compliance with one's guidance or adherence to one's decisions (Belayneh, 2022). Furthermore, (Northouse, 2010) described leadership case a process in which an individual exerts influence over a collective in order to attain an organizational objective. While each definition incorporates distinct elements, the underlying principle of leadership remains consistent: leadership constitutes a process that shapes the conduct of followers, enabling them to execute tasks efficiently and effectively, necessitating the appropriate application of leadership style (Bass, 2000).

A leadership style is defined as a pattern of style leaders prefer to use (Chiok Foong Loke, 2001). While, (Rad and Yarmohammadian, 2006) views leadership style as a series of attitudes, characteristics and skills used by a manager in different situations in accordance with individual and organizational values. (Mosadeghrad, 2003) defined job satisfaction as an attitude that people have about their jobs and the organizations in which they perform these jobs.(Furnham, Eracleous and Chamorro-Premuzic, 2009)defined job satisfaction as how far the employees are satisfied with their work. (Robbins and Judge, 2007) stated that job satisfaction is a common behavior to work performance while there are awards and achievements appropriately. Most people agree that job satisfaction is a complex concept that encompasses how employees feel about a range of internal and external aspects of their jobs. It includes certain characteristics of contentment with regard to salary, benefits, advancement, workplace dynamics, oversight, organizational procedures, and connections with coworkers(Misener, Gleaton and Ajamieh, 1996).

Human resources are crucial for the efficacy and efficiency of organizations since they are social systems. To accomplish their goals, organizations require managers and workers who are effective. Without the dedication and hard work of its employees, organizations cannot succeed. Job satisfaction is a requirement for both hiring and retaining highly qualified personnel. Empirical evidence indicates that the efficacy of an organization's leadership and employee job satisfaction are contingent upon the leadership philosophies or practices employed by its constituents(Harris *et al.*, 2007; Akintayo and Babalola, 2012; Akparep, Jengre and Mogre, 2019). Scholars affirm that the success or failure of any given organization can be attributed to the leadership style that it adopts. Al Khajeh (2018)establishes that leadership style plays a pivotal role in determining the triumph or downfall of an organization, as it pertains to the methods employed in providing guidance, executing plans, and motivating individuals (Al Khajeh, 2018). Besides,(Clark, Hartline and Jones, 2008) discovered that leadership styles that generate commitment among employees foster behavioral enhancements that positively impact the quality of service provided. Numerous scholars in the fields of business and hospitality have examined the influence of leadership styles on employee job satisfaction (Clark, Hartline and Jones, 2008; Ojokuku, Odetayo and Sajuyigbe, 2013; Igbaekemen, 2014; Al Khajeh, 2018; Belayneh, 2022). The foundation for these preceding studies is the contention that a manager's leadership style influences the attitudes and behaviors exhibited by employees within the workplace, thereby influencing organizational performance. Leaders who practice transformational leadership possess the ability to not only inspire employees' motivations beyond personal interests but also serve as exemplars for their subordinates (Bass, 2000).

Leadership styles can be categorized as transformational, transactional, laissez-faire, culture based style, charismatic and visionary leadership styles (Harris *et al.*, 2007; Balemlay and Paul, 2020). Alternatively, they can be categorized as autocratic, laissez-faire, and democratic or participatory (Akparep, Jengre and Mogre, 2019). Additionally, the literature highlights the significance of transformational and transactional leadership styles (Dzakpasu *et al.*, 2022). For the purpose of this study, the five leadership styles, namely transformational, transactional, laissez-faire, democratic and autocratic, will be utilized.Hence, the aim of this research was to examine the leadership styles implemented in selected banks and determine the extent to which these styles impact the employee job satisfaction of selected private commercial banksof Ethiopia.

1.2. Statement of the problem

The main problem facing most organizations in developing countries is the lack of effective leadership that focuses on results and improves employee performance. Shoddy leadership leads to substandard performance, decreased company profits, lower employee job satisfaction and motivation, and increased turnover rates (Setiawan *et al.*, 2021; Khan *et al.*, 2022; Abbasova, Ismayilzada and Jabbarova, 2023). Studies have shown that leadership styles such as autocratic, transformative, democratic, and transactional leadership have different effects on employee efficiency and performance. Autocratic leadership has a detrimental effect on employee efficiency, while egalitarian, transformative, and transactional leadership have a positive impact on employee morale, engagement, and dedication(Mubarok, 2022). Additionally, transformational leadership has been found to enhance employee performance by broadening their interests, raising awareness of organizational goals, and mobilizing them to go beyond self-interest (Putri, Adam and Putra, 2022).

Leadership styles and employee job satisfaction have been extensively studied in various contexts, but there is a lack of research focusing on Bank sectors in the African context. Most studies have examined the relationship between leadership styles and employees' organizational performance. However, there are some studies that have explored this relationship in different contexts. For example, Siddique found a connection between leadership styles (transactional and transformational) and employee job satisfaction in Gomal University (AsiyahBiBi, Siddique, and Afia Saadat, 2023). Similarly, AlShehhi, Jano, and Kudus examined the relationship between leadership styles and employee job satisfaction in the oil and gas industry (Muhammad Inam Khan, Muhammad Fiaz, and Muhammad Taous, 2023).

Transformational leadership has been found to have a positive and significant relationship with employee job satisfaction (Asiyah BiBi, Siddique, and Afia Saadat, 2023; Muttalib, Danish and Zehri, 2023). Transactional leadership also has a positive and significant relationship with employee job satisfaction (Muhammad Inam Khan, Muhammad Fiaz, and Muhammad Taous, 2023). On the other hand, laissez-faire leadership and autocratic leadership have been found to have a positive and significant relationship with employee job satisfaction. However, there is a contradiction of views regarding the relationship between leadership style and employee job satisfaction (Nshimirimana and Kwizera, 2023). Some studies conclude that there is no relationship between leadership style and employee job

satisfaction, while others find a significant influence on employee job satisfaction. It is important for organizations to effectively manage and optimize the potential of their middle-level employees by choosing the appropriate leadership style, as it can significantly impact performance indicators such as productivity, job satisfaction, and motivation.

The study provided insights into the impact of leadership styles on employee job satisfaction in specific settings. However, there was a need for more researches in the African context, particularly in private banks like the Dashen Bank, Hibret Bank and Bank of Abysinnia in Ethiopia. It was, therefore, crucial to identify which leadership style was more effective in fostering employee commitment to change and enhancing organizational performance. Furthermore, it was equally important to determine which element of leadership style was a stronger predictor of improved employee job satisfaction and should be prioritized for change.

1.3. Research Questions

The research questions of the study were as follows;

1. What is the effect of transactional leadership style on employee job satisfaction?
2. Determine the effect of transformational leadership style on employee job satisfaction?
3. Is there any effect on Laissez-faire Leadership style on employee job satisfaction?
4. Examine the effect of democratic leadership style on employee job satisfaction?
5. Is there any effect on autocratic Leadership style on employee job satisfaction?

1.4. Objectives of the study

1.4.1. General Objectives

- ✓ The general objective of this study was to investigate on the effect of leadership styles on employee job satisfaction of selected private Commercial Banks in Ethiopia.

1.4.2. Specific Objectives

- ✓ To assess the effect of transformational leadership style on employee job satisfaction
- ✓ To assess the effects of transactional leadership style on employee job satisfaction
- ✓ To assess the effects of laissez-faire leadership style on employee job satisfaction
- ✓ To assess the effects of democratic leadership style on employee job satisfaction
- ✓ To assess the effects of autocratic leadership style on employee job satisfaction

1.5. Significance of the study

This study provides significant contributions to various stakeholders. The findings would have practical contributions to the leadership of private banks of Ethiopia, as managers gained awareness about the most significant leadership styles in influencing employee job satisfaction and apply appropriate leadership styles that positively influence employee job satisfaction.

Additionally, the findings of this study would provide knowledge contributions to the field of leadership. Hence, the current study contributed to the understanding of leadership styles as one of the factors that can affect employee job satisfaction.

1.6. Scope of the study

The study was delimitedthematically, geographically, timely as well as methodologically.

1.6.1. Geographic coverage/scope

Thestudy was geographically delimited to assessing the employee job satisfaction where thesample was obtained at the headquarters of Dashen Bank, Hibret Bank and Bank of Abyssinia headquarters, Addis Ababa, Ethiopia. The study was carried out in the employee ofDashen Bank, Hibret Bank and Bank of Abyssinia headquarters, Ethiopia.

1.6.2. Conceptual coverage

This study's primary goal was to analyse the connection between employee job satisfaction and leadership styles. There are numerous types of leadership styles at the same time. However, only five types of leadership styles—transformational, transactional, laissez-faire, democratic, and autocratic—which combine all of the aforementioned leadership styles in one way or another—were considered for the purposes of this study

1.6.3. Methodological scope

The explanatory research design was carried out among the participants. To conduct the study, primary data was used. Inorder to collect the data, self-administrated questionnaire was employed which was adopted by reviewing from previous study. The study participant was the employee of Dashen Bank, Hibret Bank and Bank of Abyssinia headquarters, Ethiopia. At the end, both descriptive and inferentialstatistics were used for the data analysis purpose

1.6.4. Time scope

The cross-sectional study was carried out from April to June, 2024 G.C.

1.7. Operational definition of the key terms

Leadership: Leadership may be defined as a process bywhich people are directed, guided and influenced in achieving group goals (Balemlay and Paul, 2020).

Employee job satisfaction:: is an attitude that people have about their jobs and the organizations in which they perform these jobs (Soetirto, Muldjono and Hidayatulloh, 2023).

