Vol 5. (1), 1-13
ISSN:
URR: www.queenscollege.edu.et
Email: info@queenscollege,net

Queens' Journal of Interdisciplinary Research and Development

Full Length Research Paper

The Effect of Leadership Behavior on Employee Job Satisfaction: In The Case of Ethiopian Road Authority Employees, Head Office, Addis Ababa, Ethiopia

Tadese Legesse[1]

[1]*Queens College, Addis Ababa, Ethiopia*

Article Info

Article History

Received: 8 April 2022

Publshed: Auguest 2022

Keywords:

leadership behavior, job satisfaction, Ethiopian roads Authority

Abstract

This study investigated the impact of leadership behavior on employee job satisfaction at the Ethiopian Roads Authority (ERA) headquarters, based on path-goal leadership theory. Using an explanatory research design and a quantitative approach, the researchers collected primary data through structured questionnaires and secondary data from previous studies, journals, and books. A stratified random sampling method was employed to survey 254 professional employees across 22 directorates at the Addis Ababa headquarters. The data was analyzed using SPSS software, including descriptive statistics and multiple regression analysis. The results showed that achievement-oriented leadership behavior had a positive and significant effect on job satisfaction, while participative and directive behaviors did not significantly impact job satisfaction. Supportive leadership was the most dominant behavior observed, but achievement-oriented leadership was found to contribute more to job satisfaction. The researcher recommend that the company should focus on practicing achievement-oriented leadership, which has a significant positive effect on employee job satisfaction. The company should also regularly conduct job satisfaction surveys and take corrective actions to address areas needing improvement.

Licensed under a Creative Commons Attribution-Non Commercial 4.0 International License.

* *Corresponding Email:* sestadesse@gmail.com

1. Introduction

Organizations strive to maintain a competitive edge, which depends on the effective utilization of their resources, including physical, financial, and human. Human resources are considered the most vital asset, as they enable the exploitation of other resources (Lee and Ahmad, 2009).

Employee satisfaction is crucial to business success, as high contentment levels directly correlate with lower turnover and higher productivity.

Therefore, keeping employees satisfied should be a priority for employers (Landy, 1989). Factors such as leadership play a central role in determining job satisfaction (Bass, 1990).

Leadership behavior, defined as the pattern of behavior leaders prefer to use (Chiok, 2001), can have a direct impact on the superior-subordinate relationship, affecting performance, job satisfaction, commitment, and organizational coherence (Wilderom, Berg & Peter, 2004). The path-goal leadership theory categorizes leadership behavior into four types: directive, supportive, participative, and achievement-oriented (Mosadeghrad and Yarmohammadian, 2006).

This study aims to identify the effect of leadership behavior on employee job satisfaction at the Ethiopian Roads Authority headquarters in Addis Ababa, Ethiopia, based on the path-goal leadership theory.

The central problem this study addresses is that in many Ethiopian organizations, work is task-focused and routine, with decisions and policies imposed on employees, who then merely pretend to perform well. However, the achievement of organizational objectives largely depends on the leadership behavior of managers, which can affect both job satisfaction and productivity (Chiok, 2001).

According to the path-goal leadership theory, leaders can exhibit different types of behavior: task-oriented or human relations-oriented (Fiedler, 1967). Recent internal data from the Ethiopian Roads Authority (ERA) suggests a decrease in employee job satisfaction, and informal interviews indicate issues with leadership behaviors, such as unreasonable demands, lack of communication, and decision-making problems. However, the Authority's leadership believes employees are satisfied, and no empirical research has been conducted on the impact of leadership behavior on job satisfaction in the ERA.

Therefore, this study aims to assess the effect of four key leadership behaviors (directive, supportive, participative, and achievement-oriented) on employee job satisfaction in the Ethiopian Roads Authority.

The specific research questions are:

1) What is the effect of directive leadership behavior on job satisfaction of ERA employees?
2) How does supportive leadership behavior affect job satisfaction of ERA employees?
3) What is the effect of participative leadership behavior on job satisfaction of ERA employees?
4) What is the effect of achievement-oriented leadership behavior on job satisfaction of ERA employees?

The study hypotheses are:

H1: Directive leadership behavior has a significant effect on employee job satisfaction.

H2: Supportive leadership behavior has a significant effect on employee job satisfaction.

H3: Participative leadership behavior has a significant effect on employee job satisfaction.

H4: Achievement-oriented leadership behavior has a significant effect on employee job satisfaction.

2. Litrature review

2.1 Job Satisfaction

Job satisfaction has been defined in various ways by researchers. Spector (1997) refers to it as how people think about their job and different aspects of it. Ellickson and Logsdon (2002) define it as the extent to which employees like their work. At its core, job satisfaction involves the emotional, sentimental, or affective attitudes employees have towards their job.

The most widely accepted conceptualization of job satisfaction was presented by Locke (1976), who defined it as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences" (Locke, 1976, p.1304). This suggests that job satisfaction has emotional, cognitive, and behavioral components. The emotional component refers to the feelings employees have about their job, such as boredom, anxiety, or excitement.

Moreover, job satisfaction is a complex, multidimensional construct that encompasses how employees think, feel, and behave in relation to their work. The definitions provided by Spector, Ellickson and Logsdon, and Locke capture the attitudinal and emotional nature of this important organizational variable.

Figure 1.Job Satisfaction Model (Field, 2008).

2.2 Theories of Job Satisfaction

Theories of job satisfaction share significant overlap with broader theories of human motivation. The most prominent and widely-studied models in this domain include: Maslow's hierarchy of needs theory, Herzberg's two-factor (motivator-hygiene) theory, the Job Characteristics Model, and the dispositional approach.

2.2.1 Herzberg's Two-Factor Theory

Herzberg's (1957) two-factor theory proposes that satisfaction and dissatisfaction are driven by distinct sets of factors. Hygiene factors, such as company policies, compensation, benefits, and working conditions, must first be addressed to prevent dissatisfaction. Motivator factors, including responsibility, achievement, esteem, and autonomy, then serve to actively promote job satisfaction by meeting higher-order psychological needs. According to Herzberg, intrinsic job content factors are the primary drivers of job satisfaction.

2.2.2 Maslow's Hierarchy of Needs

Maslow's classic hierarchy of needs theory suggests that human needs form a tiered structure, with more basic physiological and safety needs at the bottom, followed by belongingness, esteem, and finally self-actualization needs at the apex. The theory posits that lower-level needs must be reasonably satisfied before individuals are motivated to fulfill higher-order needs. In the work context, this implies that organizations should first ensure employees' basic needs are met before attempting to address higher-level needs to enhance job satisfaction.

Morever, prominent theories of job satisfaction emphasize the importance of considering both extrinsic hygiene factors and intrinsic motivator factors, as well as the hierarchical nature of human needs, when seeking to understand and improve employee

job satisfaction.

Figure 2: Maslow's Five-level hierarchy (1943)

2.3 Theorethical Foundation of the Study

The theoretical framework for this study conceptualizes job satisfaction as the dependent variable, with various leadership behaviors serving as the independent variables. In developing this conceptual model, the researchers have drawn upon multiple established theories and frameworks.

