Impact of Transactional, Transformational and Laissez-Faire Leadership Styles on Motivation: A Quantitative Study of Banking Employees in Pakistan

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Abstract Employee motivation is vital for the accomplishment of organizational goals. In this regard, manager-employee relationships become important for achieving employee motivation by applying effective styles of leadership. Managers vary in their values, attitudes and behaviors and the way they lead their followers. This study examines the value and impact of transactional, transformational and Laissez-faire leadership styles on motivation of banking sector employees. A sample of 100 employees from 5 different commercial banks was surveyed and empirical analysis showed that all three leadership styles have significant positive impact on employee motivation. Implications and suggestions for practice are presented.

Keywords Transformational leadership · Transactional leadership · Laissez-fair leadership · Employee motivation

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Introduction

Employee motivation is based on values, behaviors and the way managers lead. Motivated employees become more involved and committed to their tasks and assignments and work hard for the achievement of organizational goals. They see themselves as more valuable for the organization and that this is a place for learning and development of their capabilities. Such employees remain loyal with the organizations for longer times and eventually become an irreplaceable competitive advantage by being more experienced and committed. When organizations facilitate a culture in which organizational values, norms, vision, mission, and objectives are shared with everyone, then employee motivation and involvement can be achieved more easily (Mujtaba 2014). Furthermore, engaged and involved employees tend to be happier followers of effective leaders, least stressed and, thereby, more productive in their jobs (Nguyen, Mujtaba, and Ruijs 2014; Mujtaba, Lara, King, Johnson, and Mahanna 2010). Given the increasing diversity of the modern global workforce, leader-follower interaction is very important in any organization for effective communication and coordination with employees about organizational goals and objectives and to accomplish them within deadlines (Mujtaba 2010).

According to Werbel and Gilliland (1999), coordination and collaboration between employees and organizational values is the reflection of employee involvement and its turnover towards the organization. An employees' personality, prior experience (Roberts 1991; Rothwell 1992), behavior (Williams 2004), dedication for learning and development (Hadjimanolis 2000), and leader's Influence (Hage and Dewar 1973) are factors that affect an employee's desires, needs, satisfaction, and motivation for work. This leads management intellectuals and scholars towards the development of leadership styles for manager-employee interaction based on mutual values, behaviors and attitudes. Supervisory behaviors vary significantly even in the same job in various situations especially when encouraging and motivating other employees by helping them in difficult tasks. Previous research on leadership styles, work values and attitudes have focused on finding specific behaviors and attitudes which produce the strongest impact on employee motivation. Based on these behaviors of leaders, three important leadership styles have been examined: transactional, Laissez-faire and transformational leadership styles.

Transformational leadership style mainly focuses on transformation of values and beliefs of followers by inspiring them (Johnson and Dipboye 2008). In Laissez-faire leadership style leaders delegate full decision-making authority to followers by giving them guidance and related support to make them more involved in the tasks and motivate them for organizational performance (Mujtaba 2014). While in transactional style of leadership, leaders closely monitor their followers and motivate them with rewards on good performance as a result some employees perform with their hand, head and heart to achieve assigned goals (Ashforth and Humphrey 1995).

This study analyzes the impact of these three leadership styles on employee motivation in the banking sector. Managers and leaders on daily basis perform variety of tasks, requiring various types of leadership styles according to situations and nature of the decisions (Griffin 1999). Findings of this study will be useful in developing a better understanding of motivational leadership styles to achieve maximum employee work performance. Thus the objective of this study is to examine the importance of

leadership behaviors in employee work motivation. Finally, the study explores the managerial implications of the findings and discusses the actions that might lead to improvements in employee motivation.

Objectives of the Study

Importance of leadership styles cannot be ignored for the motivation and engagement of employees. Banking employees face challenges on a daily basis because of close interaction with customers and internal tasks and responsibilities. This study aims to determine the most effective leadership styles for employees working in the banking sector. The main objective of the study is: To determine the relationship between leadership styles and employee motivation

The research question for this study is: *Do the leadership styles have an impact on employee motivation?* The sub questions include the following:

1. What is the impact of transformational leadership style on employee motivation?
2. What is the impact of laissez-fair leadership style on employee motivation?
3. What is the impact of transactional leadership style on employee motivation?

Literature Review

Literature on leadership has shown a progressive pattern, which starts from focusing on the attributes and characteristics of a leader, then concentrates on behavior and afterward emphasizes the contextualized nature of the leadership with describing the outcomes of leadership and terms of effects on followers.

The main cause of competitive advantage for any kind of organization is effective leadership (Avolio 1999; Lado, Boyd, and Wright 1992; Rowe 2001). Riaz and Haider (2010) state that effective leadership always plays an important role in the growth and better performance of the organization. Their results showed that as compared to career satisfaction, job success is more dependent on leadership styles. Leaders confer the chance to lead, not because they are appointed by senior management but because they are perceived and accepted by followers as leaders (Boseman 2008).

