

The Role of Transformational, Transactional, and Ethical Leadership for Fostering Employee Motivation in Nepal

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Abstract

The aim of this research is to investigate the effects of three different leadership styles; transformational, transactional, and ethical on the work motivation of Nepalese banking sector employees. As theoretical gap existed in the previous research, this study attempt to contribute to this theoretical gap. The structured questionnaire for survey was developed and disseminated among the target employees of commercial and development banks existed in Kathmandu. Similarly, Out of 160 questionnaire distributed, researcher received only 140 useable data. Thus, cross-sectional data used for collecting data adopting convenience-sampling technique. The research findings revealed that leadership styles consisting of transformational, transactional, and ethical leadership depicted a positive and significant impact on employee work motivation among the employees of banks in Nepal. The findings of the study stands as a benchmark for leaders, policy makers, academician and others for decision making.

Keywords: Leadership, Nepalese banks, work motivation

Introduction

Employees with competence in a given subject are capable of producing higher-quality work, and they possess work talents (Hatijah, 2023; & Karlina, & Wijayanti, 2023). Importantly, Leadership style is a set of traits that managers use to persuade staff members to accomplish organizational goals. Alternatively, it is considered as a preferred pattern of behavior and approach that is frequently used by a manager who demonstrates, either directly or indirectly, that the manager has faith in the skills of his staff members (Rivia, 2014; & Astuti et al., 2020). Each organization follows leadership style to foster the productivity and employee motivation.

In a similar manner, leadership has been regarded as a critical element of the management discipline, according to Wehrich (2008) and Odumeru and Ifeanyi (2013). Companies are working extremely hard to succeed in the current market (Paracha et al., 2012). Additionally, Leaders are essential to any organization because they ensure the success of its members. Moreover, Northouse (2007) considers leadership as the capacity to inspire followers to work together as a team, organization, or person to achieve an objective. It is interesting that, the leadership is a process by which a person interacts with employees of a company in order to motivate them and assist them in achieving their objectives (Chaudhry & Javed, 2012).

In particular, the secret to increased productivity and job satisfaction is supervisory behavior. It was in service for a very long period. Despite the many difficulties associated with the position, an organization cannot function without a leader (Zenger & Folkman, 2002). Specifically, the success of an organization is primarily determined by the activities of its leaders. How well the group leads determines how well the group accomplishes its goal (Drucker, 1996). Moreover, each practices of organization is aimed to improve employee motivation whereas leaders of the organization needs to take significant role in their functions (Lama, 2022).

Moreover, workplace conditions for employees also considered important to boost productivity. Employee productivity can be impacted by a number of factors, including lighting, music, and hygiene whereas leadership plays crucial role for creating healthy working environment (Hasibuan, 2013). Sedarmayati (2011) posits that an individual's working conditions include their knowledge with equipment and supplies, the physical state in which they do their duties, and the nature and environment in which they interact with coworkers in both individual and team settings for which role of leader in the organization must be dynamic.

However, theoretical gap revealed in the previous findings where inconsistent findings with contradictory to the theory empowers to conduct further examination in the context of Nepal. Therefore, this study's main goal is to investigate how leadership style affects Nepalese bank workers' motivation for their work. The remaining section of the research chapters include a review of the literature, an explanation of the methodology, findings, results and discussion, and a conclusion.

Objective of the Study

General Objectives

The primary aim of this research is to investigate how the work motivation of banking sector employees in Nepal is affected by the leadership styles.