Transformational Leadership: Transformational leadership is a process of influencing in which leaders change their associates‘ awareness of what is important, and move them to see themselves and the opportunities and challenges of their environment in a new way (Dzakpasu *et al.*, 2022).

Transactional Leadership: Everything is seen in terms of explicit and implicit contractual ties in a "pure" transactional paradigm. Every job assignment, together with the terms of employment, norms of conduct, and benefit plans, are clearly stated. Self-interest is prioritized(Dzakpasu *et al.*, 2022).

Laissez-faire leadership: also known as delegative leadership, is a type of leadership style in which leaders are hands-off and allow group members to make the decisions (Akparep, Jengre and Mogre, 2019).

Democraticleadership: also known as participative leadership or shared leadership, is a leadership style in which members of the group participate in the decision-making process (Al-Owaidi, Saleh and Benmechirah, 2023).

Autocraticleadership:also known as authoritarian leadership, is a leadership style characterized by individual control over all decisions and little input from group members (Oh, Kim and Kim, 2023).

1.8. Organization of the study

This thesis is organized in to five chapters. The first chapter is brief introduction which includes; Background, Statement of the problem, Objectives of the study, Research questions, Significance of the study, and Scope and limitations of the study. The second chapter is about literature review and conceptual framework of the study. The third chapter is methodology of the research which includes; Research design, Sampling design, Data collection procedure, Methods of data analysis, ethical consideration and time and budget schedule. The fourth chapter is about the result and discussion and the fifth chapter will discuss about the summary of findings, conclusions and recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1. Leadership

The concept of leadership is often influenced by the theoretical traditions advocated by researchers in the field. As a result, different definitions of leadership are offered depending on the schools of thought. For example, scholars such as Yukl (2010), McManus (2006), and Blanchard (2007) provide varying definitions of leadership based on their perspectives (McManus, 2006; Blanchard, 2007; Yukl, 2010)Yukl, after conducting a comprehensive literature review, asserts that leadership is the process of influencing individuals to willingly work towards personal or organizational goals and objectives. It also involves bringing people together to strive for shared goals (Yukl, 2010). While Yukl emphasizes the importance of willingness to be influenced and shared objectives, McManus (2006) argues that leadership involves establishing a team and fostering team spirit through the use of empowerment to achieve positive outcomes (McManus, 2006).

According to Northouse (2001), a potential leader possesses the ability to influence others and ensure their followership. Leadership is a process that involves both leaders and followers. However, it is the leader who initiates this process and plays a more significant role than their followers. This distinction sets a leader apart from their followers (Northouse, 2016). Plunkett, Attner, and Allen (2008) propose that leadership encompasses three sets of variables: the leader, the followers, and the organizational and situational context in which both parties interact and continually adapt. Both leaders and followers are human beings with different skills, traits, understandings, and attitudes shaped by their experiences, which in turn shape their personalities, perspectives, and ethical beliefs. These factors can enhance or hinder a leader's ability to influence others and are the sources of their strengths and weaknesses. From the researcher's perspective, leadership is about making individuals feel important and inspiring them to exert their utmost effort to achieve goals (Plunkett, Attner and Allen, 2001). The significance of leadership and its potential impact on the employee job satisfaction and enduring experience of organizations is of utmost importance in the current global scenario. In this era of globalization, every organization, irrespective of its profit orientation or non-profit nature, necessitates the presence of exceptional leadership at all levels. Furthermore, a rising amount of data suggests that senior leaders have a significant influence on the composition and results of employment and service delivery, especially

when it comes to meeting the needs of a progressively diverse populace. Thus, based on the body of available research, leadership may be understood as a complex process that includes both manipulating different contextual circumstances and influencing and guiding followers in order to improve organizational performance. Given the central focus of this study on the leadership styles adopted by civil service institutes at the federal level, it is reasonable and logical to commence by examining the most prevalent forms of leadership.

2.2. Leadership style

The role of leadership style in contemporary organizations is of utmost significance. Haque et al. (2015) assert that leadership style refers to the approach employed by a leader to motivate employees towards achieving organizational objectives (Haque *et al.*, 2015). It encompasses the leader's behavior when dealing with employees and situations within the organizational context (Akparep, Jengre and Mogre, 2019). The leadership style adopted by a leader plays a crucial role in enhancing employee job satisfaction and meeting its expectations (Wang, Chich-Jen and Mei-Ling, 2010).

Klein (2013) contends that the implementation of an appropriate leadership style can have a positive impact on employee job satisfaction. An effective leadership style can promote employee job satisfaction, and foster employee commitment (Klein, Wallis and Cooke, 2013). Similarly, Harris et al. (2007) argue that leadership style significantly influences organizational performance, employee job satisfaction, and employee commitment (Harris *et al.*, 2007). Bass's (2000) study reveals that leadership style has a 45-65% effect, either positive or negative, on employee job satisfaction. Consequently, the success of an organization is contingent upon the leader's style and the supportive environment created for the staff (Bass, 2000). Asiyah et al. (2008) evaluated five dimensions of strategic leadership, namely servant, transactional, charismatic, transformational, and visionary. They discovered that strategic leadership is developed through leaders' actions and their perception of the environment(Asiyah BiBi, Siddique, and Afia Saadat, 2023). This study adopts transformational, transactional, and laissez-faire leadership as the three most effective dimensions of strategic leadership, influencing organizational performance across various organizations.

2.3. Employees Job Satisfaction

Job satisfaction refers to the alignment between the demands of the organization and the needs of the individual (Etzioni, 1964). When this alignment is positive, employees

experience high levels of satisfaction and perform well in their jobs. Job satisfaction also involves an emotional state that arises from evaluating one's job values (Locke, 1969). In other words, employees are satisfied with their jobs when they feel that their needs are being met to a great extent. This is because individuals work in order to fulfill their internally felt basic needs, and the workplace provides external incentives or goals that can satisfy these needs (Al-Owaidi, Saleh and Benmechirah, 2023).

There are several factors associated with job satisfaction, including the incentive to work, the reward of achievement, the conditions of work, opportunities for advancement, recognition, responsibility, organizational policies, pay, job security, interpersonal relationships, and leadership style (Locke, 1969; Eviana and Achmadi, 2022; Oh, Kim and Kim, 2023; Soetirto, Muldjono and Hidayatulloh, 2023). Other factors that contribute to job satisfaction include opportunities for personal growth, financial compensation, and the nature of the work itself (Rad and Yarmohammadian, 2006). Money can fulfill various needs and its primary purpose is to provide the basic necessities of life and a sense of security. An individual's social status is often determined by their earnings, and a good income can provide a sense of personal accomplishment. Therefore, satisfaction is influenced by monetary incentives, and as employees' salaries increase, their satisfaction also increases. Thus, satisfaction and the amount of money are directly proportional to each other (Judge *et al.*, 2010).

While it is true that money can satisfy certain needs such as shelter, food, clothing, and security, it cannot directly fulfill intrinsic job aspects such as self-confidence, advancement/promotion, recognition, and self-actualization (Ghazanfar *et al.*, 2011). For example, a worker's salary may increase, but if they are not recognized, promoted, or given higher responsibilities, they may still experience job dissatisfaction. Factors that contribute to intrinsic job satisfaction are within the control of the supervisor or manager, as their leadership style has a significant impact on employees' intrinsic job satisfaction. Therefore, the satisfaction of social needs and self-ego are major reasons why people choose to work. This implies that the interpersonal relationship between subordinates and their supervisors is crucial for employees' job satisfaction, as individuals prefer to work in teams or associate with others. Job dissatisfaction occurs when this social aspect is not allowed in the workplace (Ushie *et al.*, 2010).

2.4. Theoretical review

2.4.1. Trait theory

Trait theory posits that individuals inherently possess certain qualities and traits that equip them with superior aptitude for leadership. These theories often delineate specific personality or behavioral attributes that are commonly shared by leaders (Chinyere, Zoella and Alika, 2020). In 1948, after an examination of over 100 studies based on the trait approach, Stogdill (cited in Chinyre, 2020) concluded that various traits were consistently associated with effective leadership. These qualities include self-assurance, drive for responsibility, initiative, interpersonal skills, general intellect, and personal integrity. However, Stogdill's findings (cited in Chinyre, 2020) also indicated that the significance of a particular trait is contingent upon the situation, thereby implying that a trait that leads to a leader's success in one situation may hold no relevance in another (Chinyere, Zoella and Alika, 2020). Longe (2014) assert that leaders are not fundamentally distinct from followers, and certain characteristics such as intelligence, initiative, stress tolerance, responsibility, friendliness, and dominance exhibit only modest correlation with leadership success (Longe, 2014). Chepkurgat (2019), after analyzing the literature, suggest that drive, motivation, ambition, honesty, integrity, and self-confidence are pivotal traits for effective leadership. They maintain that leaders need not possess extraordinary intellect to achieve success, but rather must possess the appropriate traits to excel (Chepkurgat, Kipkebut and Auka, 2019).

The behavioral theory of leadership posits that traits alone do not sufficiently account for leadership effectiveness. Instead, researchers in this field have shifted focus towards leader behaviors, which emerged during the 1950s (Champoux, 2000). This theory emphasizes the actions undertaken by leaders, rather than their mental attributes or internal states. According to this theory, individuals can acquire leadership skills through instruction and observation (Ghee and Daft, 2004). Scholars from Ohio State University proposed that leadership can be categorized into two behavioral types: initiating structure and consideration (Jex and Britt, 2014). Consideration entails exhibiting interest, mutual trust, respect, and concern towards followers. On the other hand, initiating structure involves effectively organizing and communicating, as well as ensuring that followers remain focused on their designated tasks (Jex and Britt, 2014).