The foundational theory underpinning this work is the path-goal theory of leadership, proposed by House (1971), Northouse (2013), and House and Mitchell (1974). Path-goal theory is a contingency approach that defines leadership effectiveness in terms of the leader's ability to provide their subordinates with the necessary information and support to achieve valued rewards and goals.

Specifically, the path-goal theory identifies four key leadership behaviors:

- Supportive (relations-oriented)
- Directive (task-oriented)
- Achievement-oriented
- Participative

These four leadership behaviors are theorized to have differential impacts on employee job satisfaction, which is a central focus of the study.

Additionally, in examining job satisfaction, the researchers have incorporated elements of Herzberg's two-factor theory of motivation and hygiene. This suggests that both intrinsic motivator factors and extrinsic hygiene factors should be considered when evaluating employee job satisfaction.

Overall, the theoretical framework integrates prominent leadership and job satisfaction theories to develop a comprehensive model for investigating the relationships between specific leadership behaviors and employee job satisfaction.

3. Materials and methods

The study utilized various descriptive data analysis techniques to conduct the central analysis, including measures of central tendency (mean), frequency distributions, and measures of dispersion. All statistical analyses were performed using SPSS version 20.

In addition to the descriptive analyses, the study employed correlation and multiple regression analysis to examine the relationships between job satisfaction and leadership behaviors.

Multiple regression analysis allows for the modeling of a dependent variable (in this case, job satisfaction) as a linear function of two or more independent/predictor variables (the leadership behaviors). The general multiple regression equation takes the form:

$$Y = b0 + b1X1 + b2X2 + ... + bkXk + \varepsilon$$

Where:

Y = the dependent variable (job satisfaction)

b0 = the constant/intercept term

b1, b2, ..., bk = the regression coefficients for the independent variables X1, X2, ..., Xk

ε = the error term

Correlation analysis was used to first assess the strength and significance of the bivariate relationships between the independent leadership behavior variables and the dependent job satisfaction variable.

The regression analysis then allowed the researchers to quantify the extent to which the selected leadership behaviors explain variance in the job satisfaction outcome variable. This provided insights into the relative impact of different leadership behaviors on employee job satisfaction.

4. Results and Discussion

4.1 Assumption tests

The researchers conducted multiple regression analysis to quantify the extent to which the selected leadership behaviors explained variance in the dependent job satisfaction variable. Prior to estimating the regression models, the researchers assessed the data for potential issues of multicollinearity among the independent variables. Multicollinearity can be problematic as it indicates high intercorrelations between the predictor variables, which can impact the stability and interpretation of the regression coefficients.

The researcher evaluated multicollinearity using two common diagnostic metrics - variance inflation factor (VIF) and tolerance. As a rule of thumb, a VIF value exceeding 10 is often considered to indicate serious multicollinearity concerns, while a tolerance value less than 0.1 is also suggestive of problematic collinearity. In the current study, the VIF values for the leadership behavior variables ranged from 1.655 to 2.944, and the corresponding tolerance values ranged from 0.340 to 0.604 (see Table 1). Based on these results, the researcher concluded that multicollinearity was not a concern in this analysis, as all VIF values were well below 10 and all tolerance values exceeded 0.1, indicating the independent variables were not highly correlated with one another.

With the assumption of minimal multicollinearity satisfied, the researchers proceeded to estimate the multiple regression model to examine the predictive relationships between the leadership behaviors and job satisfaction. The specific regression results and their interpretation are presented in the following sections.

As Tabke 2 reveals the normality using descriptive statistics. Examining the skewness values offers insights into the symmetry of the distributions. The skewness values for Directive LB, Participatory L, and Job Satisfaction are close to 0, suggesting relatively symmetric distributions. The Supportive LB variable exhibits a slightly negative skewness, indicating a distribution with a longer left tail, while the Achievement OL variable shows a positive skewness, implying a distribution with a longer right tail.

Regarding kurtosis, the values for all the variables are close to 0, indicating relatively mesokurtic (normal) distributions. The Job Satisfaction

variable demonstrates a slightly platykurtic (flatter) distribution, with a kurtosis value slightly below 0.

Morever, the skewness and kurtosis values suggest that the variables generally have a relatively normal distribution, with only minor deviations from the ideal. This supports the assumption of normality, which is crucial for the validity of the subsequent statistical analyses conducted in the study. The careful examination of these distributional characteristics enhances the credibility of the research findings and the conclusions drawn from the data.

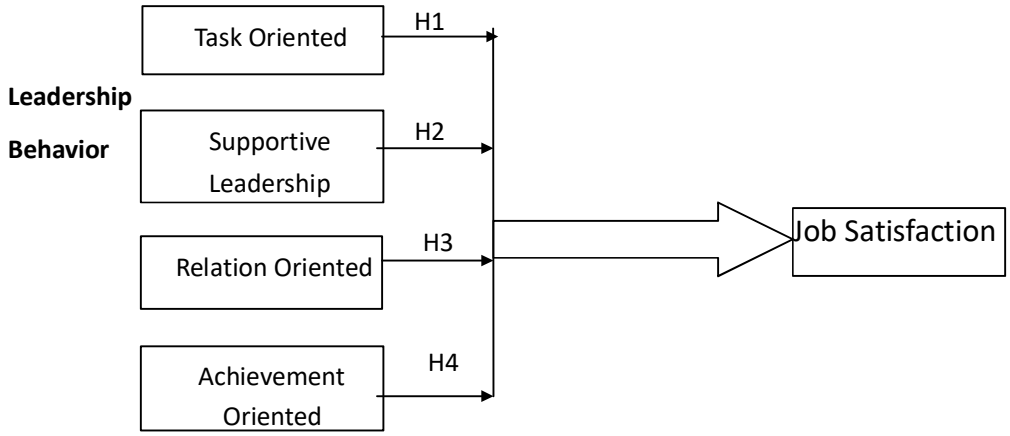

Figure 1:- Cconceptual framework (Northouse, 2013).

Table 1: Result of Multi co linearity test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Directive Leadership behaviours	.604	1.655
	Supportive Leadership behaviours	.472	2.119
	Participatory Leadership behaviours	.577	1.734
	Achievement Oriented	.340	2.944

a. Dependent Variable: JOB SATISFACTION Source: own survey 2022

Table 2: Descriptive Statistics of Normality Test

Variables	N	Skewness			Kurtosis
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Directive Leadership behaviours	254	-.199	.153	-.624	.304

Supportive Leadership behaviours	254	-.767	.153	.635	.304
Participatory Leadership behaviours	254	-.191	.153	.850	.304
Achievement Oriented	254	.599	.153	-.278	.304
JOB SATISFACTION	254	-.079	.153	-1.165	.304
Valid N (listwise)	254				

4.2 Regression analysis

As Table 3, shows the relationship between the independent variables (Directive LB, Supportive LB, Participatory L, and Achievement OL) and the dependent variable (Total Job Satisfaction). The table shows that there is a single regression model, with an R value of 0.442. This multiple correlation coefficient indicates a moderate strength of the linear relationship between the independent variables and the dependent variable. The R Square value of 0.195 suggests that the independent variables included in the model account for approximately 19.5% of the total variation in the dependent variable, Total Job Satisfaction.