The idea of leadership may very well have started with the unique focus on the theory of "Great Man". The proponents of the great man theory assume that leaders are born and have certain innate qualities that help them become influential; therefore, leaders cannot be made. Because of tradition and times, perhaps the word "Man" was intentionally used to indicate the role of males only. Originally, leaders were thought to be those having success stories which were largely linked with military men (Bolden 2004) and religious organizations. Even in the present times some management researchers and organizational psychologists believe in the great man concept (Organ 1996). Existing literature on leadership styles has further elaborated the common characteristics of leaders which distinguish them from followers. The underlined philosophy pertains that if anyone has qualities such as adaptive, receptive, motivated, achievement-orientated, self-assured, crucial, energetic, persistent, self-confident, etc.,

then s/he is a leader or potential leader (Stogdill 1974; McCall and Lombardo 1983). Later on theories presented about leadership were more focused on behaviors of leaders exhibited in the past so the people can be trained as effective leaders (Robbins and Coulter 2002). The other school of thought came with the idea of situational theories with the assumptions that appropriate leaders' behaviors vary according to undergoing situations as the most effective leadership behavior is the one which is most inclined towards the situational variables (Griffin 1999). Related theories were presented later on with similar focus such as contingency theory which was related to environmental variables to figure out the leadership style concerned with a situation. No specific leadership style is the best fit for all situations as it depends on the characteristics of leaders, and capabilities of the followers, and the most important is the complexities of the situations and problems on hand and the role of issues in overall organizational success (Hicks and Gullett 1987; Griffin 1999).

Leadership Styles

Much of the literature on leadership styles mainly focuses on the two main scopes of leadership i.e. transactional and transformational leadership. Transactional and transformational leadership have been of great interest to many researchers in the modern age. Adopting either transformational or transactional leadership behavior helps in the success of the organization (Laohavichien, Fredendall, and Cantrell 2009). This might be the reason that different authors of the recent past considered transactional and transformational leadership as predicating variables and investigated their relatedness with other principle variables. Both transformational leadership and transactional leadership helped in predicting subordinates' satisfaction with their leaders (Bennett 2009). However, in some situations both cannot provide the ultimate satisfaction to their subordinate and partially contribute as illustrative variables. A study of Chen, Beck, and Amos (2005) found that followers were satisfied with the contingent reward dimension of transactional leaders and individualized reflection of transformational leaders. In this way transformational and transactional leadership styles contribute in job satisfaction and employee motivation by showing variable results in different situations.

Transactional Leadership

Transactional leadership has been centered on leader-follower exchanges. Followers perform according to the will and direction of the leaders and leaders positively reward the efforts. The baseline is reward system which can be negative like disciplinary action, if follower fails to obey, it can be positive like praise and appreciation, if subordinates meet the terms and conditions directed by leaders to achieve the assigned goals. Research has proposed three characteristics of transactional leadership which are contingent rewards, active management by exception and passive management by exception.

Transactional leaders communicate with their followers 'what they should do' and 'how they should do it' and then monitor them closely; followers perform tasks and obtain contingent rewards upon satisfactory performance and get punished on non-satisfactory performance (Zhu, John, Riggio, and Yang 2012; Gilani, Cavico, and

Mujtaba 2014). Transactional leaders observe performance on the basis of their predetermined parameters and take actions to change follower's behaviors so they perform as directed (Sosik and Jung 2010). According to Epitropaki and Martin (2005), transactional leadership encourages followers' organizational identification by triggering followers' self-categorization processes. When leaders offer rewards and observe performance for corrective actions this leads towards a relationship between leader and follower for continuous learning and better understanding of their role in the organization. Such employees feel more committed towards organizational goals (Zhu, et al. 2011).

Epitropaki and Martin (2005) proposed a significant positive relationship between employee motivation and transactional leadership style in their study of Greek Bank employees. This current study proposes the following relationship with employees in Pakistan.

H_1: there is a relationship between transactional leadership and employee motivation.

H_0: there is no relationship between transactional leadership and employee motivation.

Transformational Leadership

Transformational leaders facilitate new understandings by increasing or altering awareness of issues. As a result, they foster inspiration and anticipation to put extra labor to achieve common goals. Transformational leadership is another extreme as these leaders influence the attitudes and beliefs of followers and motivate them according to their own interest for the betterment of the organization (Burns 1998). According to Burns (1998), transformational leadership is based on four dimensions such as personality, communication, rational stimulation, and individualized thought. Some researchers interchangeably use transformational leadership as charismatic leadership.

According to McLaurin and Al-Amri (2008), "personality" is one among the many "qualities" of a transformational leader than the only "element". Transformational leadership is believed to be more widespread at upper levels of management than at lower levels (Tichy and Uhich 1984).

Transformational leadership style is entirely different from transactional leadership style. Transformational leaders try to develop the followers' full potential (Bass 1985; Johnson and Dipboye 2008), by influencing and engaging them. Followers feel more transformed and developed and organizational commitment achieved by internal satisfaction and motivation as employees find organizational environment beneficial for their development.

Transformational leadership adds value to transactional leadership as it emphasizes on followers' personality, attitude and beliefs on performance outcomes and results in "augmentation effect" (Bass 2008; Yukl 2010). The main foundation of the transformational leadership style is the leader's ability to motivate the follower to accomplish more than what the follower planned to accomplish (Krishnan 2005). Burns (1998) proposed that transformational leaders go in a relationship with the followers in which they motivate each other to higher level which results in value system congruence

between the both (Krishnan 2005). These theories and literature led the study towards following hypothesis:

H_1:there is a relationship between transformational leadership and employee motivation.
H_0:there is no relationship between transformational leadership and employee motivation.