Specific Objectives

- To assess the association between transformational leadership and work motivation among the banking sector employees in Nepal
- To examine the relationship between transactional leadership and work motivation among the banking sector employees in Nepal
- To assess the association between ethical leadership and work motivation among the employees of banking sector in Kathmandu

Research Hypotheses

H₁: There is a positive and significant effect of transformational leadership on work motivation of employees

H₂: There is a positive and significant effect of transactional leadership on work motivation of employees

H₃: There is a positive and significant effect of ethical leadership on work motivation of employees

Literature Review

Theory of Transformational Leadership

The notion of change was initially presented by James MacGregor Burns in his 1978 book *Leadership*, which served as a guide for the course of change. Evolutionary catalysts are leaders who push and challenge their followers to achieve greater success in order to sustain their leadership power (Bass & Riggio, 2006). Due of their desire for their team to succeed in their undertakings and meet the company's objectives, these leaders place a high priority on employee development. Bass and Avolio (1997) identified five characteristics of visionary executive leadership: moral support, power transfer, inspiration and motivation, and respect for all people. Specifically, game-changing advocates are highly valued by HR departments because of their capacity to motivate team members and foster loyalty (Akbari et al., 2017).

Theory of Transactional Leadership

Winkler et al. (2002) state that a tie-in between the headman and disciples that is based mostly on the advantages and strengths of each individual is a sign of dominant leadership. This leadership paradigm is described by Bass (1997) as a strategy that combines incentives and permissions to motivate the team and achieve organizational objectives. In other words, functionaries can avoid punishment and be rewarded for their efforts by following the president's orders (Aarons, 2006). Consequently, those who meet the goals and performance requirements are given temporary bonuses by the superintendent, which may lead to promotions (Akram et al., 2006).

Theory of Maslow's need hierarchy

Abraham Maslow put forth a hypothesis of human motivation in his 1943 paper "A Theory of Human Motivation." According to Maslow, people constantly try to satiate their five levels of wants. People work harder in their life to meet their most fundamental necessities. On the other hand, people would get more stressed if these necessities weren't met. Physiological needs, security needs, a need for pride, a need for ownership, and a strong need for personal development are among the five stages of need. The five stages of need are as follows: self-fulfilling desires, societal obligations, biological needs, protection or health needs, and demands for reverence.

Motivator-Hygiene theory

Herzberg et al. (1987) were concerned in the best ways to please the workforce; therefore, they built their two-factor theory mostly on need gratification. Scholars have studied to ascertain the factors that augment or detract from employee motivation within the white-collar sector. Their research showed that characteristics that, when present, promote stability in the workplace are different from

characteristics that, when lacking, cause discontent. The elements that contribute to both work advancement and dissatisfaction were differentiated. "Hygiene factors" are the terms they used to describe the elements of the workplace that lead to worker unrest. Fadlallah (2015) investigated the worker's satisfaction and dissatisfaction using this method. As a result, this study also evaluates the employees' job satisfaction using this approach.

Work Motivation

Another important consideration is the work principle whereas people that are highly driven are more likely to invest the time and energy necessary to reach their professional goals (Wolor et al., 2022). People work hard because of internal desires, motivations, aspirations, and goals. A different definition of motivation is the result of multiple factors working together to both start and maintain efforts toward a goal. Highly motivated workers may succeed even more because of the close relationship that exists between the motivating component and the achievement aspect.

Research Framework

The researcher employed a study framework in order to more precisely emphasize on components of the investigation. Work motivation is the study's dependent variable. The study included transformational leadership, transactional leadership, and ethical leadership as its three independent variables.

The conceptual framework for the study is shown below.

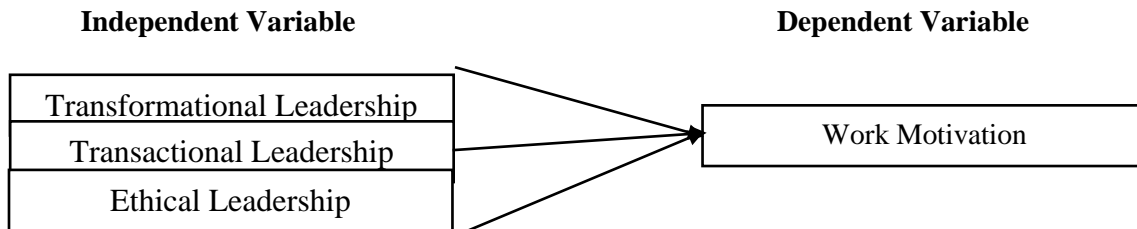


Figure 1. Conceptual framework

Source: Source: (Sandell, 2012; Mitchell, 2019; & Chikeleze, 2014)