The Adjusted R Square value of 0.182 provides a more conservative estimate of the explained variance, taking into account the number of independent variables in the model. This means that the model explains approximately 18.2% of the variability in the dependent variable, after adjusting for the number of predictors. The Std. Error of the Estimate is 0.68323, which represents the standard deviation of the residuals, or the average amount of error in the predictions made by the regression model. This relatively small value indicates a good fit of the model to the data and suggests that the predictions made by the model have a relatively low level of error.

Morever, the model summary table suggests that the multiple regression model has a moderate level of explanatory power, with the independent variables accounting for a substantial portion of the variance in the dependent variable, Job Satisfaction. These findings provide insights into the strength of the relationship between the leadership styles and employee job satisfaction, as well as the overall fit and reliability of the regression model used in the study.

The ANOVA table (4) presented in the study provides a statistical evaluation of the overall fitness and significance of the multiple regression model used to examine the relationship between the independent variables (Directive LB, Supportive LB, Participatory L, and Achievement OL) and the dependent variable (Job Satisfaction).

The table shows that the regression model is statistically significant, with an F-statistic of 15.0 and a corresponding p-value (Sig.) of 0.000, which is less than the commonly used significance level of 0.05. This indicates that at least one of the independent variables is a significant

predictor of the dependent variable, Job Satisfaction.

The sum of squares values in the table further support the model's overall fitness. The regression sum of squares is 28.142, which represents the variation in Job Satisfaction that is explained by the independent variables. The residual sum of squares is 72.0, which represents the variation in Job Satisfaction that is not accounted for by the model. The total sum of squares, which is the sum of the regression and residual sums of squares, is 116.233.

The degrees of freedom (Df) values in the table provide information about the number of parameters in the model. The regression model has 4 degrees of freedom, corresponding to the 4 independent variables included in the analysis. The total degrees of freedom is 249, which is the number of observations minus 1.

The mean square values, calculated by dividing the sum of squares by the respective degrees of freedom, further support the statistical significance of the regression model. The regression mean square of 7.036 is substantially larger than the residual mean square, leading to the high F-statistic value.

Overall, the ANOVA table indicates that the multiple regression model used in the study has a good overall fit and is statistically significant, suggesting that the independent variables collectively have a meaningful impact on the dependent variable, Job Satisfaction. These findings provide a strong foundation for the subsequent interpretation and discussion of the specific relationships between the variables.

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.442[a]	.195	.182	.68323

Predictors: (Constant), AOL, PL, DLB, SLB.

Dependent Variable: JOB SATISFACTION

Table 4: Model Fitness

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	28.142	4	7.036	15.0	.000[b]
	Residual	72				
	Total	116.233	249	.467		
a. Dependent Variable: Job Satisfaction						
b. Predictors: (Constant), AOL, PL, DLB, SLB						

Table 5: Regression coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.486	.477		5.214	.000
	Directive Leadership behaviors	-.107	.090	-.087	-1.195	.233
	Supportive Leadership behaviors	.192	.153	.104	1.254	.211
	Participatory Leadership behaviors	-.547	.132	-.309	-4.132	.000
	Achievement Oriented	.713	.131	.530	5.429	.000
Dependent Variable: Job Satisfaction						

Source: Own survey, 2022

The regression coefficients table (5) presented in the study provides a detailed examination of the individual relationships between the independent variables (Directive Leadership behaviors, Supportive Leadership behaviors, Participatory Leadership behaviors, and Achievement Oriented) and the dependent variable, Job Satisfaction.

The unstandardized regression coefficients (B) offer insights into the direction and magnitude of the relationships. The constant (intercept) value of 2.486 represents the predicted level of Job Satisfaction when all the independent variables are equal to zero. The negative coefficient of -0.107 for Directive Leadership behaviors suggests an inverse relationship with Job Satisfaction, indicating that higher levels of Directive Leadership behaviors are associated with lower levels of Job Satisfaction. In contrast, the positive coefficients for Supportive Leadership behaviors (0.192) and Achievement Oriented (0.713) imply that these variables have a positive influence on Job Satisfaction, such that higher levels are associated with increased Job Satisfaction.

The standardized regression coefficients (Beta) shed light on the relative importance of each independent variable in the model. The Beta value for Achievement Oriented (0.530) is the largest, suggesting that this variable has the strongest standardized effect on Job Satisfaction, followed by Participatory Leadership behaviors (-0.309). This indicates that a one-unit change in Achievement Oriented has a greater impact on Job Satisfaction compared to a one-unit change in the other independent variables.

The statistical significance of the relationships is evaluated using the t-values and corresponding p-values (Sig.). The p-values for Directive Leadership behaviors (0.233) and Supportive Leadership behaviors (0.211) are higher than the commonly used significance level of 0.05, indicating

that these variables are not statistically significant predictors of Job Satisfaction in the model. In contrast, the p-values for Participatory Leadership behaviors (0.000) and Achievement Oriented (0.000) are lower than 0.05, suggesting that these variables are statistically significant predictors of Job Satisfaction. This means that the relationships between these two independent variables and the dependent variable are unlikely to have occurred by chance.

Morever, the regression coefficients table provides valuable insights into the individual relationships between the leadership styles and employee job satisfaction. The findings highlight the importance of Participatory Leadership behaviors and Achievement Oriented as significant predictors of Job Satisfaction, while Directive Leadership behaviors and Supportive Leadership behaviors appear to have a less substantial impact on the dependent variable.

5. Conclusion and Implication

The results indicate a significant relationship between the various leadership behaviors (supportive, directive, participative, and achievement-oriented) and employee job satisfaction. This suggests that the leadership style adopted by the organization has a substantial impact on the level of job satisfaction experienced by the employees.

While the employees appear to be moderately satisfied with intrinsic factors such as the nature of their work, feelings of responsibility, and opportunities for growth and development, their satisfaction with extrinsic factors like salary, benefits, and promotion prospects is relatively low. This could be due to the perception that other organizations in the industry offer more competitive compensation and benefits packages.

The regression analysis reveals that the dominant leadership behavior exhibited in the organization is participative in nature. However, the findings suggest that the employees' job satisfaction does not primarily depend on this participative leadership style. Instead, the leadership behavior that has a direct and significant impact on job satisfaction is the achievement-oriented approach.

Conversely, the employees appear to be dissatisfied with directive and participative leadership behaviors, as they tend to be more task-oriented rather than focused on employee relationships. Employees seem to prefer a more friendly and supportive work environment over one that is overly focused on strict rules and regulations.

The findings of this study can provide valuable feedback for the organizational leaders to understand how their leadership style is perceived by the employees and how this perception affects the employees' job satisfaction levels. Since organizational performance and effectiveness are closely tied to employee job satisfaction, it is crucial for the leaders to address these insights.

To enhance employee job satisfaction, the organization's leaders should focus on improving the quality of the achievement-oriented relationships between themselves and the employees. By emphasizing an achievement-oriented leadership approach, the organization can potentially increase the satisfaction and successful task completion of its employees, ultimately contributing to the achievement of the organization's goals and

objectives.