Laissez-Fair Leadership

A third dimension of leadership acknowledged by experts is Laissez-Faire. Laissez-faire leadership style is the one in which a leader delegates all the decision-making powers to followers. Bradford and Lippitt (1945) described laissez-faire leadership as a leader's disregard of supervisory duties and lack of guidance to subordinates. Laissez-faire leaders offer little support to their subordinates and are careless to productivity or the necessary completion of duties (Lewin, Lippitt, and White 1939). Such leaders give complete freedom to their followers to make decision by providing them all necessary tools and resources. In this case expectations from followers become very high to solve their own problems but when they go through the process and ultimately make a decision the whole process become a good learning opportunity to develop and to know about necessary organizational tools (Eagly, Mary, Schmidt, and van Engen 2003).

Laissez-faire leadership style becomes more effective in the situations when followers are highly skilled, motivated, capable, and willing to doing things by their own (Chaudhry and Javed 2012).

Laissez-faire leadership style also becomes useful in the situations when there are large numbers of decisions, decision making is easy, and followers have to perform routine tasks with fewer complexities and less demanding criteria or when rules and regulations are pre-determined. This leadership style is inappropriate when followers lack in knowledge, experience and expertise or they are un-willing or unable to make decisions by their own. People vary in nature and response, some of them lack the ability to set deadlines or managing their projects independently by solving problems or aligning their objectives with the organizational goals (Eagly, et al. 2003). Such employees require high relationship orientation with their managers and leaders; in these circumstances laissez-faire leadership style fails, resulting in poor performance of employees in the form of off-track efforts and missed deadlines.

Laissez-Faire Leadership and Employee Motivation

Modern employees are more aware of and concerned with their expertise and capabilities development and their role in the organizational success. They feel motivated and involved when allowed to make decisions and highly satisfied to see the positive outcomes of their decision. All the employees cannot be motivated by financial rewards and fringe benefits as many also want to utilize their knowledge for effective decision making to be a part of organizational success (Zareen, Razzaq, and Ramzan 2013b). According to Werbel and Gilliland (1999), coordination between employee and

organizational values is the reflection of employee involvement and motivation and can be achieved by follower-leader relationship.

Laissez-faire leaders give their followers a full chance to use their capabilities to understand the ongoing problems by facilitating them with necessary resources and guidance and then offer them the liberty to make decisions accordingly (Chaudhry, and Javed 2012). This process ends up on feedback from the leaders if they find it necessary, but it gives followers the feeling of empowerment and involvement in success of the organization. Employees' intention to remain a part of the organization and to continue their jobs positively associates with perception of correspondence towards organizational values (Aryee, Luk, and Stone 1998; Spector 1997). This leads to third hypothesis of the study:

H_1: there is a relationship between laissez-faire leadership and employee motivation.
H_0:there is no relationship between laissez-faire leadership and employee motivation.

Theoretical Foundations

Motivation is defined as forces that determine the direction of a person's behavior, a person's level of effort and the level of persistence. Motivated workers and managers tend to feel less stressed and become better leaders in the workplace (Nguyen, Mujtaba, and Ruijs 2014). As a hypothetical construct, motivation usually stands for that which energizes, directs and sustains behavior. It also explains the degree and type of effort that an individual exhibits in a behavioral situation. The theory behind transformational leaders, on the other hand, is based on the hypothesis that leaders can exploit a need of the follower. These needs of individuals become associated with their internal satisfaction and motivation. Leader-follower relationship becomes an important element of employee satisfaction and engagement in the organizational goals. Many theories and literature have proved that these employees become more motivated and involved and exert all their energies to perform their job, tasks and assignments (Kahn 1990) with higher job satisfaction (Zareen, Razzaq, and Mujtaba 2013). In this way transactional leaders make certain contracts with their followers for continuous learning with close monitoring and ultimately the improvement in capabilities and competencies.

On the contrary we have transformational leaders who strive to deal with greater need of following individuals by influencing them (Judge and Piccolo 2004). Transformational leaders, by definition, seek to transform (Lowe, Kroeck and Sivasubramaniam 1996). When the organization does not facilitate them with such an environment or if the followers become unwilling to transform being happy on what they are and how they perform, such leaders and managers become frustrated (Judge and Piccolo 2004). Employees become more committed to organizational goals considering them valuable and may remain with the organization for longer times (Zareen et al. 2013a, b). Transformational leaders undergo a tacit commitment with their followers that they will be transformed in a positive way and in response followers become a product of transformation (Zhu, et al. 2011).

A third leadership dimension was eventually acknowledged by experts - the Laissez-faire leaders. This type of leadership style allows for complete tolerance, and the groups often lacks in direction because the leader does not help in making decisions but supports followers by guiding how they have to go through the decision making process. While dealing with laissez-faire leadership style, leader gives followers many opportunities to make decisions, utilize their competencies, develop their capabilities, and learn from their own mistakes. This is especially true if this form of leadership is allowed to remain in place for an extended period of time.

The theoretical framework proposed in Fig. 1 describes the main focus of the study. This study proposes that:

- Transactional leadership style has an impact on employee motivation
- Transformational leadership style has an impact on employee motivation
- Laissez-faire leadership style has an impact on employee motivation.