Methodology

The study aimed to examine the impact of various leadership styles, including transformational, transactional, and ethical leadership, on work motivation in banking sector of Nepal. Consequently, the research design used in the study were causal-relational and descriptive. The study had participants from banking establishments in Kathmandu, Nepal. The study banks consisted of one development bank, Jyoti Bikash Bank Ltd., and four commercial banks, NIC Asia, Everest Bank Limited, Himalayan Bank, and Siddhartha Bank. Data was collected through structured questionnaire. Out of 160 questionnaires distributed among the employees for primary sources of information, received only 140 useful questionnaires. The sampling technique adopted for the study was convenience sampling. The study used five-point Likert scale items. Four from Mitchell (2019) for transactional leadership, four from Sandell (2011) for transformational leadership, and four from Chikeleze (2014) for ethical leadership. Finally, a work motivation model was constructed using the items as adopted by (Vijayamohan, 2022).

The model Specification

The estimated model of the study makes assumption that a leadership style affects workers' motivation in the workplace in a several ways. Similarly, ethical, transactional, and transformational leadership styles are factors that influence employee motivation in the workplace. Consequently, the study presents the following model:

$$WM = i + a_1x_1 + a_2x_2 + a_3x_3 + e_i$$

Where,

WM= Work Motivation

i= Intercept

x₁ = Transformational Leadership

x₂= Transactional Leadership

x₃= Ethical Leadership

Table 1

Cronbach's alpha

Variables	Items	Cronbach's Alpha
Transformational Leadership	4	.796
Transactional Leadership	4	.683
Ethical Leadership	4	.778
Work Motivation	4	.828
Overall	16	.820

Table 1 of Cronbach's alpha revealed that the transformational leadership showed the Cronbach's alpha value 0.796, transactional leadership has Cronbach' alpha 0.683, ethical leadership has 0.778 and work motivation has Cronbach's alpha value 0.828. Finally, overall value of Cronbach's alpha depicted 0.820. It shows that most of the value of Cronbach alpha is > 0.70 except in the case of transactional leadership but it shows that data is reliable for the study.

Results and Discussion

Descriptive Statistics

The survey comprised 140 respondents, of which (60.7 percent) were female and (39.3 percent) were male as shown in the table 2 of demographic information of respondents. In a similar vein, (62.1 percent) of respondents were between the ages of 26 and 32, and the age group with the lowest participation rate, (2.9 percent), was over 40. The majority of participant replies (80.7 percent) had work experience spanning one to three years, whereas (19.3 percent) had experience spanning four to seven years. Lastly, the group of respondents (45 percent) were engaged in the operation department, while (7.1 percent) of respondents were working in other areas.

Table 2

Demographic information of respondents

S.N.	Demographic Variable	Classification	Frequency	Percentage
1	Gender	Male	55	39.3
		Female	85	60.7
2	Age of Respondents	18 to 25	11	7.9
		26 to 32	87	62.1
		33 to 39	38	27.1
3	Experience of Respondents	Above 40	4	2.9
		1 to 3 years	113	80.7
		4 to 7 years	27	19.3
		Credit	10	7.8
4	Department of Respondents	Operation	63	45.0
		Remittance	19	13.6
		Teller	37	26.5
		Others	10	7.1
		Total	140	100.0

Correlation Analysis

The Pearson correlation adopted for the analysis of association between independent variables including transformational, transactional, ethical leadership and dependent variable work motivation for data collected from banking sector in Kathmandu, Nepal. The analysis for correlation depicts in table 3.