Around the same time, Ojokuku (2013) identified two distinct forms of leadership behavior: job-centered and employee-centered. Job-centered leaders prioritize task completion and

provide supervision to ensure that followers adhere to prescribed procedures. In contrast, employee-centered leaders focus on meeting the needs of employees by offering support, fostering communication, and facilitating relationships with the expectation of reciprocal commitment (Ojokuku, Odetayo and Sajuyigbe, 2013).

2.4.2. Contingency Theory

Because explanations of leadership in organizations provided by trait and behavioral theories are incomplete, earlier researchers developed the contingency theory (Ojokuku, Odetayo and Sajuyigbe, 2013). The contingency theories of leadership focus on successful leadership based on the specific environment faced by the leader. These theories provide different perspectives on how a leader can match the requirements of a given situation (Moorhead and Griffin, 1995). Contingency theories of leadership strive to enhance understanding by incorporating a broader range of variables into the equation. They propose that the most appropriate leadership style is contingent upon various variables within the context in which leadership is exercised (Malum Alhaji, 2018).

The most prevalent contingency theory is Fielder's contingency theory. Fielder's Contingency Model is widely recognized as the foundation of the Contingency Theory of Leadership. This theory suggests that group performance depends on the interaction between leadership style and situational favorability. (Blanchard, 2007). According to Chinyere, (2020), Fielder identifies three significant variables that determine whether a particular situation is favorable for leaders: Leader-member relation, which involves the level of confidence, trust, and respect in the leader and how the leader interacts with followers; task structure, which refers to the level of structure in the tasks that followers are engaged in solving; and position power, which pertains to the authority that comes with the leader's position. (Chinyere, Zoella and Alika, 2020)

Fielder subsequently classified managers as either relationship-oriented or task-oriented, as follows: Task-oriented leaders tend to perform better in group situations that are either highly favorable or unfavorable, whereas relationship-oriented managers excel in all other situations that fall in between favorability extremes. However, Fiedler's leadership theory has a limitation in that it can be challenging to judge whether a leadership style is good or bad. Each manager has their own preferences and styles for leadership (Hughes, Ginnett and Curphy, 2009).

2.4.3. Situational Leadership Theory

The Situational leadership Theory, formulated by Paul Hersey and Kenneth Blanchard, is predicated on the hypothesis that the most effective leadership is manifested when the leader's approach aligns with the circumstances at hand. This leadership theory places significant emphasis on the imperative of adaptability. According to Hersey, in certain situations, there is no universally optimal method for influencing outcomes, and it is incumbent upon the leader to determine the appropriate balance between task-oriented behavior and relationship-oriented behavior. Additionally, the application of a specific leadership style by a leader to influence individuals or a group is contingent upon the readiness level of the follower. For example, consider a rescue squad responding to an accident scene. In this context of crisis, the leader of the squad may rely on a highly specific leadership style due to the absence of time for deliberation or feedback from squad members (Hersey-Blanchard, 1993).

Blanchard (2007) has delineated four distinct leadership styles that are available to managers in the realm of situational leadership: Telling, wherein the leader establishes the necessary roles to execute the job and instructs followers on what, how, and when to perform the tasks; Selling, wherein the leader furnishes followers with structured instructions while also providing support; Participating, wherein the leader and followers engage in collaborative decision-making to ensure the completion of a high-quality job; and Delegating, wherein the manager offers minimal specific guidance or personal support to followers (Blanchard, 2007).

However, the Hersey-Blanchard Situational leadership theory is not without its limitations, as it has been criticized for lacking comprehensive experimental verification to substantiate its validity, and the testing of the model has been limited. Hersey and Blanchard have not provided sufficient evidence, thereby necessitating further research to validate this theory (Sashkin and Sashkin, 2003).

2.5. Empirical review of related studies

2.5.1. Leadership Styles and Employers Satisfaction

Leadership styles encompass the methods through which leaders influence their followers, including the types of control they exercise within a group and their interactions with group members. The choice of leadership style depends on the leader's perception of their

responsibilities, the expectations they have for their followers, and their commitment to fulfilling the needs of subordinates. Additionally, the leadership style may vary depending on the occasion, the types of leaders, and the characteristics of the followers (Ushie *et al.*, 2010).

One type of leadership style is authoritarian, where authority, responsibility, and accountability are concentrated in the hands of the leader. Another style is democratic, which involves the delegation of authority while still maintaining ultimate responsibility. Lastly, there is the laissez-faire style, which involves the leader abdicating authority to the group and denying responsibility. The autocratic leadership style can lead to two types of behavior among workers: aggression or apathy and withdrawal (Oh, Kim and Kim, 2023). On the other hand, democratic leadership promotes a harmonious working relationship between the leader and employees (Muttalib, Danish and Zehri, 2023). Most employees tend to be more satisfied and perform better under democratic leadership compared to authoritarian leadership. Laissez-faire leadership style, however, often leads to chaos as workers behave in an uncontrolled manner regardless of the presence of leaders (Al-Owaidi, Saleh and Benmechirah, 2023). Nevertheless, the success of any leadership style depends on the specific situation, as well as the characteristics and expectations of both the manager and the employees (Ushie *et al.*, 2010).

2.5.2. Transformational leadership style and Employee job satisfaction

The leadership style known as transformational leadership places its focus on the development of followers and the consideration of their needs. Managers who appreciate this style of leadership place particular emphasis on the development of employees' overall value system, their moralities, skills, and their level of motivation. Transformational leaders act as a strong bridge between followers and leaders, aiming to foster a clear understanding of the motivational level, values, and interests associated with both parties (Lin *et al.*, 2022).

According to Effiyanti and colleagues (2021), transformational leadership demonstrates superior performance in the realm of leadership. This type of leadership occurs when leaders expand or elevate the interests of employees, encouraging them to look beyond their own self-interests (Effiyanti *et al.*, 2021)Transformational leaders are effective for several reasons, such as their ability to inspire employees with their charisma, cater to employees' emotional needs, and stimulate employees intellectually (Kılıç and Uludağ, 2021)

A study conducted by Asghar and Oino (2017) on Leadership Styles and Job Satisfaction stated that transformational leadership style has a positive effect on job satisfaction, whereas

transactional leadership style has an insignificant effect on job satisfaction. Therefore, it can be argued that the transformational leadership style is more effective in the retail sector of Slough, United Kingdom (Asghar and Oino, 2017).

Wang et al. (2010) discovered a positive correlation between transformational leadership and individual-level performance (Wang, Chich-Jen and Mei-Ling, 2010). Furthermore, their study indicated a positive association between transformational leadership and employee job satisfaction. Xu and Wang (2008) assert that performance is a product of skills, abilities, knowledge, and motivation directed towards prescribed behavior, thus suggesting a positive relationship between transformational leadership and job satisfaction (Xu and Wang, 2008)Jyoti and Bhau (2015) further support this notion by stating that transformational leadership and job satisfaction are positively linked (Jyoti and Bhau, 2015). Sofi and Devanadhen (2015) emphasize the significant impact of transformational leadership on job satisfaction, concluding that there is a direct positive relationship between the two (Sofi and Devanadhen, 2015)

2.5.3. Transactional leadership style and Employee job satisfaction

A leader is recognized as a transactional leader when they consistently display a willingness to provide something in return for what they deem valuable (Kafaeimehr, Mardani and Toohian Esfahani, 2019) This can encompass various things such as promotions, salary increases, performance evaluations, and additional responsibilities. The main drawback associated with this particular style of leadership lies in the expectations it creates. Consequently, transactional leadership can be defined as the mutual exchange of targets and rewards between management and employees (Ojokuku, Odetayo and Sajuyigbe, 2013). The study conducted by Longe (2014) unveiled that the transactional leadership style has a positive impact on job satisfaction. By employing this leadership style, a conducive environment is established and maintained, allowing for the optimization of organizational and human capabilities. This occurs as employees consistently attain tangible and intangible rewards. Moreover, this leadership style is particularly effective in fostering a performance-oriented environment and articulating a compelling vision that enhances overall organizational performance(Longe, 2014).

All aspects of transactional leadership style and employee job satisfaction, with the exception of passive management by exemption, have a positive and significant relationship, according

to a study on the subject in the Nigerian banking sector. He came to the conclusion that transactional leadership raises worker happiness(Finelady and Felix, 2014).

Lumbantoruan et al., (2020) discovered that there was a significant impact between employee job satisfaction with transactional leadership style (Pearson Correlation 0.000, sig 0.000 < P= 0.05). According to the study's findings, 81 percent of job satisfaction may be attributed to transactional leadership. Based on the study's findings, it can be said that there is a favorable relationship between job satisfaction and the transactional leadership style (Lumbantoruan *et al.,* 2020).

Research done on the Impact of Transformational and Transactional Leadership Style on Employee Job Satisfaction indicated that contingent reward contributes to job satisfaction when it comes to transactional leadership style, while idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration contribute to job satisfaction when the transformational leadership style is practiced (Skopak and Hadzaihmetovic, 2022).

2.5.4. Laissez-faire leadership and Employee job satisfaction

The laissez-faire leadership style, as defined by Northouse (2010), entails setting the direction for followers with minimal supervision. This style grants complete freedom to the group in making decisions without the leader's involvement. Subordinates possess the freedom to act as they please, while the leader's primary role is to provide necessary resources. The leader refrains from interfering with or participating in the group's determined course of events (Northouse,2010)

Laissez-faire leadership stands in stark contrast to the transactional style, as it involves leaders delegating decision-making responsibility to the group. The group operates with loose structure due to the leader's lack of confidence in their own leadership abilities. Decision-making is left to those willing to take on the task, resulting in slow and often unreliable outcomes (Ojokuku, Odetayo and Sajuyigbe, 2013).