Based on the regression analysis and conclusions, the key recommendations are:

Leaders should focus on adopting an achievement-oriented leadership style, as this has been identified as the leadership behavior that has a direct and significant positive impact on employee job satisfaction. Fostering achievement-oriented relationships between leaders and employees can enhance the overall satisfaction levels.

Supportive leadership behaviors should also be emphasized, as they create a friendly and respectful work environment that caters to the well-being and needs of the employees, leading to increased job satisfaction.

The organization should minimize the participative leadership approach, as it was found to have a weak impact on employee job satisfaction in this context. The tasks performed by the employees are likely routine rather than complex, reducing the need for excessive participative decision-making.

Directive leadership behaviors should also be reduced, as they were found to have a negative impact on employee job satisfaction. The nature of the work does not necessitate a high degree of directive supervision.

While directive and participative leadership may not have a significant direct effect on job satisfaction, the organization should ensure that employees have clear and understandable goals, as this can help motivate them and contribute to their overall performance.

The organization should assess and address the extrinsic factors, such as salary and benefits, to ensure they are competitive within the industry and meet the expectations of the employees, thereby enhancing their satisfaction with these aspects.

Periodic job satisfaction surveys should be conducted to identify areas for improvement, and appropriate corrective actions should be taken based on the findings.

Further research is recommended to explore the relationships between various leadership behaviors and their effects on job satisfaction in different organizational contexts

Conflict of Interests

The authors declare that there's no conflict of interest concerning to the publication of this article.

References

Rad, A. M. M., & Yarmohammadian, M. H. (2006). A study of relationship between managers' leadership style and employees' job satisfaction. Leadership in Health Services, 19(2), 11–28.

Ahmed, A., & Halim, A. (1982). Social support and managerial affective responses to job stress. Journal of Occupational Behavior, 3(4), 281–295.

Alanazi, A., Alharthey, B. K., & Rasli, A. (2013). Overview of path-goal leadership theory. Jurnal Teknologi (Social Sciences), 64(2),

49–53.

Barusman, A. R. P., & Mihdar, F. (2014). The effect of job satisfaction and organizational justice on organizational citizenship behavior with organization commitment as the moderator. International Journal of Humanities and Social Science, 4(9).

Athar, W. (2014). Factors influencing job satisfaction and its impact on job loyalty. International Journal of Learning & Development, 4(2), 1–21.

Aziri, B. (2008). Human resource management, job satisfaction and motivation of employees. Gostivar, Macedonia: Tringa Design.

Bass, B. M. (1985). Leadership and performance beyond expectations. New York: Free Press.

Brockner, J. (1988). Self-esteem at work. Lexington, MA: D. C. Heath and Company.

Bycio, P., Hackett, R. D., & Allen, J. S. (1995). Further assessments of Bass's conceptualization of transactional and transformational leadership. Journal of Applied Psychology, 80(4), 468–478.

Silverthorne, C. (2001). A test of the path-goal leadership theory in Taiwan. Leadership & Organization Development Journal, 22(4), 151–158.

Castillo, J. X., & Cano, J. (2004). Factors explaining job satisfaction among faculty. Journal of Agricultural Education, 45(3), 65–74.

Chen, P. Y., & Spector, P. E. (1991). Negatively affectivity as the underlying cause of correlations between stressors and strains. Journal of Applied Psychology, 76, 398–407.

Chiok Foong Loke, J. (2001). Leadership behaviours: effects on job satisfaction, productivity and organizational commitment. Journal of Nursing Management, 9(4), 191–204.

Chioma, E., Japheth, A., & Oluseyi, A. (2016). A review of leadership theories, principles, styles and their relevance to management of health science libraries in Nigeria, 1(1), 17–26.

Chughati, F. D., & Perveen, U. (2013). A study of teachers' workload and job satisfaction in public and private schools at secondary level in Lahore city Pakistan, 2(1), 202–214.

Çinar, O., & Karcıoğlu, F. (2012). The level of job satisfaction in the public sector: A survey study in the province of Ağrı, Eastern Anatolia, Turkey. Economics and Management, 17(2), 712–718.

Alderfer, C. P. (1969). Existence, relatedness, and growth; human needs in organizational setting. An empirical test of new theory of human need.

Deci, E. L., & Ryan, R. M. (1985). Intrinsic mo-

tivation and self-determination in human behaviour. New York: Plenum.

Study on the Evaporation and Evapotranspiration Measured on the Căldăruşani Lake (Romania). *Procedia Environmental Sciences*, *32*, 281–289.

Tumbare, M. J. (2008). Managing Lake Kariba sustainably: threats and challenges. *Management of environmental quality: An international journal*.

Valipour, M. (2015). Temperature analysis of reference evapotranspiration models. *Meteorological Applications*, *22*(3): 385–394.

Van der Weert, R. and Kamerling, G. E. (1974). Evaporation of water hyacinth *(Eichhornia crassipes). J. of hydrobiology,* 22: 201-212.

Villamagna, A. M., and Murphy, B. R. (010). Ecological and socio-economic impacts of invasive water hyacinth (*Eichhornia crassipes):* a review. *Freshwater biology*, *55*(2): 282-298.

Xu, C. Y. and Singh, V. P.(1998). Dependence of evaporation on meteorological variables at different time-scales and inter comparison of estimation methods. *Hydrological processes 12*(3): 429-442.

Zhao, J., Xu, Z. X., Zuo, D. P., & Wang, X. M. (2015). Temporal variations of reference evapotranspiration and its sensitivity to meteorological

Vol 5. (1), 11-23
ISSN:
URL: www.queenscollege.edu.et
Email: info@queenscollege,net

Queens' Journal of Interdisciplinary Research and Development

Full Length Research Paper

Effects of Leadership Style on Employee Performance: The case of Dashen Bank

Yonas Chane[1]*

[1]DQueens College, Addis Ababa, Ethiopia

Article Info

Article History

Received: 5 April 2022

Published: Auguest 2022

Keywords:

Leadership Styles: Autocratic, Bureaucratic, Charismatic, Democratic, Laissez-Faire, Transformational, Transactional, and Employee performance

Abstract

This study examined the relationship between leadership style and employee performance at Dashen Bank in Addis Ababa, Ethiopia. The target population was 130 employees across different branch locations, selected using a purposive sampling approach to gather the most relevant information. The researchers used standardized questionnaires to assess leadership styles and employee performance. Demographic characteristics were analyzed, and correlation and linear regression were used to examine the relationship between leadership style and performance. The findings showed that the laissez-faire leadership style had the most significant positive effect on employee performance at Dashen Bank. However, the researchers concluded that this style should be minimized, as prior studies have suggested that transactional and transformational leadership styles are more effective for driving desired individual and organizational outcomes.The study highlights the critical role that leadership style plays in influencing employee performance. An effective leader who commands respect and trust from followers is essential for maximizing productivity and achieving organizational goals. The researchers recommend further investigation into how different leadership approaches impact employee engagement and performance within the banking sector.

Licensed under a Creative Commons Attribution-Non Commercial 4.0 International License.