Methodology

This study has been conducted to find the impact of leadership styles on employee motivation. Banking sector of Pakistan has been selected for sampling because of strong interaction of managers and employees on day-to-day basis which clarifies the impact of leadership styles on followers. Target population was full time banking employees working on non-managerial positions. Questionnaires were used for primary data collection with convenient random sampling. Five different commercial banks were chosen from Pakistan and 20 employees taken from each bank. Empirical analysis has been conducted in two parts. In the first section descriptive statistics have been used to describe and summarize the data including measure of central tendency and dispersion (the spread of data or how close each other is to the measure of central tendency). In the second part inferential statistics have been used to identify differences between groups,
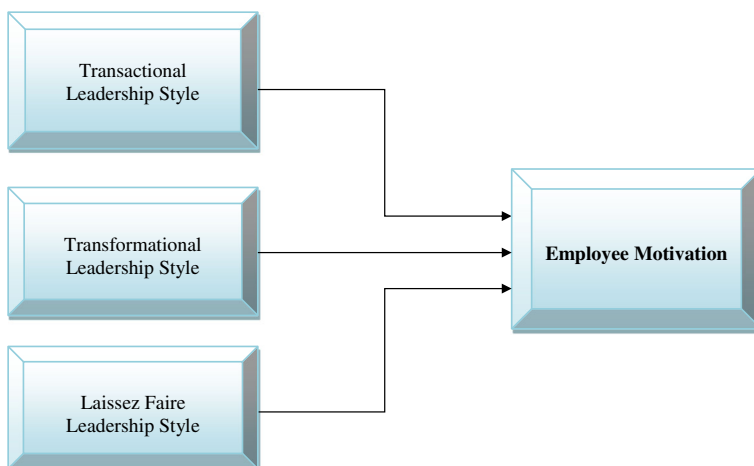
Fig. 1 Theoretical framework for motivation

relationships between attributes and for model creation in order to make predictions. Descriptive statistics includes frequency distribution, and histogram are presented to check the normality and distribution of data, while scatter plots have been used to check the impact of all three leadership styles on employee motivation and commitment.

In the next part inferential statistics have been used to check the strength of the relationship, their significance and impact size. Pearson's correlation test has been applied to measure the nature of the relationship, significance level of relationship and strength of relationship of leadership styles on employee motivation individually. Regression analysis has been used to find the combined effect size of independent variables on dependent variable regarding how much change will occur in dependent variable due to change in independent variables by using regression equation for analysis. The value of f-test has been used to check the goodness of fit of the model. The value of t-test has been used to check the significance level of relationship for the acceptance or rejection of alternative hypotheses. The value of R square is focused to see the contribution level of variables to see how much the independent variable contributes in changing the value of dependent variable. Since the objective of this study was to check the impact of leadership styles on employee motivation in the banking sector of Pakistan. Ordinary least square (OLS) method of multiple regressions is applied to find an equation which could be used to find the impact of leadership styles on employee motivation and the specified regression equation took the following form:

$$\mathbf{EMi = C + B1(Tsi) + B2(Lfi) + B3(Tfi) + Ei}..... \qquad (1)$$

In Eq. (1) Employee Motivation (Emi) is the dependent variable and C is the value of constant, B1, B2 & B3 are the coefficients of Transactional (Tsi), Laissez-faire (Lfi) and Transformational (Tfi) leadership styles respectively which were independent variables showing the partial regression coefficients representing the change in dependent variable, due to one unit change in independent variable while 'Ei' is the error term.

Instrument

The questionnaire used for this study consisted of two parts: one was of demographic variables including age, gender, qualification and work experience in the banking sector, and the second part consisted of 20 questions about responses of employees towards all three leadership styles and their motivation. A five-point Likert scale was used from strongly disagree to strongly agree (strongly disagree = 1 & strongly agree = 5). Reliability and validity of the instrument has been tested with a pilot study of 20 questionnaires. A total of 130 questionnaires were distributed of which 109 were received back with a response rate of 84 %. Further 9 questionnaires were discarded because of improper filling and missing values and 100 responses were used for the empirical analysis.

Demographic Variables

Age, gender, qualification, and work experience were considered for this study as these variables strongly affect the motivation and engagement of employees based on their relationship with managers (leaders).

Table 1 shows that a large number of respondents belong to age group 20 to 40 specially between 31 and 40. The non-manager employees were targeted and had work experience less than 10 years (51 %) but a good ratio was of the employees who had work experience more than 10 years (49 %).

Education level is very important when it comes to employee motivation and their engagement in tasks and responsibilities and their ability and willingness towards decision making.

Empirical Analysis and Findings

Empirical analysis for this study has been conducted by using the software SPSS 17.0.

Reliability analysis as shown in Table 2 has been conducted to check the reliability of all variables. Cronbach's Alpha gives a value more than 0.7 which shows that data for all variables is reliable.

Frequency distribution has been used as a descriptive measure for a graphical representation of the data to check the frequency (occurrence) of the data as well as the normality curve to check if the data is normally distributed or not. It has been found that data of all the variables is normally distributed as shown in the histogram figures. The graphical representation of the variables showed with the curve to check the normality of the response rate of all variables.