A study conducted on the effect of different leadership styles on job satisfaction revealed that autocratic and laissez-faire leadership styles are not accepted and harm the employees, resulting in lower job satisfaction (Saeed, Omed and Rashid, 2023). However, a reseach done on The Effect of Transformational, Transactional, and Laissez-Faire Leadership Styles on Employees' Level of Performance: The Case of Hospital in Oromia Region, Ethiopia stated

that laissez-faire approaches were significantly associated with employee performance (Hundie and Habtewold, 2024).

According to Ahmed Iqbal et al. (2021), authoritative leadership and conscientiousness significantly contribute to thriving at work. Additionally, conscientiousness moderates the relationship between laissez-faire leadership and thriving at work. The study's findings hold theoretical implications for authoritative and laissez-faire leadership, employee conscientiousness, and practical applications for managers (Ahmed Iqbal *et al.*, 2021).

2.5.5. Democratic leadership style and Employee job satisfaction

Although the democratic leader makes the final decisions, he encourages his subordinates to participate in the process, which has a good impact on worker satisfaction and skill development (Nadeem et al., 2012).

A study conducted in Nigeria on leadership style and employees' intrinsic job satisfaction in the cross river newspaper corporation stated that democratic leadership style allows employee's great amount of satisfaction (Ushie *et al.*, 2010). Besides, research done on the effect of different leadership styles on job satisfaction revealed that it is the democratic leadership style that employees prefer and the positive impact on job satisfaction (Saeed, Omed and Rashid, 2023).

Al-Owaidi et al (2023) discovered that there is a positive and strong correlation between the style of democratic leadership and job satisfaction and that there is an inverse relationship between the style of autocratic leadership and job satisfaction. The study's findings also showed that there is no connection between a laissez-faire leadership style and job satisfaction. As a result, the study suggested that the leadership philosophies used in the firms it studied should improve overall performance, employee loyalty, and work happiness (Al-Owaidi, Saleh and Benmechirah, 2023).

2.5.6. Autocratic leadership style and Employee job satisfaction

The impact of an autocratic leadership style on employee motivation has been found to be significant. This particular style of leadership characterized by a hierarchical approach where decisions are made solely by the leader and without much input from employees, has the potential to negatively influence motivation. Autocratic leaders typically exercise control and authority, which can result in feelings of disempowerment and reduced motivation among employees. Furthermore, autocratic leaders may not provide opportunities for employees to contribute their ideas and opinions, thus further diminishing motivation (Mahdayanthi, 2020).

Research done on effects of leadership styles on the performance and job satisfaction of employees in public sectors in Southern Ethiopia stated that autocratic leadership was the predominant leadership style found among the leaders.Laissez-faire and autocratic leadership styles have no statistically significant effects on employees' job satisfaction.(Karunakaran and Temam, 2022)

A study conducted on the Impact of autocratic leadership style and work motivation towards employee performance on Retail Company in Sidoarjo Indonesia revealed that autocratic leadership style, communication and work motivation against employee performance simultaneously affect employee performance. communication partially affects employee performance, work motivation partially influences employee performance, job satisfaction also partially affects employee performance (Mahdayanthi, 2020).

2.6. Conceptual framework

According to the above reviewed literature the researcher developed the following conceptual frame work. Under this frame work the researcher tried to show the independent variables like Transformational, Transactional, Laissez-faire, Democratic, and Autocratic Leadership style.

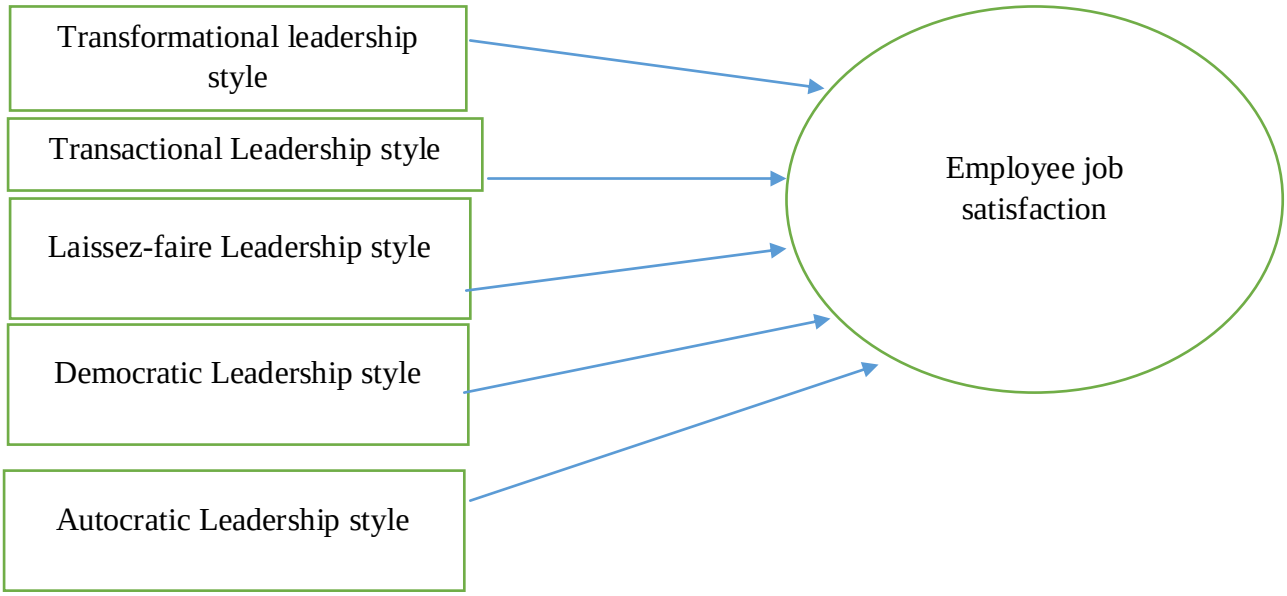


Figure 1: Conceptual frame work for the Effect of Leadership Styles on employee job satisfaction in Selected Private Commercial Bank in Ethiopia (Source: Compiled from review)

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Introduction

This study intended to investigate the effect of leadership style on employee job satisfaction at Dashen Bank, Hibret Bank and Bank of Abyssinia headquarters. Thus, this section explained the research methodologies employed, including the study area, research design and approach, type and source of data collection, sample size and sampling techniques, validity and reliability test, ethical consideration, and method of data analysis.

3.2 Description of the Study Area

Dashen Bank was established in 1995, following the liberalization of the Ethiopian banking sector. It was founded by leading Ethiopian businessmen and institutional investors.Headquartered in Addis Ababa, the Bank is among the biggest private Banks in Ethiopia. Dashen is the most reputable brand in the domestic banking market; a reputation earned Ethiopia. It operates through a network of more than 800 plus Branches.

Hibret Bank, established in 1997, is one of the prominent banks in Ethiopia. It operates under the full supervision of the National Bank of Ethiopia (NBE), the central bank of the countrywith more than 470+ branches and sub-branches(still expanding), 4706 plus employees out of which 41.8% are women. Hibret Bank is now the preferred Bank by big international and local businesses, non-governmental organizations and institutions.

Bank of Abyssinia, established in 1996, is one of the oldest private commercial banks in Ethiopia. Through its 901 branches in the country, it serves over 10.2 million customers. The total asset of Bank of Abyssinia has reached ETB 188.55 Billon. It has a total of 11,575 active employees.

3.3. Research Design and Approach

This study employed descriptive research design to describe the characteristics of variables that was examining the effect of leadership style on employee job satisfaction using quantitative approach. A structured questionnaire was used to collect data on the effect of leadership style on employee job satisfaction which can be statistically analyzed.

3.4. Types and Sources of Data

Both primary and secondary data were collected to achieve the study's objectives. Primary data was obtained directly from the staff members working across different departments of Dashen Bank, Hibret Bank and Bank of Abyssinia headquarters. The research study used primary data sources from structured questionnaires and secondary data source. The primary data was collected from chiefs, directors, and employees through structured questionnaires in relation to the many aspects of leadership styles and to examine how they affect employee job satisfaction. On the other hand, the secondary source of the data also gathered from different books, articles, journals and different reports of annual reports of the selected banks and directives of NBE(National Bank of Ethiopia) to support the primary data.

3.5. Sample Size and Sampling Technique

3.5.1. Sample size

Based on the information obtained from Human Resource Department of each bank headquarters, there werea total of 2813 employee; CEO and chiefs (40), directors (128) and supportive staffs/ employees (2,645). However, due to shortage of time and resource, it would be difficult to study all the population of the study and defining a sample size was necessary. To determine the sample size for the study, the researcher used a statistical formula developed by Awe (2022). The researcher set the confidence level at 95% with a 5% error term.

$$n = \frac{Z^2 pqN}{e^2 (N-1) + Z^2 pq} = \frac{(1.96)^2 (0.5) (0.5) (2813)}{(0.05)^2 (2813-1) + (1.96)^2 (0.5) (0.5)} = \frac{2701.6}{7.9904} = 338$$

Where: n= Sample Size, N= the total population (2813), e= Significance level, 1= Unity (is a constant), Z= the standard cumulative distribution that corresponds to the level of confidence with the value of e (i.e. 1.96), p= the estimated proportion of the population with the value of 0.5); and q= 1-p (Awe et al., 2022)

Therefore, the final sample size for this study was n= 338

3.5.2. Sampling techniques

It was important to choose a sample that was representative of the population. This study used proportionate stratified sampling and simple random sampling to collect data. Stratified

sampling involves dividing the population into smaller groups or strata based on common characteristics. The researcher then randomly selected a sample proportionally across all strata. This method ensures that each stratum is represented in the sample according to its population size. By using proportionate stratified sampling, the researcher obtained a sample that accurately reflects the characteristics of the population. The number of sampling units drawn from each stratum was in proportion to the population size of that stratum.