* *Corresponding Email:* yonaschanelew21@gmial.com

1. Introduction

Leadership style has been a challenging topic for organizational effectiveness. Therefore, different leadership styles have been studied across several decades, and the modern theory was proposed by Bass. This model consists of three types: Transformational, Transactional, and Laissez-Faire Leadership (Bass, 1990; Gordon, 1993; Bass & Avolio, 1994; Glad & Blanton, 1997; Pillai et al., 1999; Greenberg & Baron, 2000; Sosik & Godshalk, 2000; Eren, 2010; Lather et al., 2009; Giri & Santra, 2010).

The success of an organization is reliant on the leader's ability to optimize human resources. A good leader understands the importance of employees in achieving the organization's goals, and motivating these employees is paramount in achieving these goals. To have an effective organization, the people within the organization need to be inspired to invest themselves in the organization's mission - the employees need to be stimulated so that they can be effective; hence, effective organizations require effective leadership (Wall et al., 1996). Fiedler and House (1988) indicate that organizational performance will suffer in direct proportion to the neglect of this. Ultimately, it is the individual employee who either performs or fails to perform a task. In order for an organization to perform, an individual must set aside their personal goals, at least in part, to strive for the collective goals of the organization (Cummings & Schwab, 1973). In an organizational context, the very nature of performance is defined by the organization itself (Cummings & Schwab, 1973). Employees are of paramount importance to the achievement of any organization. Thus, effective leadership enables greater participation of the entire workforce and can also influence both individual and organizational performance (Bass, 1997; Mullins, 1999). Effective leader style facilitates the attainment of the follower's desires, which then results in effective performance (Fiedler & House, 1988; Maritz, 1995; Ristow et al., 1999). Preliminary research undertaken by Booysen and Van Wyk (1994, in Swanepoel et al., 2000) in a South African context found that outstanding leaders, in terms of effectiveness, are perceived to show a strong, direct, but democratic and participative leadership style, and are seen as agents of change and visionaries who increase organizational performance. Maccoby (1979, in Botha, 2001) indicates that the need of firms to flourish in the world of escalating competitiveness, technological advances, changing government regulations, and changing employee attitudes requires an advanced level of leadership more than ever before. The increasingly competitive global economy has pushed companies to exploit their available resources as a means of achieving competitive advantage. In this regard, leadership is critically important because it has a great impact on the condition of the organization. The purpose of this quantitative study is to investigate the relationship between leadership style and employees' performance. The research is cross-sectional. The research approach applied for this study is quantitative, where both descriptive and explanatory analyses have been deployed. The target population of this study would be the employees of Dashen Bank working in the Addis Ababa area at

the branch level, which includes the WAAD district. Hence, 329 employees would be selected as the sample of the study.

Generally, managers need to improve their style to the highest level to improve organizational and employees' performance. The business environment is changing radically as a result of major societal forces, such as technological advances, globalization, deregulation, consumer awareness, and competition, which are affecting organizational performances and creating new styles and challenges. Although many factors may influence the performance of an organization, there can be little doubt that the quality of leadership available to it will be one of the most critical determinants of ultimate success. In recognition of this fact, tremendous effort and resources have been expanded, with varying degrees of success, to identify and develop personnel who will occupy the positions of leadership needed to meet present and future organizational requirements. Effective leadership style is seen as a strong source of management development and sustained competitive advantage; leadership style helps organizations achieve their current objectives more efficiently by linking employee performance to valued rewards and by ensuring that employees have the resources needed to get the job done. Sun (2002) compares leadership style with leadership performance in schools and enterprises and found that leadership style had a significantly positive correlation with organizational performance in both schools and enterprises. Broadly speaking, leadership performance is identical with organizational performance.

Business management attributes their successes to leadership efficiency, that is, the leadership style of administrative supervisors has a considerable effect on organizational performance (Sun, 2002). Fu-Jin et al. (2010) lecture that when executives use their leadership style to demonstrate concern, care, and respect for employees, it would increase the interest of employees in their work and enable them to put up better performance, thereby affecting their job satisfaction positively. Therefore, the current study tried to examine the effect of leadership style on employees' performance.

Many studies have asserted that leadership styles can facilitate the improvement of both leadership capability and the performance of followers. This ultimately contributes to enhancing organizational performance. Leadership style is a significant factor in enhancing individuals' interest and motivation in an organization (Obiruwu et al., 2011; Riaz, Akram, & Ijaz, 2011; Chi, Lan, & Dorjgotov, 2012).

However, the literature has shown some controversy regarding the relative importance of different leadership styles on organizational performance. Certain studies have indicated that transformational leadership has a positive impact on employee performance, while transactional leadership has a negative impact (Rejas, Ponce, Almonte & Ponce, 2006). Other studies have found that transactional leadership has a significant positive effect on organizational performance, while transformational leadership has a positive but insignificant effect (Obiruwu et al., 2011). Additionally, some research has shown that transactional leadership style provides higher satisfaction and organizational performance compared to transformational leadership (Wu, 2009; Epitropaki and Martin, 2005).

The main research questions of this study are:

1) *What was the nature of leadership style in Dashen Bank (DB)?*
2) *What are the relationships between the effects of leadership and organizational performance issues in DB?*
3) *What are the relationships between leadership styles and individual performance in DB?*
4) *What was the relationship between demographics and employee performance?*

Therefore, the general objective of this study was to identify the effects of transformational, transactional, and laissez-faire leadership styles on employee performance in Dashen Bank.

2. Theorethical Framework

The conceptual framework emphasizes that previous theoretical studies on performance appraisal processes were primarily focused on accuracy. However, in the context of contemporary performance management in organizations, the trend has shifted towards improving employee performance and motivating employees to enhance their performance.

Moreover, performance appraisal systems designed to increase performance now place greater importance on directing research towards improving employee performance, rather than solely on performance accuracy. The focus on performance management and strategic human resources management has brought a new perspective to this field. Researchers have highlighted the role of the employee performance appraisal context and have identified contextual factors that have a significant influence on the performance appraisal process.

Therefore, the proposed model underlines the new trends in the field, considering the strategic integration of human resources management, the role of contextual factors influencing the performance appraisal process, and the adoption of customized performance criteria and standards adjusted to the organizational context where performance appraisal is implemented. This process of performance management includes group assessments, peer reviews, and written reports (Hellriegel, et al., 2004). In recent years, performance management systems have become more important because managers are under constant pressure to improve the performance of their organizations (Holloway, Francis and Hinton, 1999).

Given that the performance of organizations influences their continued existence, it is necessary to discuss the notion of managing performance. Leadership has been defined from different sources, and some of the definitions are discussed below. The traditional perspectives of leadership perceive the concept of leadership as inducing compliance, respect, and cooperation. In other words, the leader exercises power over the followers to obtain their cooperation (Anderson et, al., 1998).