Figures 2, 3, 4 and 5 show the graphical representation of the bars of the response regarding transformational, laissez-fair and transactional leadership styles and motivation. Most of the participants lie in the middle range. Similarly small numbers of

Table 1 Demographic variables

Demographic variable		No. of respondents frequency (f)	Percentage (%)
Gender	Male	67	67 %
	Female	33	33 %
	Total	100	100 %
Age	20–30	41	41 %
	31–40	48	48 %
	40–50	9	9 %
	Above 50	2	2 %
	Total	100	100 %
Qualification	Intermediate	6	6 %
	Graduation	39	39 %
	Masters	48	48 %
	Post masters	7	7 %
	Total	100	100 %
Work experience	1–10	51	51 %
Years	11–20	38	38 %
	Above 20	11	11 %
	Total	100	100 %

Table 2 Reliability analysis

| Serial no.	Construct	No. of items	Cronbach's alpha
01	Transformational leadership	05	.706
02	Laissez-faire leadership	05	.710
03	Transactional leadership	05	.707
04	Employee motivation	05	.711

respondents were marked with very low and very high options. The bars in the histograms form a distribution (pattern or curve) that is normal, bell shaped curves. Thus, frequency distribution of all the variables is normal.

The overall identification of the relationship between dependent and independent variables have been shown through scatter-plots. The matrix showed all the possible two dimension plots of the variables and their graphical representation.

Figures 6, 7 and 8 show the results of scatter plot matrix with intention to have some idea about the relationship between all three leadership styles and employee motivation individually. It has been observed that the flow of line is from right to left showing a positive relationship between each leadership style and employee motivation. This meant that leadership styles have a positive impact on employee motivation and all
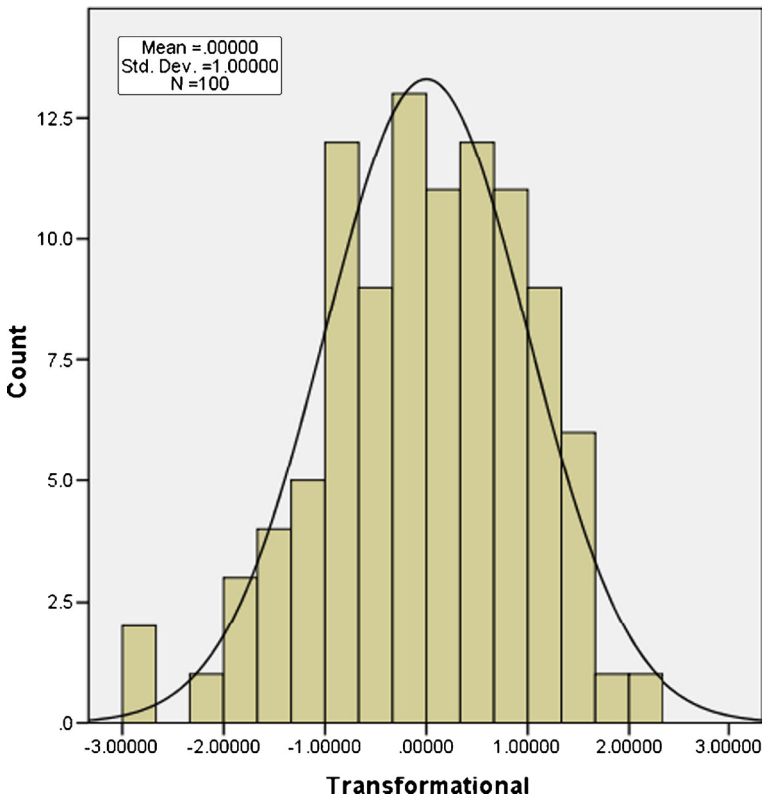
Fig. 2 Bar chart for transformational leadership
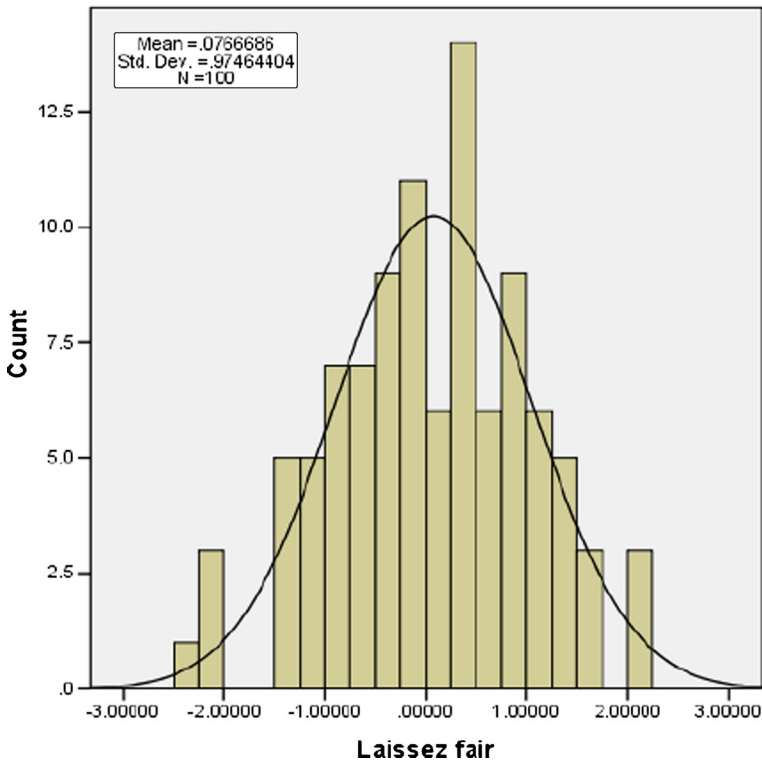
Fig. 3 Bar chart for laissez-faire leadership

three leadership styles increase employee engagement and the above results have been confirmed by the table of correlations as well.