Based on information received from the human resource department of bank headquarters, the employees were basically categorized in to CEO and chiefs (40), directors and supportive staffs/ employees (2,645).

Table3.1: Proportional sample size allocation of the respondents

S.N	Stratum	Total strata size				Proportionate sample size			
		DB	HB	BoA	Total	DB	HB	BoA	Total
1	CEO and chiefs	13	11	16	40	2	2	3	7
2	Directors	47	31	50	128	5	3	6	14
3	Employee/supportive staffs	850	857	938	2,645	102	103	112	317
Total		910	899	1004	2,813	109	108	121	338

3.6. Data Collection Tools

The research study employed a structured questionnaire as its primary data collection tool. The questionnaire consisted of three main sections designed to gather information on respondents' personal profiles, leadership styles, and assessments of employee job satisfaction.

The first part of the questionnaire was about demographic characteristics of the respondents, including gender, age, marital status, work experience, and educational level. This section aimed to provide background information about the respondents and enable the researcher to analyze the results based on different demographic variables.

The second section of the questionnaire was on the main drivers of leadership styles and their perceived impact on employee job satisfaction. This section likely includes questions related to various aspects of leadership styles, such as transformational, transactional,Laissez-faire, democratic and autocratic leadership styles. Respondents were asked to rate their agreement with statements related to these constructs using a Likert scales ranging from strongly

disagree to strongly agree (i.e. strongly disagree = 1, Dis agree = 2, Neutral = 3, Agree = 4, and Strongly Agree = 5).

The third and final section of the questionnaire assessed employee job satisfaction. Respondents were asked to rate their satisfaction using a Likert scale similar to the one used in the previous section.

3.6.1. Procedures of Data Collection

Primary data was collected from 338 employees of Dashen Bank, Hibret Bank and Bank of Abyssinia headquarters to ensure adequate representation. A team of two field researchers were trained to administer the structured questionnaires among the target respondents. The training encompassed explaining the research objectives, sampling approach, data collection strategies, target participants and field protocols to the field researchers. Important considerations like seeking informed consent, ensuring confidentiality and anonymity, and handling responses ethically were also covered.

The field researchers distributed paper-based questionnaires to the selected employees after a brief introduction about the study. Sufficient time and a private setting were allowed for participants to complete the questionnaire independently. The researcher collected the filled forms directly from respondents upon completion. The researcher closely monitored and supervised the field data collection process to ensure procedures were followed uniformly. Regular debriefing sessions addressed any challenges faced and make improvements for effective collection of primary data within the stipulated timeline. Thus, the involvements of a trained field team were expected to support expeditious collection of primary data from the wide sample in a systematic, standardized and ethical manner to meet the research needs.

3.7. Reliability and Validity Testing

The questionnaire used in this paper was adopted from previous studies and review of relevant literature. In addition, the advisor and researcher discussed the questionnaires before their distribution in order to ensure the study's validity. Therefore, by reviewing the literature and modifying the instruments from other investigations, this study addressed the content validity.

The most frequently employed measure of internal consistency was the Cronbach's alpha coefficient. Only variables with multiple measurement questions were eligible for the measurement of Cronbach's alpha, an index of reliability linked to the variance that accounted

for the true score of the underlying construct. A value of 0.5 is sufficient, while a value of 0.7 and above is more appropriate.

As shown in Table 3.2, the Cronbach's alpha value of 0.933 demonstrates that the survey instrument has good internal consistency, meeting the acceptable threshold suggested by Nunnally (1967). This indicates that the items used to measure the constructs of leadership styles and employee job satisfaction were reliably related, thus ensuring that the data collected is robust and dependable for further analysis.

Table 3.2: Reliability analysis result

Variables	No of items	Cronbach's Alpha	Result
Transformational Leadership	12	0.86	Good
Transactional Leadership	6	0.73	Good
Laissez-faire Leadership	6	0.75	Good
Democratic Leadership style	5	0.78	Good
Autocratic Leadership style	6	0.79	Good
Employee job satisfaction	11	0.89	Good
Overall	**46**	0.933	Good

3.8. Data Processing and Analysis

To conduct a study, the data was collected from primary sources, the utilization of descriptive and inferential statistics were employed. Prior to the collection of data, an assessment of the explanatory variables was conducted to identify any issues of multi-collinearity through the utilization of collinearity diagnostics within the context of linear regression analysis in the Statistical Package for Social Sciences (SPSS). The researcher employed both descriptive and econometric methods to analyze the primary data.

In order to address the objective of the study, the data was encoded and analyzed utilizing descriptive statistics such as frequencies, percentages, mean, and standard deviation. Furthermore, the association between the independent variable and dependent variables was tested through the implementation of correlation analysis. Specifically, a linear regression econometric model analysis was employed to examine and establish relationships between independent variables and dependent variable.

3.9. Ethical Consideration

Prior to data collection in the field, the researcher obtained research and ethical permission from the Addis Ababa University. The participants were asked to consent before participating in this study. The researcher also ensured that all respondents voluntarily participate in the study. Those who wish to decline to participate were not forced. The right to privacy of respondents was maintained through confidentiality. Names of the respondents were not mentioned in this research.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1. Introduction

This chapter discusses the analysis of study findings. Data was collected from employees of selected commercial banks. The data was entered into SPSS version 23 for analysis. To summarize the demographic data, frequency distribution tables for various demographic variables were used. To identify the strength and direction of relationships between the *(transformational, transactional, laissez-faire, democratic and autocratic leadership styles)* and the dependent variable (employee job satisfaction) using pearson correlation.

To examine the impact of multiple independent variables on the dependent variable, regression coefficients, R-squared values, and significance levels were used to determine the predictive power and significance of each construct.

4.2. Demographic Characteristics of the Respondents

The demographic information of the respondents is crucial as it provides a comprehensive understanding of the sample population. This understanding helps to contextualize the findings and ensures that the sample is representative of the population being studied. The demographic characteristics collected in this study include gender, age, marital status, and years of experience.

Characteristics of respondents by gender

The gender composition of the respondents shows that 65% were male and 35% were female. This indicates a predominance of male employees in the sampled banks as shown in Fig 4.3.

Characteristics of respondents by age category

From the 338 respondents, the majority (54.1%) were aged between 21-30 years. Significant proportions (37.9%) were aged between 31-40 years. A smaller segment (8%) falls within the 41-50 years age range (Table 4.4).

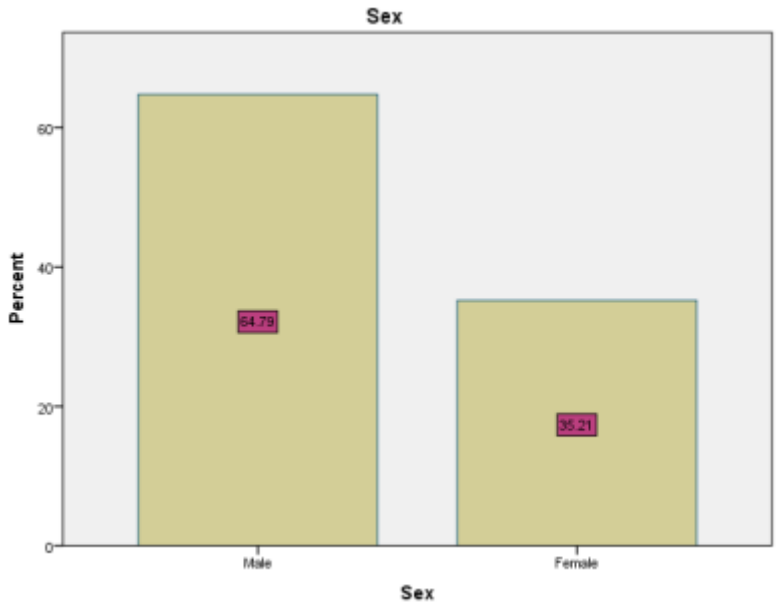


Fig 4.2: Characteristics of respondents by gender

Table 4.3: Age category of the respondents

Age category		Frequency	Percent	Valid Percent
Valid	21-30	183	54.1	54.1
	31-40	128	37.9	37.9
	41-50	27	8	8
	Total	338	100	100.0

Marital status of the respondents

As depicted in the table 4.4 below, out of the 338 respondent's, majority of the respondents were single which represent 59.8 % of the respondents and 36.7% of the total respondent were single.

Table 4.4: Marital status of the respondents

Marital status				
		Frequency	Percent	Valid Percent
Valid	Single	202	59.8	59.8
	Married	124	36.7	36.7
	Widowed	12	3.6	3.6

Work experience of the respondents

Based on the data obtained from the respondents, 40.8% of them have experience of 1-5 year, 32% of them have experience between six and ten years, and the remaining 27% have above 10 years work experience in the bank (table 5.5).

Table 5.5: work experience of the respondents

Experience				
		Frequency	Percent	Valid Percent
Valid	1 - 5	138	40.8	40.8
	6 - 10	108	32.0	32.0
	Above 10 years	92	27.2	27.2
	Total	310	100.0	100.0

4.3. Descriptive Statistics

Table 4.6 presents the descriptive statistics for the primary variables involved in the regression model. The key descriptive measures include the mean, standard deviation, minimum, and maximum values of the variables. The descriptive statistics provide a detailed overview of the main variables, showing the mean scores, variability, and the range of responses. The study utilized a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) to measure various constructs. These statistics form the basis for further analysis, helping to understand the distribution and central tendencies of the data, which is essential for interpreting the regression results and the overall study findings.