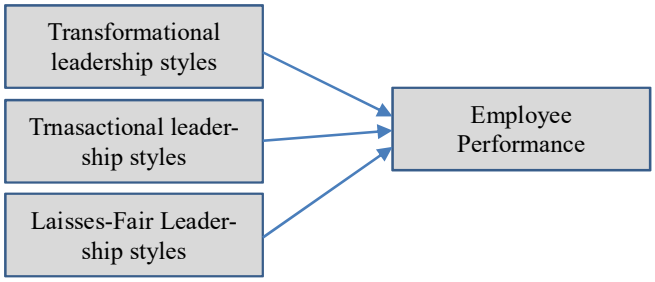

Figure 1: Conceptual framework, 2022

3. Methods and Materilas

The research design used in this study involved both descriptive and explanatory approaches. The descriptive design was used to describe Dashen Bank's leadership styles practices and their implementation to enhance employee performance. The explanatory design was employed to examine the effects of the independent variables (leadership styles) on the dependent variable (employee performance).

The study adopted a quantitative research approach based on a positivist philosophy. The target population was the employees of Dashen Bank's head office and selected branches in Addis Ababa. A sample size of 140 respondents was determined using Yamane's (1967) formula. Both primary data (collected through structured questionnaires) and secondary data (from published and unpublished sources) were utilized.

The reliability of the measurement instrument was assessed using Cronbach's alpha, which showed high internal consistency for all the constructs. Data analysis involved descriptive statistics, Pearson correlation, and multiple regression modeling to examine the effects of leadership styles (transformational, transactional, and Laisse-Faire Leadership).

The model specification expressed in the following way:

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon i \quad \text{.....Eq. 1}$$

Where:

Y = Dependent variable (Employee Performance = EP)

β0 = Intercept

X1 = Transformational Leadership style

X2 = Transactional Leadership style

X3 = Laissez-Faire Leadership style

ε = Error term

4. Results and Discussion

4.1 Relationship between leadership styles and employee performance in Dashen Bank

The correlation table displays the strength and direction of the relationship between the variables, ranging from -1 to 1. A correlation close to 1 indicates a strong positive relationship, while a correlation close to -1 suggests a strong negative relationship. A correlation of 0 indicates no linear relationship between the variables. The correlation matrix provided offers valuable insights into the relationship between different leadership styles and employee performance in the selected Dashen Bank Branches. Each correlation coefficient (r) indicates the strength and direction of the relationship between the variables.

The correlation analysis reveals some interesting insights into the relationship between the different leadership styles and employee performance at Dashen Bank. The strongest positive correlation is observed between transformational leadership style (TLS) and employee performance, with a Pearson correlation coefficient of 0.641. This indicates a strong, statistically significant ($p < 0.01$) positive relationship, suggesting that as the level of transformational leadership behaviors exhibited by managers increases, their employees tend to demonstrate higher levels of performance. Transformational leaders, who inspire and motivate their followers, provide individual-

ized consideration, and stimulate intellectual engagement, appear to be particularly effective in driving improved employee outcomes at the bank.

The correlation between transactional leadership style (TrLS) and employee performance is also positive and statistically significant, though not as strong as the transformational leadership link. The Pearson correlation coefficient is 0.531, indicating a moderate positive relationship. This implies that when managers rely more on contingent reward and management-by-exception approaches, their employees also tend to perform better, though to a lesser degree than under transformational leadership.

Interestingly, the laissez-faire leadership style (LLS) also exhibits a moderate positive correlation with employee performance, with a Pearson coefficient of 0.453. While this "hands-off" approach to leadership is typically associated with poorer outcomes, the data from Dashen Bank suggests that a certain degree of autonomy and freedom afforded to employees may also contribute to enhanced performance, though not to the same extent as the more active leadership styles.

Morever, the correlation analysis highlights the multifaceted nature of leadership and its impact on employee performance within the context of Dashen Bank. While transformational leadership appears to be the most effective in driving positive outcomes, transactional and even laissez-faire approaches also play a role in shaping the performance of the bank's workforce.

4.2 The effect of leadership styles on employee performance in Dashen Bank

4.2.1 Assumptions

The Dashen Bank study utilized a multiple regression model to examine the effects of different leadership styles on employee performance within the banking sector. This statistical approach allowed the researchers to explore how each specific leadership style - transformational, transactional, and laissez-faire - independently influenced organizational performance outcomes.

To provide a comprehensive understanding of the regression analysis, the study delved into several key components. First, it addressed the regression assumptions to ensure the validity and reliability of the statistical inferences. These assumptions included linearity, independence of errors, homoscedasticity, normality of residuals, and absence of multicollinearity. By verifying that these fundamental assumptions were met, the study established a robust analytical foundation for interpreting the regression results accurately.

The model summary section then presented crucial information about the overall fit of the regression model. This included metrics such as the multiple correlation coefficient (R), the coefficient of determination (R-squared), and the adjusted R-squared, which indicated the proportion of variance in employee performance that could be explained by the leadership style variables.

Furthermore, the ANOVA (Analysis of Variance) table was provided, which assessed the statistical significance of the regression model as a whole. This table demonstrated whether the leadership styles, collectively, had a significant impact on

the dependent variable of employee performance. Lastly, the study delved into the regression coefficients, which offered detailed insights into the individual relationships between each leadership style and employee performance. The unstandardized regression coefficients (B) and their associated p-values were presented, allowing for the interpretation of the directional and statistical significance of the effects of transformational, transactional, and laissez-faire leadership on organizational performance in the public sector context.

By thoroughly examining these components of the multiple regression analysis, the Dashen Bank study provided a comprehensive understanding of the complex interplay between different leadership approaches and their influence on employee performance outcomes within the banking industry.

Figure 2 illustrates a histogram demonstrating the distribution of the data, marking a pivotal step in verifying the assumptions for multivariate analysis and ensuring the accuracy of regression results. In scrutinizing the normality of residuals, both a histogram and a normal probability plot were utilized. The histogram revealed a symmetrical and bell-shaped distribution, indicative of a balanced dataset, while the normal probability plot showcased close adherence to a normal distribution pattern. These analyses provided robust validation of the data's normality and supported the reliability of the regression findings.

As Figure 3 show, the linearity assumption in the study suggests a linear relationship between leadership styles and organizational performance, indicating that plotted scores should form a straight line rather than a curve. Upon examination, the plots illustrated an almost linear relationship between the variables without any signs of non-linearity, confirming the satisfaction of the linearity assumption. Normal P-P residual plots were employed to verify this assumption, depicting residuals against predicted values of the dependent variable or independent variables. This meticulous assessment ensured the adherence to the linearity assumption, enhancing the validity and reliability of the study finding.