Table 3 represents the statistics of Pearson's correlation. Statistics showed that transactional leadership styles and motivation are positively correlated and the value significance is (0.023) which is less then (0.05) and lead us towards the rejection of null hypothesis and acceptance of alternate hypothesis. So there is a relationship between transformational leadership styles and motivation and the value of correlation is (0.227) which is less than (0.29) and it shows that there is positive and weak relationship between transformational leadership styles and motivation. This relationship also shows that a 22 % employee motivation can be achieved with transformational leadership style.

Laissez-fair leadership styles and motivation are also positively correlated and the value significance is (0.000) which is less than (0.05) and leads towards the rejection of null hypothesis and acceptance of alternate hypothesis that there is a relationship between laissez-fair leadership styles and motivation. The value of correlation is (0.379) which is greater than (0.29) and shows that there is a positive and moderate relationship between Laissez-fair leadership styles and motivation. This relationship also shows that almost 38 % employee motivation can be achieved through Laissez-fair leadership style.

Transactional leadership styles and motivation are also positively correlated and the value significance is (0.000) which is less than (0.05) and leads towards the rejection of
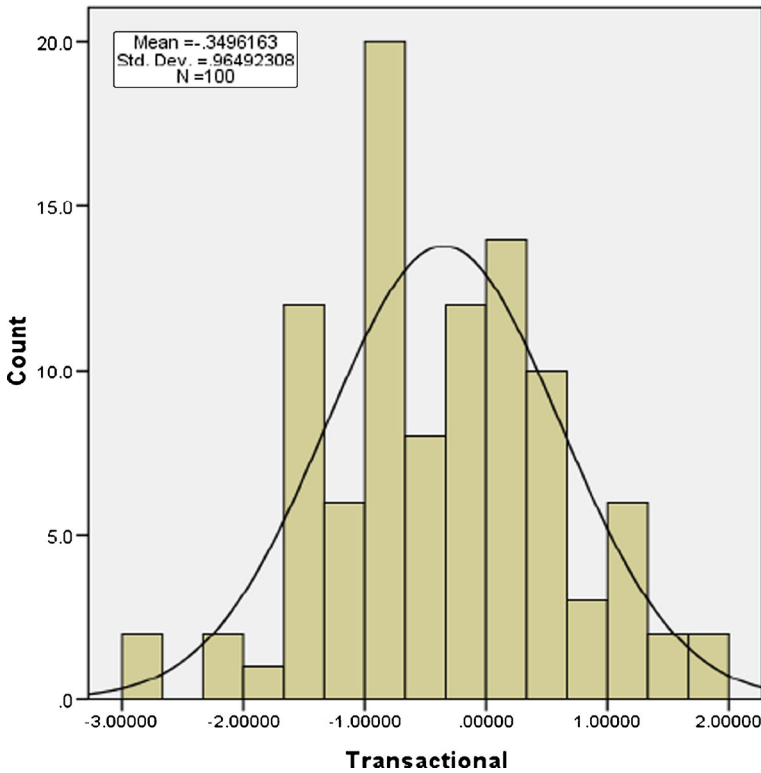
Fig. 4 Bar chart for transactional leadership

null hypothesis and acceptance of alternate hypothesis. There is a positive relationship between transactional leadership styles and Motivation and the value of correlation is (0.481) which is greater than (0.29), showing that the relationship between transactional leadership styles and motivation is moderate but stronger than the other two leadership styles. This relationship also shows that 48 % employee motivation can be achieved through transformational leadership style.

Regression Analysis

Regression has been used in this study to check the effect size of independent variables on the dependent variable. Results of regression analysis are shown in Tables 4 and 5. The value of the coefficient of determination (adjusted R^2) is .258. Data shows that the correlation between the observed values of leadership styles and employee motivation is 25 % percent which means that 25 % changes in employee motivation are due to these leadership styles and remaining due to other variables. The value of F-statistic is 0.00, statistically significant as it is less than 0.05.