The mean score of 2.798 indicates that respondents, on average, are somewhat neutral to slightly disagreeing about the transformational leadership within their organization. The standard deviation of 0.805 suggests moderate variability in responses, indicating a range of perceptions from strong disagreement to strong agreement.

With a mean score of 3.158, respondents generally tend to agree slightly with the employee job satisfaction in the organization. The standard deviation of 0.821 indicates relatively high variability in responses. The mean of 2.783 suggests that respondents are mostly neutral or slightly disagree with laissez-faire leadership. The lower standard deviation of 0.472 reflects less variability, indicating that most respondents' perceptions are clustered around the mean.

The mean score of 3.181 indicates that respondents have a neutral view on autocratic leadership. The standard deviation of 0.574 suggests a low range of responses.

Overall, the mean scores indicate that respondents are generally neutral to slightly positive regarding the leadership styles in their organization.

Table 4.6: Descriptive statistics of the variables

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Transformational leadership	338	1.00	5.00	2.798	0.805
Transactional leadership	338	1.00	5.00	2.772	0.766
Laissez-faire leadership	338	1.67	5.00	2.783	0.472
Democratic leadership	338	1.00	5.00	2.998	0.861
Autocratic leadership	338	1.50	5.00	3.181	0.574
Employee job satisfaction	338	1.09	5.00	3.158	0.821

4.4. Correlation Analysis

Pearson Correlation values range from -1 to +1, where: +1 indicates a perfect positive linear relationship; -1 indicates a perfect negative linear relationship; 0 indicates no linear relationship. The result of Pearson correlation test between the dependent variable employee job satisfaction and the independent variable transformational leadership showed that, there was a positive relationship between the two variables at the significance level of (r=**.525****), (P<0.01) and the same were true for transactional leadership, laissez-faire leadership, democratic leadership, Autocratic leadership were (r=0.785(P<0.01), r=.322 (P<0.01)**, r=** .698(P<0.01), and r= .390 (P<0.01)) respectively.

Overall, the correlation analysis reveals various strengths of relationships between the independent variables and employee job satisfaction. Transformational leadership, transactional leadership, and democratic leadership show the strongest positive correlations with employee job satisfaction. These findings suggest that these factors may have a more significant impact on employee job satisfaction. However, laissez-faire leadership and autocratic leadership exhibit moderate correlations with employee job satisfaction, indicating less substantial associations. These insights provide valuable guidance for understanding the

dynamics between different aspects of leadership styles and employee job satisfaction (table 4.7).

Table 4.7: Correlation Analysis between independent variables with employee job satisfaction

		TL	TSC	LL	DL	ACL	ES
TL	Pearson Correlation	1	.625**	.312**	.540**	.659**	.525**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	338	338	338	338	338	338
TSC	Pearson Correlation	.625**	1	.342**	.781**	.424**	.785**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	338	338	338	338	338	338
LL	Pearson Correlation	.312**	.342**	1	.283**	.358**	.322**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	338	338	338	338	338	338
DL	Pearson Correlation	.540**	.781**	.283**	1	.375**	.698**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	338	338	338	338	338	338
ACL	Pearson Correlation	.659**	.424**	.358**	.375**	1	.390**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	338	338	338	338	338	338
ES	Pearson Correlation	.525**	.785**	.322**	.698**	.390**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	338	338	338	338	338	338
**. Correlation is significant at the 0.01 level (2-tailed).							

TL: transformational leadership, TSC: transactional leadership, LL: laissez-faire leadership, DL: democratic leadership, ACL: Autocratic leadership, ES: employee job satisfaction.

4.5. RegressionAssumption /Diagnostics tests /

In this study, multiple regression analysis was employed to examine the impact of various leadership styles on employee job satisfaction. Specifically, the components considered were transformational leadership, transactional leadership, laissez-faire leadership, democratic leadership, and autocratic leadership. The dependent variable was employee job satisfaction.

Here's how the analysis was structured and the necessary assumptions tested before performing the multiple regression analysis.

Multicollinearity test

Multicollinearity occurs when independent variables (predictors) in a regression model are highly correlated with each other. This can make it difficult to estimate the individual regression coefficients accurately. To detect multicollinearity, we use two primary diagnostics: Pair-wise correlation, Tolerance, and the Variance Inflation Factor (VIF). Since all tolerance values are above 0.1 and all VIF values are below 10, we can conclude that the predictors are sufficiently independent of each other. Therefore, the regression model can be considered reliable and the regression coefficients can be interpreted without concerns about multicollinearity distorting the results (table 4.8).

Table 4.8: Result of Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
Transformational leadership	.419	2.389
Transactional leadership	.325	3.081
Laissez-faire leadership	.828	1.208
Democratic leadership	.385	2.599
Autocratic leadership	.540	1.851

Homoscedasticity Test

The histogram of the standardized residuals suggests that the residuals from the regression model are approximately normally distributed. This supports the normality assumption necessary for valid inference in multiple regression analysis. Given the bell-shaped curve centredon zero and the lack of significant skewness or outliers, we can conclude that the model's residuals do not deviate significantly from normality. Thus, the regression model is likely to produce reliable and valid result (fig 4.3).

The scatterplot of standardized residuals versus standardized predicted values shows a reasonably random distribution of points, indicating that the assumptions of homoscedasticity, linearity, and independence of errors are likely met. There were no visible

signs of significant patterns or outliers that would raise concerns about the validity of the regression model. This supports the conclusion that the regression analysis results are reliable and the model is appropriately specified (Fig 4.4).