Table1: Pearson correlation coefficient

Variables		TLS	TrLS	LLS	OP
Transformational leadership style (TLS)	Pearson Correlation	1	.604**	.340**	.641**
	Sig. (2-tailed)		.000	.000	.000
	N	138	138	138	138
Transactional leadership style (TrLS)	Pearson Correlation	.604**	1	.160	.531**
	Sig. (2-tailed)	.000		.061	.000

	N	138	138	138	138
Laissez-faire leadership style (LLS)	Pearson Correlation	.340**	.160	1	.453**
	Sig. (2-tailed)	.000	.061		.000
	N	138	138	138	138
Employee Performance	Pearson Correlation	.641**	.531**	.453**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	138	138	138	138
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: own survey, 2022

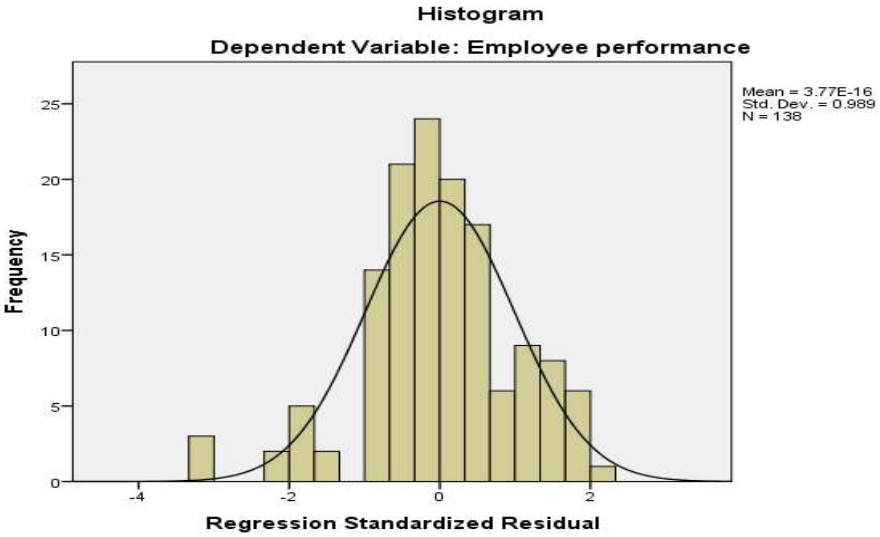

Figure 2: Histogram (Source: own survey, 2022)

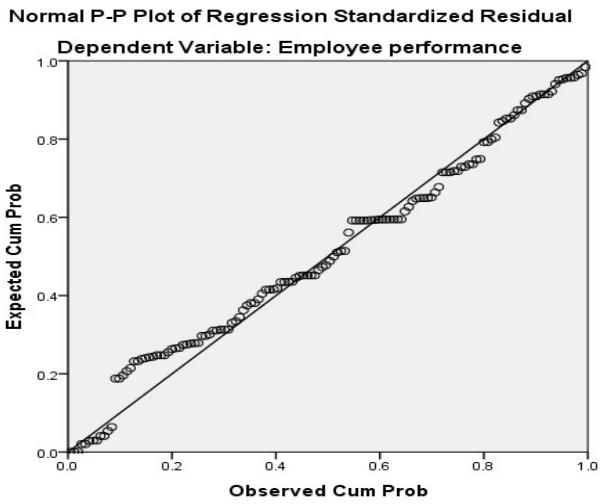

Figure 3: Normal P-P plot (own survey, 2022)

The researcher conducted a thorough check for multicollinearity issues before proceeding with the regression analysis. Multicollinearity arises when independent variables exhibit high correlations, leading to shared predictive power. Tolerance and Variance Inflation Factors (VIF) are common diagnostics used to detect multicollinearity. A tolerance value close to 1 and a VIF value around 1 (but not exceeding 10) indicate no multicollinearity between variables. As per Mills et al. (2010), tolerance levels above 0.10 and VIF values below 10, as observed in Table 8, suggest the absence of multicollinearity. This robust assessment ensures the reliability and accuracy of the regression model results.

Table 2: Multicollinearity test

Variables in the model		**Collinearity Statistics**	
		Tolerance	**VIF**
Model 1	Transformational leadership style	.826	1.742
	Transactional leadership style	.398	1.581
	Laissez-faire leadership	.246	1.135

Source: own survey, 2022

4.2.2 Regression analysis

Model summary

The model summary provides a comprehensive overview of how well the regression model fits the data and predicts organizational performance due to leadership styles. Thus, the Key metrics such as R-squared, adjusted R-squared, F-statistic, and significance levels offer insights into the overall effectiveness and significance of the regression model in explaining the variance in the organizational performance.

In Table 10, the "R" value is used to assess the strength and direction of the relationship between the predictor variables (Leadership styles: transformational, transactional, and laissez-faire) and the outcome variable (organizational performance). A value closer to 1 indicates a stronger relationship, with 1 representing a perfect prediction of the observed value. In this study, the calculated "R" value is .715 (71.5%), demonstrating a strong positive correlation between the predictor variables and the dependent variable. The "R Square" value in this study is .512(51%). This signifies that the independent variables accounted for 51% of the variance in employees' job performance. Additionally, the "Adjusted R Square" is a measure that controls for both the number of cases and variables included in the model. In this study, the adjusted R square suggests that the various leadership styles can predict employees' job performance.

Table 3: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.715[a]	.512	.501	.64311	1.520
a. Predictors: (Constant), LLS, TrLS, and TLS,					
b. Dependent Variable: Employee Performance					

Source: own survey, 2024

Model Fitness

Table 4 shows the ANOVA table result. The ANOVA table, or analysis of variance table, assesses the statistical significance of the regression model as a whole. It examines whether the variation in organizational performance can be attributed to leadership styles under investigation. The ANOVA table provides critical information on the overall impact of the independent variables on dependent variable helps to determine the model's overall significance.

The most important part of the table is F-ratio, which is 46.782 which is significant (P-value = .000 < 0.01). The F-ratio is

measure of how much the model has improved the predication of the dependent variable: "employee performance". Therefore, the ANOVA table shows that the combination of the five styles of leadership significantly predicts the dependent variable (organizational performance). Generally, a good model should have a large F-ratio (46.782) which is greater than one at least because the mean square regression is greater than the mean square residual.

Table 4: Model Fitness

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	58.045	3	19.348	46.782	.000b
	Residual	55.421	134	.414		
	Total	113.466	137			
a. Dependent Variable: Employee performance						
b. Predictors: (Constant), LLS, TrLS, TLS						

Source: Own survey, 2022

Regression coefficients

From Dashen Bank's point of view, the regression analysis provides invaluable insights into the relationship between different leadership styles and employee performance within the organization. These findings offer significant guidance for the bank to enhance its leadership practices and maximize the productivity of its workforce.

The most compelling takeaway is the strong positive impact of transformational leadership style (TLS) on employee performance. With a standardized Beta coefficient of 0.398, transformational leadership emerges as the most influential factor in driving organizational outcomes. This underscores the importance for Dashen Bank to focus on developing and promoting transformational behaviors among its managers and supervisors. Investing in training and development programs to equip leaders with the skills to inspire, motivate, and intellectually stimulate their employees should be a top priority for the bank.

While not as impactful as transformational leadership, the positive and significant relationship between transactional leadership style (TrLS) and employee performance (B = 0.244, p = 0.002) indicates that Dashen Bank should also incorporate elements of this leadership approach. Transactional leadership, with its emphasis on contingent

rewards and active management-by-exception, can complement the bank's transformational efforts to create a more balanced and effective leadership framework.

Interestingly, even the laissez-faire leadership style (LLS) exhibits a positive and statistically significant association with employee performance (B = 0.277, p < 0.001). This suggests that a certain degree of autonomy and empowerment granted to employees may also contribute to enhanced productivity, though to a lesser extent than the more active leadership styles. Dashen Bank could explore ways to strike the right balance between providing guidance and allowing for employee independence, depending on the specific needs and preferences of its workforce.