The coefficient Table 3 presents the results of the regression analysis. The objective of the regression in this study was to find the equation that could be used to find the impact of leadership styles on employee motivation. Equation 1 takes the following form!
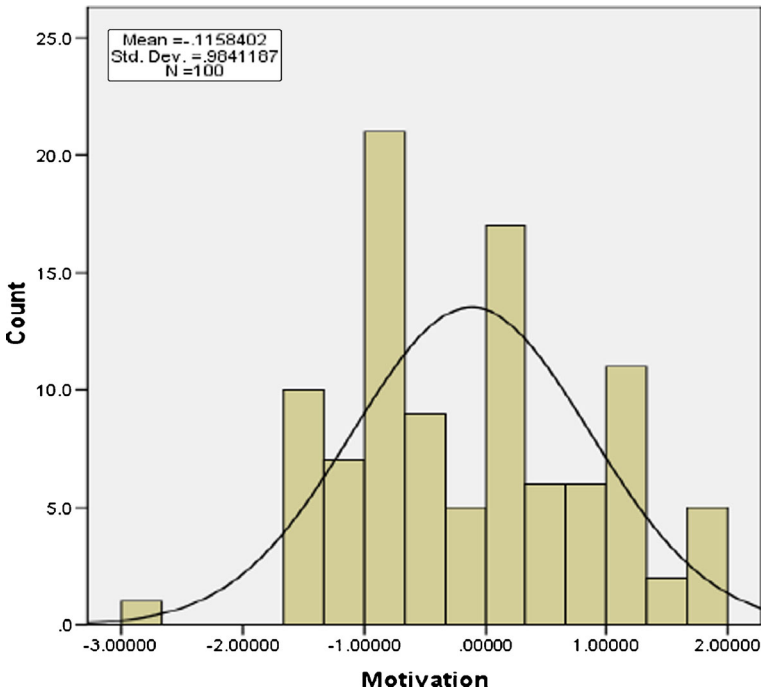
Fig. 5 Bar chart for motivation

$$EMi = C + B1\ (Tsi) + B2\ (Lfi) + B3\ (Tfi) + Ei$$
$$\mathbf{EMi = .010 + 0.386\ (Tsi) + 0.225\ (Lfi) + 0.215\ (Tfi) + Ei}..... \quad (2)$$

The results show that the independent variables significantly affect employee motivation as shown by the values of the t-statistic and the corresponding *p*-values. *T*-test has been used to test the significance of the individual partial regression
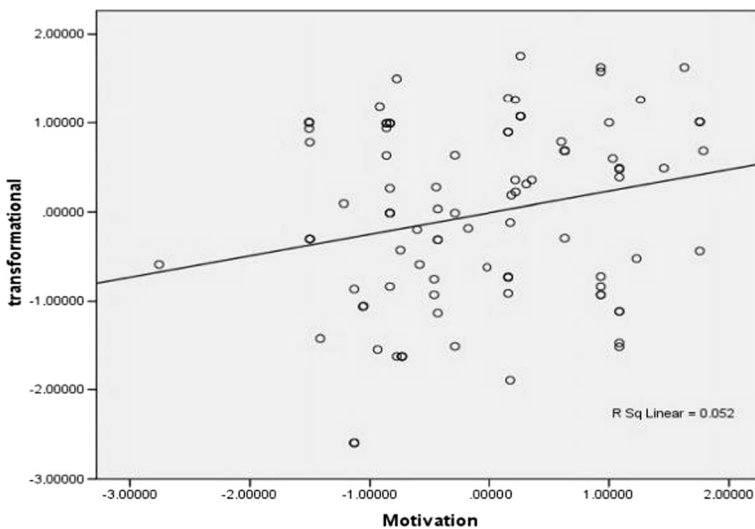

Fig. 6 Scatter plot distribution of transformational leadership with motivation
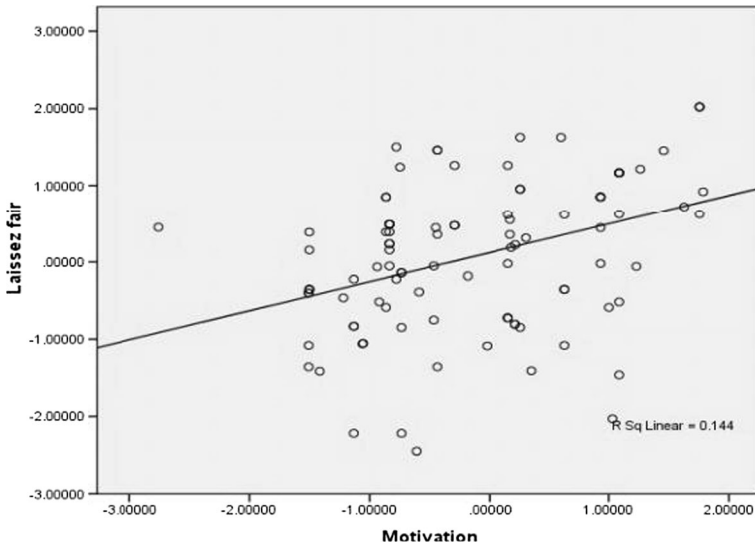
Fig. 7 Scatter plot distribution of laissez-faire leadership with motivation

coefficients. Null hypothesis in this test is set as the partial regression coefficient is zero. This test showed that the coefficients of the predictor are statistically significant at less than 5 % level of significance and the model is a good fit.