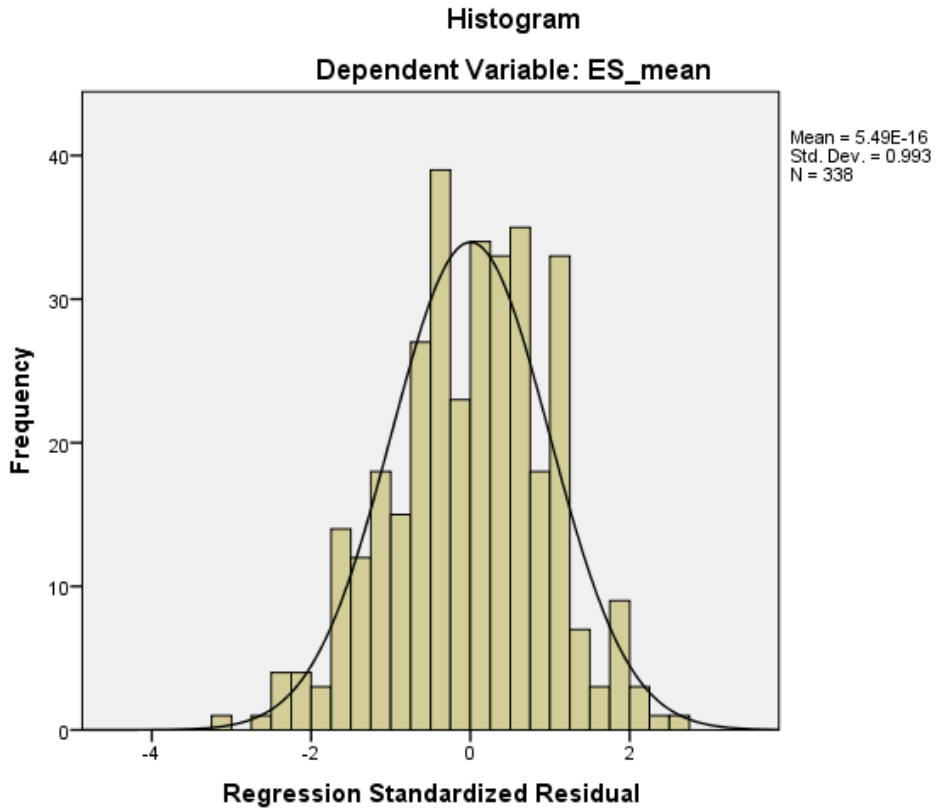


Fig 4.3: Histogram of variables

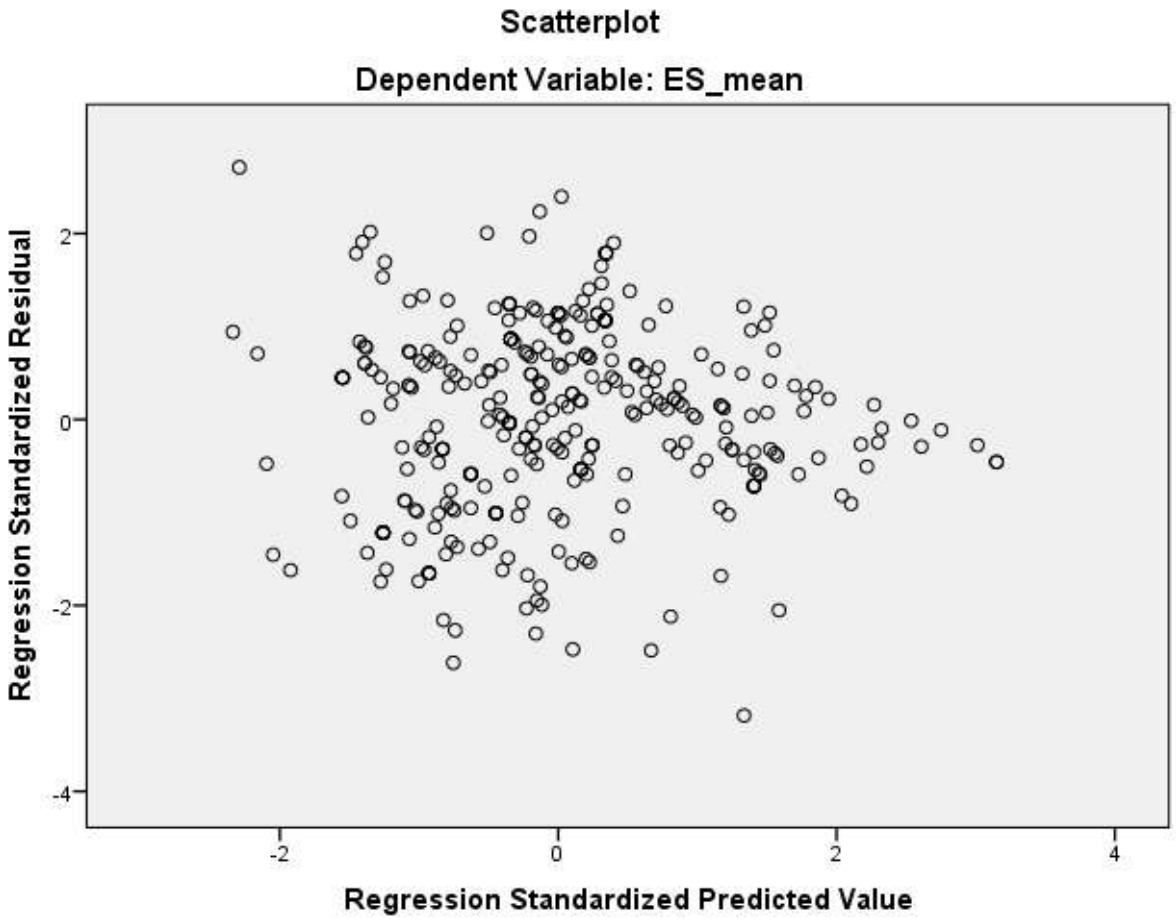


Fig 4.4: Scattered plot of variables

Autocorrelation Test

The Durbin-Watson statistic tests for the presence of autocorrelation (independence of residuals) in the residuals from a regression analysis. The value ranges from 0 to 4, where, 2 indicate no autocorrelation. Values closer to 0 suggest positive autocorrelation and values closer to 4 suggest negative autocorrelation. Therefore, Durbin-Watson statistic in this study (1.96) suggests no significant autocorrelation in the residuals (table 4.9).

Table 4.9: Autocorrelation test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.800	0.640	0.634	0.49658	1.964

Normality test

The table 4.10 presents the results of the Kolmogorov-Smirnov and Shapiro-Wilk tests for normality, which are used to determine whether the residuals from the regression model are normally distributed. Both the Kolmogorov-Smirnov and Shapiro-Wilk tests indicate that the residuals of the regression model do not significantly deviate from a normal distribution. The p-values for both tests were greater than 0.05, meaning we fail to reject the null hypothesis of normality. This supports the assumption of normality of residuals, which were important for the validity of the regression analysis and subsequent inferences.

Table 4.10: Normality test

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Studentized Residual	.04	338	.200*	.993	338	.150
*. This is a lower bound of the true significance.						
a. Lilliefors Significance Correction						

Fig 4.5 displays a normal probability-probability (P-P) plot of the regression standardized residuals. This plot was used to assess the normality of the residuals, which was one of the assumptions in multiple regression analysis. The Normal P-P Plot of Regression Standardized Residuals indicates that the residuals from the regression model are approximately normally distributed. The data points closely follow the diagonal line, with only minor deviations. This supports the assumption of normality, which is crucial for the reliability of the regression analysis.

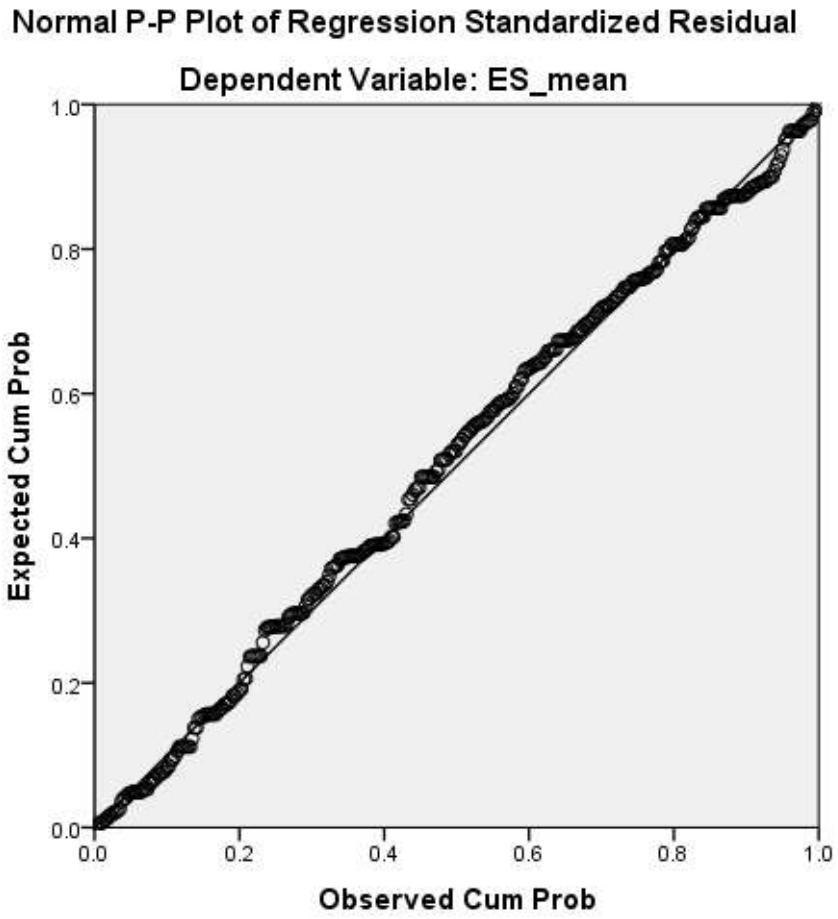


Fig 4.5: Normal P-P plot of variables

4.6. Multiple Linear Regression Analysis

R (Multiple Correlation Coefficient): This statistic measures the strength and direction of the linear relationship between the dependent variable (employee job satisfaction) and the independent variables (transformational leadership, transactional leadership, laissez-faire leadership, democratic leadership, and autocratic leadership). An R value of 0.8 indicates a strong positive linear relationship.

R Square (Coefficient of Determination): R Square represents the proportion of the variance in the dependent variable that is predictable from the independent variables. In this case, 64% of the variance in employee job satisfaction is explained by the model, indicating a moderately strong explanatory power of the predictors.

Adjusted R Square: It adjusts the R Square value for the number of predictors in the model, providing a more accurate measure when multiple predictors are involved. Here, the adjusted R Square is 0.634, slightly lower than the R Square, which accounts for the number of

predictors and the sample size. This suggests that the model still explains a substantial portion of the variance even after adjusting for the number of predictors.

The model summary indicates that the regression model has a strong positive relationship between the independent variables and the dependent variable, explaining a substantial portion (63.4%) of the variance in employee job satisfaction. The adjusted R Square confirms the model's robustness after accounting for the number of predictors (table 4.9).

Table 4.9: Autocorrelation test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.800	0.640	0.634	0.49658	1.964

The ANOVA table indicates that the regression model is significant. The independent variables (transformational leadership, transactional leadership, laissez-faire leadership, democratic leadership, and autocratic leadership) collectively have a statistically significant impact on the dependent variable (employee job satisfaction). The very low p-value (Sig. = .000) suggests that the likelihood of the observed F-statistic occurring by chance is extremely low, affirming the overall fit of the model (table 4.11).

Table 4.11: ANOVA of regression analysis

ANOVA [a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	145.422	5	29.084	117.946	.000 [b]
	Residual	81.868	332	.247		
	Total	227.290	337			
a. Dependent Variable: ES						
b. Predictors: (Constant), ACL, LL, DL, TL, TSC						

TL: transformational leadership, TSC: transactional leadership, LL: laissez-faire leadership, DL: democratic leadership, ACL: Autocratic leadership

A standardized coefficient beta was employed to ascertain the optimal predictor of employee job satisfaction based on the independent variables. The standardized beta coefficients offer a measurement of the contribution of each variable to the model. A higher value denotes that a unit alteration in this predictor variable has a substantial impact on the criterion variable. Consequently, transactional leadership exhibits the highest beta value when compared to the other independent variables (Beta=0.585, p<.001). Therefore, transactional leadership possesses the greatest influence on employee job satisfaction. This indicates that a deviation of one in the transactional leadership will lead to a variation of .585 in the employee job satisfaction.

The regression outcomes also illustrate that democratic leadership (Beta= .394, p<.001), significantly influence employee job satisfaction. Hence, the predictors (transactional and democratic leadership) were statistically significant, as their p-values were less than 0.05. Transactional and democratic leadership have the strongest positive effects on employee job satisfaction. The significant p-values for the predictors confirm that these variables reliably predict employee job satisfaction (table 4.12). The unstandardized coefficient (B) of transformational leadership is very close to zero, suggesting that TL has almost no effect on employee job satisfaction. The standardized coefficient (Beta) also shows a negligible effect.The t-value of AL is low and the p-value of AL is much higher than 0.05, indicating that the effect of AL on job satisfaction is not statistically significant.

Table 4.12: Linear regression analysis on employee job satisfaction and independent variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.389	.193		2.014	.045
	TL	.003	.052	.003	0.059	.953
	TSC	.626	.061	.585	10.11	.000
	LL	.079	.062	.045	1.25	.21
	DL	.199	.051	.210	3.94	.000
	AL	.064	.064	.045	1.006	.315

TL: transformational leadership, TSC: transactional leadership, LL: laissez-faire leadership, DL: democratic leadership, ACL: Autocratic leadership

4.7. Discussion of related findings

The research findings highlighted the significant role of leadership styles, specifically transactional and democratic leadership, in predicting employee job satisfaction. The standardized coefficient beta values were used to determine the optimal predictor among the independent variables, with transactional leadership exhibiting the highest beta value (Beta = 0.585, $p < .001$). This suggests that a unit change in transactional leadership results in a 0.585 change in employee job satisfaction. Similarly, democratic leadership also showed a significant influence (Beta = 0.394, $p < .001$), indicating its substantial impact on employee job satisfaction.