Table 3

Correlation analysis

Variables	Mean	Std. Deviation	1	2	3	4
Transformational Leadership	15.507	1.278	1	.754**	.595**	.507**
Transactional Leadership	14.107	2.161		1	.752**	.605**
Ethical Leadership	14.964	2.842			1	.417**
Work Motivation	15.229	2.728				1

** . Correlation is significant at the 0.01 level (1-tailed).

The table 3 showed the correlation coefficients (Pearson correlations) in relation with dependent variable work motivation and the independent variables transformation leadership, transactional leadership, and ethical leadership in the banking industry in Kathmandu, Nepal. The results demonstrated a strong and positive correlation between all aspects of leadership and motivation at work. It illustrates how effective leadership can boost employee work motivation when used appropriately.

Analysis of Regression

Regression analysis has used to evaluate how leadership styles affect employees' motivation at work in the banking industry in Kathmandu, Nepal. The linear regression model is used to perform the regression analysis, which is based on 140 observations.

$$WM = i + a_1X_1 + a_2X_2 + a_3X_3 + e_i$$

Table 4

Regression analysis

Regression	X1	X2	X3	VIF
Intercept	2.972*** (0.000)	1.703*** (0.000)	2.088*** (0.000)	
Transformational Leadership	0.238*** (0.000)			2.325
Transactional Leadership		0.479*** (0.000)		3.461
Ethical Leadership			0.434*** (0.000)	2.315
Adj. R-square	0.252	0.361	0.168	
SEE	2.35997	2.18111	2.48914	
F value	47.78	79.50	29.00	

p-values in parentheses

Dependent variable: Work Motivation

* p<0.05, ** p<0.01, *** p<0.001

Table 4 displays the coefficient estimates of regression model that used to assess how different leadership styles: transformational, transactional, and ethical leadership impacted work motivation, the dependent variable. The results indicate that transformational leadership has a positive and statistically significant beta coefficient. It became evident that employees of Nepalese banking institutions are significantly and favorably affected by transformational leadership styles in terms of their motivation at work. This suggests that a 0.238-unit increase in work motivation corresponds to a one-unit increase in transformational leadership. It demonstrated that transactional leadership has a positive and substantial beta coefficient. It became evident that employees of Nepalese banking institutions are significantly and positively affected by transactional leadership style in terms of employee work motivation. This means that a 0.479-unit increase in work motivation corresponds to a one-unit increase in transactional leadership. It is shown that for ethical leadership, the beta coefficient was determined to be substantial and positive. It became evident that employees of Nepalese banking institutions are significantly and positively affected by an ethical leadership style in terms of their motivation at work. This shows that a 0.434-unit increase in work motivation corresponds to a one-unit increase in ethical leadership.

The regression model is shown below:

$$WM=2.972+0.238x_1+0.479x_2+0.434x_3+ei$$

Where,

WM= Work Motivation

x_1 = Transformational Leadership Style

x_2 = Transactional Leadership Style

x_3 = Ethical Leadership Style

Discussion

The purpose of the study was to investigate how employees of Nepalese banking institutions were motivated at work in relation to several leadership styles, including transformational, transactional, and ethical leadership. The results showed that work motivation was positively and significantly impacted by transformational, transactional, and ethical leadership. The results are consistent with (Irwan et al., 2020; Verawaty et al., 2021; Lasiny et al., 2021; Wolor et al., 2022; Susilo et al., 2022; Pereira, 2023; Zaeni et al., 2023; Soetirti et al., 2023; Wadu et al., 2023).

Conclusion

The study's objective was to find out how Nepalese bank employees' motivation was affected by three distinct leadership styles: transformational, transactional, and ethical. The study was based on existed theory of leadership and motivation and hypotheses were texted accordingly. The study findings showed that leadership styles including transformational, transactional, and ethical leadership found positive and significant impact on work motivation of employees among the banking sector employees in Kathmandu, Nepal. Thus, it is observed that adoption of different style of leadership has application in the context of Nepal. Consequently, the employee work motivation was depending on leadership style adopted by the leader in the organization. However, this study was conducted on the basis of cross-sectional data with convenience sampling technique for collection of primary data and encompassed few leadership variables. Moreover, few banking institutions remained its sample banks and study covered only the banking institutions of Kathmandu, Nepal. Thus, future study can be done with longitudinal study comprising the more sample, variables

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