Discussion of the Results

This study advances knowledge of leadership styles in several ways. First, we found that transactional leadership style has proven best for the motivation of banking
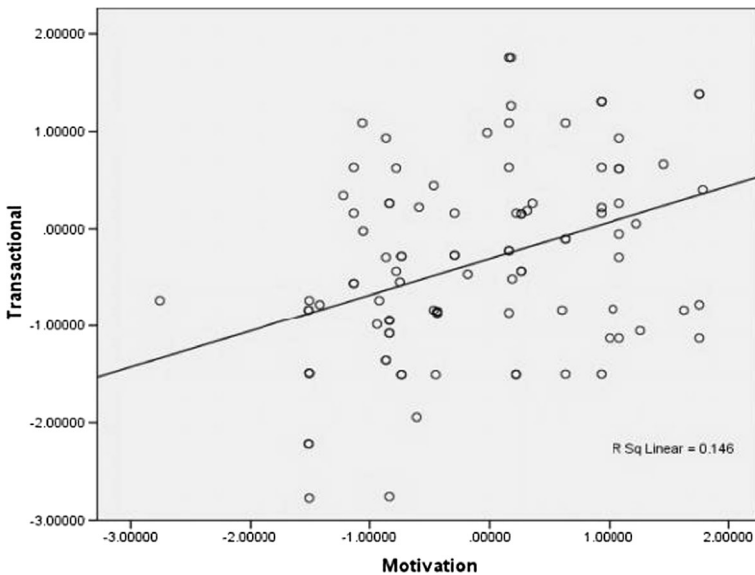

Fig. 8 Scatter plot distribution of transformational leadership with motivation

Table 3 Pearson's correlation

		Transactional	Laissez-fair	Transformational	Motivation
Transactional	Pearson Correlation	1	.332[**]	−.196	.481[**]
	Sig. (2-tailed)		.001	.040	.000
	N	100	100	100	100
Laissez Fair	Pearson Correlation	.332[**]	1	.213[*]	.379[**]
	Sig. (2-tailed)	.001		.033	.000
	N	100	100	100	100
Transformational	Pearson Correlation	−.196	.213[*]	1	.227[**]
	Sig. (2-tailed)	.040	.033		.023
	N	100	100	100	100
Motivation	Pearson Correlation	.481*[*]	.379[**]	.227[**]	1
	Sig. (2-tailed)	.000	.000	.023	
	N	100	100	100	100

[**]. Correlation is significant at the 0.01 level (2-tailed)

[*]. Correlation is significant at the 0.05 level (2-tailed)

employees as compared to transformational and Laissez-faire leadership styles. Effective leadership is the main cause of competitive advantage for any kind of organization (Avolio 1999; Lado et al. 1992; Rowe 2001). Data collected through questionnaires shows that managers working in the banking sector are more inclined towards exercising transactional leadership as compared to transformational leadership style. They share an exchange relationship with their employees. Rewards and punishments are the tools that are being used to positively and negatively influence employees (Zhu et al. 2012). Since the transactional leadership is based on contingent reward and punishment behavior, supervisors positively reward individuals with praise or recognition when they perform at or above expectations. Similarly, negative rewarding approach is also used in the form of correction, coercion, criticism, and/or other forms of punishment, when performance is below the expected standard (Janssen 2000). Transactional leadership style is found to be positively and significantly related to employee's motivation as compared to transformational and laissez-faire leadership styles, which pertains to the provision of either positive rewards in case of meeting established goals or negative rewards when the performer fails to achieve the desired objectives (Kahn 1992).

Regression analysis provides significant results for the first model where the impact of transformational, Laissez-fair and transactional leadership style is investigated on employee motivation.

Table 4 Necessary statistics

R2	Adjusted R2	F. statistics	Significance of F. statistics
.281	.258	12.486	.000

Table 5 Regression analysis

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.010	.093		.105	.916
Transactional	.386	.090	.379	2.375	.000
Laissez fair	.225	.097	.223	2.314	.023
Transformational	.215	.094	.228	4.090	.020

Conclusion

This study examined three leadership styles (transactional, transformational and laissez-faire), and their impact on employee motivation in the banking sector. Findings have showed that all three leadership styles have a positive impact on employee motivation. Transactional leadership style has the strongest impact on employee motivation, while laissez-faire leadership style has an intermediate impact and transformational leadership style has the lowest impact. Most important factor is that managers and leaders should adopt the appropriate leadership style according to undergoing situation and values and attributes of the followers to make them motivated and committed to organizational goals for optimum performance (Mujtaba 2014).

The research broadens our understanding of employee motivation to make workers more committed towards their jobs, tasks and assignments by emphasizing on manager-employee relationships and interactions in the banking sector. Due to the high level of competition, banking jobs are usually considered to be tough and highly demanding with many expectations from employees as they have to face continuous customer interaction with ongoing internal operations side by side. Since majority of the research on the topic is conducted in developed countries and their findings cannot always be applied in different cultures, the present study contributes to the literature of leadership and motivation in developing economies.

Little research has been found on employee motivation regarding leadership styles in the banking sector of emerging economies, especially in Pakistan. Therefore, the present study is hoped to be a significant contribution in this area with the assumption that employee motivation and development of banking staff becomes imperative for the banks in Pakistan. Employees who are not motivated may be more likely to put less effort in their jobs compared to employees with a high-level of motivation. This study aimed to provide guidelines to bank managers to come up with the policies that would enable them to attract and retain their top-level employees at their respective institutions. Thus identifying leadership styles that tend to enhance the timely engagement and motivation of employees would be a significant benefit for the management of banking institutions. The findings of this study can greatly facilitate the policy-making bodies to develop comprehensive view of leadership styles and employee motivation, thus undertake necessary administrative adjustments accordingly. Future researchers can test the impact of specific leadership development training to see which styles can be more easily applied in developing and emerging economies.

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