These findings align with previous research demonstrating the positive effects of leadership styles on employee job satisfaction. For instance, Emery and Barker (2007) found that both transformational and transactional leadership significantly enhance employee job satisfaction. However, their study emphasized the slightly higher impact of transformational leadership compared to transactional leadership, which contrasts with the current findings that highlight the preeminence of transactional leadership.

Similarly, a study by Yang (2014) corroborates the positive relationship between democratic leadership and employee job satisfaction. Yang's research found that democratic leadership fosters an inclusive and participative work environment, thereby increasing employee job satisfaction. The beta value in Yang's study was slightly lower than that of the current research but still statistically significant; supporting the assertion that democratic leadership positively influences employee job satisfaction.

Contrarily, some studies suggest that the impact of transactional leadership on employee job satisfaction may not always be as pronounced. For example, Judge and Piccolo (2004) conducted a meta-analysis and revealed that transformational leadership generally has a more substantial positive effect on employee job satisfaction compared to transactional leadership. They argue that transformational leaders inspire and motivate employees beyond mere transactional exchanges, leading to higher levels of satisfaction and engagement.

Additionally, a study by Bass (1990) indicated that while transactional leadership is effective in the short term for achieving specific goals and maintaining stability, it may not sustain long-term employee job satisfaction as effectively as transformational leadership. Bass emphasized the importance of visionary and inspirational qualities inherent in

transformational leadership, which tend to resonate more deeply with employees' intrinsic motivations.

In conclusion, the current research emphasizes the significant influence of both transactional and democratic leadership styles on employee job satisfaction, with transactional leadership showing the highest beta value. These findings are consistent with some existing studies but also highlight differences with others that place a stronger emphasis on transformational leadership. The variations in findings underscore the complexity of leadership dynamics and suggest that the optimal leadership style may vary depending on organizational context and employee demographics.

Model Specification

A regression model was specified as follows

$y= \beta 0 + \beta X1 + X2 + X3 + X4 + 5X5+….. +e$

Where, Y represents employee job satisfaction (dependent variable) β0 represents the intercept, β1, β2 … βn represent coefficients for explanatory variables X1, X2 …Xn are independentvariables

TL,LL AND AL are not significant hence reject from model specification

CHAPTER FIVE

5. SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1. Summary

This study investigates the impact of various leadership styles—transformational, transactional, laissez-faire, democratic, and autocratic—on employee job satisfaction in selected commercial banks. Data was collected from 338 employees and analysed using SPSS version 23. Demographic characteristics such as gender, age, marital status, and work experience were detailed to provide a comprehensive understanding of the sample population. The descriptive statistics showed that most respondents were neutral to slightly positive regarding the leadership styles in their organization.

Correlation analysis revealed significant positive relationships between employee job satisfaction and transformational ($r = .525$, $p < .01$), transactional ($r = .785$, $p < .01$), democratic ($r = .698$, $p < .01$), and autocratic leadership ($r = .390$, $p < .01$), with transactional and democratic leadership showing the strongest correlations.

Multiple regression analysis confirmed that transactional leadership (Beta = .585, $p < .001$) and democratic leadership (Beta = .394, $p < .001$) were the most significant predictors of employee job satisfaction. The regression model accounted for 64% of the variance in employee job satisfaction ($R^2 = .640$, Adjusted $R^2 = .634$), indicating a strong explanatory power.

5.2. Conclusion

The findings underscore the significant influence of leadership styles on employee job satisfaction within private banks. Specifically, transactional leadership and democratic leadership styles were identified as the most influential predictors of employee job satisfaction. These leadership styles appear to foster a work environment that enhances satisfaction among employees, thereby highlighting the importance of effective leadership in organizational settings.

The effect of leadership style on employee job satisfaction has been a topic of growing interest, especially due to the paradigm shift in leadership (Soetirto, Muldjono and Hidayatulloh, 2023). Leadership plays a significant role in shaping organizational behavior

and performance (Gomathy, 2023). Effective leadership can motivate employees to achieve better outcomes and create a positive workplace environment, leading to enhanced organizational performance (Italiani, Musmuliadi and Diju, 2022). Employee performance is influenced by leadership, organizational climate, and work motivation.

5.3. Recommendations

Based on the findings, the following recommendations were proposed:

- ✓ **Enhance Transactional Leadership Practices**: Given its substantial impact on employee job satisfaction, banks should focus on strengthening transactional leadership practices. This could involve setting clear goals, providing regular feedback, and recognizing employee achievements to maintain high levels of satisfaction.
- ✓ **Promote Democratic Leadership**: Banks should encourage democratic leadership by fostering an inclusive decision-making process that values employee input. Training programs aimed at developing democratic leadership skills among managers could be beneficial.
- ✓ **Monitor and Adjust Leadership Styles**: While transformational and laissez-faire leadership showed positive but lesser correlations with employee job satisfaction, it is important to balance these styles with transactional and democratic approaches. Continuous assessment and adjustment of leadership strategies can help maintain high employee job satisfaction levels.
- ✓ **Training and Development Programs**: Implement comprehensive leadership development programs that focus on both transactional and democratic leadership skills. This will equip leaders with the necessary tools to enhance employee job satisfaction.
- ✓ **Focus on Employee Feedback**: Regularly collect and analyze employee feedback regarding leadership practices. This will help identify areas for improvement and ensure that leadership styles are effectively contributing to employee job satisfaction.

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APPENDIX

ADDIS ABABA UNIVERSTY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Dear Sir/Madam

This questionnaire is prepared by Berkenesh Tekalegn, MSc student in Management, Addis Ababa University. The aim of this questionnaire is to collect primary data about "The Effect of Leadership Style on Employees Job Satisfaction in the case of selected private commercial banks in Ethiopia. The collected data will only be utilized for scholarly purposes, paying careful attention to every detail. As a result, I want to reassure you that the information gathered won't be utilized improperly. As such, your sincere, truthful, and timely response is an invaluable contribution to the effective and high-quality completion of the work. Thank you in advance for your sincere cooperation.

Instruction

- No need of writing your name
- Please read each of the following questions carefully and make tick mark (√) in the appropriate box.

Part One: Demographic information

1. Gender-------
2. Age in year----------
3. Education back ground
   A. Diploma
   B. Bachelor
   C. Master
   D. PhD
4. Marital Status
   A. Single
   B. Married
   C. Divorced
   D. Widowed
5. Work Experience:---in year
6. Job title/position------
7. Basic salary--------

Part Two: Leadership style

Serial No	Leadership style	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
	Transformation leadership					
1	People feel better when a leader is around					
2	I have tremendous confidence in my leader					
3	Being related to my boss makes me very happy					
4	My leader lays forth our goals in easy to understand terms					
5	My supervisor gives us eye-catching illustrations of our planned actions					
6	My boss assists me in finding purpose in my work					
7	The leader encourages others to consider and address long-standing problems in fresh ways					
8	My leader gives others new perspectives in difficult circumstances					
9	The group's leader gets others to reevaluate concepts they had never considered.					
10	The leader fosters the growth and ability of people to change the world					
11	The leader communicates to others what they think of our performance					
12	My leader shows folks who feel abandoned personalized attention					
	Transactional leadership					
1	My supervisor gives instructions to others on what they need to do to get paid for their work					
2	When others succeed, our leader acknowledges and gives them credit.					
3	The leader emphasizes the benefits that others may experience as a consequence of their success					
4	My manager is always thrilled to see team members meet predetermined goals					
5	My leader doesn't alter anything as long as everything is going well					
6	The leader explains the checkpoints we need to reach in order to do the job.					
	Laissez-Fair Leadership Style					
1	In challenging circumstances, my leader provides me the freedom to solve my difficulties independently					
2	My leader keeps out of my way while I finish the assignment					
3	The leader allows me to assess my own work by regulation					
4	The leader allows me total autonomy to deal with issues on my own.					
5	I generally seek minimal input from the leader.					

6	My leader thinks it's best to let followers be alone most of the time.					
	Democratic leadership					
1	My boss includes staff members in decision-making procedures					
2	My boss respects and takes into account the thoughts and opinions of her staff					
3	My leader promotes cooperation and candid communication.					
4	My boss instills in her team a feeling of accountability and ownership					
5	My boss encourages teamwork among the employees					
	Autocratic leadership					
1	Leaders believe that since followers are unlikely to do their responsibilities on their own, they need to be closely watched					
2	In order to incentivize employees to meet company objectives, they typically need to receive compensation or face penalties					
3	Workers seem reluctant to work without close supervision.					
4	The final arbiter of employee performance is my employee					
5	The supervisor provides the work order and clarifies the procedure					
6	The manager believes that most employees are indolent in genera					
	Employee job satisfaction					
1	If I could work with organizations for the remainder of my career, that would be wonderful.					
2	I believe this organization is an excellent place to work.					
3	In order to continue working for this organization, I would accept nearly any kind of job obligation					
4	I don't feel any necessity to continue with my employer.					
5	I devote more time to my work than I should.					
6	I use my potential to do in a better way.					
7	I am working attentively to accomplish organizational goal.					
8	I always strive to find a better way of doing things.					
9	I do anything successfully, I feel like a personal accomplishment.					
10	At my job, I use my skill and ability.					
11	I have every tool I need to complete my work effectively.					