By understanding the nuanced effects of these leadership styles, Dashen Bank can develop a comprehensive leadership development strategy that combines the strengths of transformational, transactional, and even laissez-faire approaches. This multifaceted approach can help the bank cultivate a highly engaged and productive workforce, ultimately contributing to its overall organizational success.

Table 5: Regression coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.826	.269		3.077	.003
	Transformational LS	.376	.075	.398	4.991	.000
	Transactional LS	.244	.075	.246	3.235	.002
	Laissez-Faire LS	.277	.064	.279	4.335	.000
a. Dependent Variable: Employee performance						

5. Conclusion and implications

The regression analysis conducted on the relationship between leadership styles and employee performance at Dashen Bank has provided the organization with invaluable insights that can guide its future strategic and operational decisions. The key takeaway for Dashen Bank is the powerful influence of transformational leadership style (TLS) on driving positive organizational outcomes. With a standardized Beta coefficient of 0.398, transformational

leadership emerged as the most impactful factor in predicting employee performance. This underscores the critical importance for Dashen Bank to invest heavily in developing transformational leadership capabilities among its managers and supervisors.

Dashen Bank should design and implement comprehensive leadership development programs that focus on equipping its leaders with the necessary skills to inspire, motivate, and intellectually stimulate their employees. Specific areas of focus should include cultivating a shared vision, providing individualized consideration, fostering an environment of trust and collaboration, and encouraging innovative problem-solving. By embedding transformational leadership practices throughout the organization, Dashen Bank can unlock the full potential of its human capital and drive sustained improvements in employee productivity and engagement.

While transformational leadership stands out as the most influential, the study also revealed significant positive relationships between both transactional leadership style (TrLS) and laissez-faire leadership style (LLS) with employee performance. This suggests that Dashen Bank should adopt a more balanced and multifaceted approach to leadership development.

The positive impact of transactional leadership ($B = 0.244$, $p = 0.002$) indicates that Dashen Bank should incorporate elements of contingent reward systems and active management-by-exception into its leadership framework. Effectively combining transformational and transactional approaches can create a holistic leadership model that provides both inspirational guidance and clear performance-based incentives.

Surprisingly, the laissez-faire leadership style also exhibited a statistically significant positive association with employee performance ($B = 0.277$, $p < 0.001$). This implies that Dashen Bank should not completely dismiss the value of granting a certain degree of autonomy and empowerment to its employees. By striking the right balance between directive leadership and employee independence, the bank can foster an environment that nurtures both individual initiative and collective productivity.

Morever, Dashen Bank's strategic leadership development initiatives should focus on the following key priorities:

- Strengthening transformational leadership capabilities across all levels of management
- Integrating transactional leadership practices to complement the transformational approach
- Exploring ways to selectively incorporate laissez-faire leadership elements, while maintaining appropriate guidance and support for employees.

Therefore, by adopting this multifaceted leadership strategy, Dashen Bank can cultivate a highly engaged, motivated, and high-performing workforce that is poised to drive the organization's continued success in the years to come.

Conflict of Interests

The authors declare that there's no conflict of interest concerning to the publication of this article

Reference

Alimo-Metcalfe, B. & Alban-Metcalfe, J. (2001).„The development of a new

Transformational Leadership Questionnaire“. The Journal of Occupational & Organizational Psychology, 74, 1-27

Allen N J and Meyer J P (1990), “The Measurement and Antecedents of Affective

Allen, N. & Meyer, J. (1990).The measurement and antecedents of affective, continuance, and Allen, N. &

Meyer, J. (1996).The measurement and antecedents of affective, continuance, and Allen, N. J., & Meyer, J. P. (1990).The measurement and antecedents of affective, continuance, and normative commitment to the organization. Journal of Occupational Psychology, 63, 1-18.

Avolio,B.J.,Zhu,W.,Koh,W.,&Bhatia,P.(2004).Transformational leadership and organizational commitment:

Mediating role of psychological empowerment and moderating role of structural distance. Journal of Organizational Style, 25, 951–968.

Barling, J.,Weber,T.,&Kelloway,K.E.(1996).Effects of transformational leadership training on attitudinal and financial outcomes: A field experiment. Journal of Applied Psychology, 81(6), 827– 832.

Bass B. M. (1990). Bass &Stogdill's Handbook of Leadership (3rd Ed). New York: Free Press (1985).

Leadership and Performance beyond Expectations. New York: Free Press (1981). Stogdill's Handbook of Leadership.NY Free Press.Begley, T & Boyd, D (1987).

Bass B. M. and Becker, Thomas E. (1992), Foci and Bases of Commitment: Are They Distinctions worth

Making?, Academy of Management Journal, Vol. 35, No.1, pp. 232-244. Bass, B.

&Avolio, B. (1990). Transformational leadership development: Manual for the Bass, B.

&Avolio, B. (1995). MLQ Multifactor leadership questionnaire. Redwood City, CA: Bass,

B. &Avolio, B. (1997). Full range leadership development: Manual for the multifactor Bass,

B. &Barret, G. (1981). People, work and organizations: An introduction to industrial and Bass,

B. (1960). Leadership, psychology, and organizational style. New York, NY: Harper. Bass,

B. (1967). Some effects on a group of whether and when the head reveals his opinion. Bass,

B. (1985). Leadership and performance beyond

B. M., Avolio, B. J., Jung, D. I., &Berson, Y. (2003).Predicting unit performance by assessing transformational and transactional leadership. Journal of Applied Psychology, 88(2), 207–218.

Bass, B.M. &Avolio, B.J. (Eds.). (1994). Improving organizational effectiveness through transformational leadership. Thousand Oaks, CA: Sage Publications.

Bass, B.M. &Avolio, B.J. (Eds.). (1994). Improving organizational effectiveness through transformational leadership. Thousand Oaks, CA: Sage Publications.

Bass, B.M. (1985), Leadership and performance beyond expectations, New York: Free Press. Bass, B.M., &Avolio, B.J. (1993).Improving organizational effectiveness through transformational leadership. Thousand Oaks, CA: Sage.

Vol 5. (1), 24-34
ISSN:
URR: www.queenscollege.edu.et
Email: info@queenscollege.net

Queens' Journal of Interdisciplinary Research and Development

Full Length Research Paper

Growth of Small and Medium Enterprises in Addis Ababa Administration In The Case Of Kolfe Keranyo Sub City

Mohammed Hussein[a]

[a]Yardistic International College

Article Info

Article History

Received: 20 April 2022

Published: Auguest 2022

Keywords:

Micro and small enterprises, growth, and growth determinants

Abstract

Small and Medium Enterprises (SMEs) are a vital component of the economies in both developed and developing countries. Beyond their economic significance, SMEs are a major focus for policymakers, economists, and various other stakeholders. This study aims to address the gap in understanding the key challenges facing the SME sector. Specifically, the study examines the factors affecting the growth of SMEs in the Kolfe Keranyo sub-city of the Addis Ababa Administration, with a focus on the trade, urban agriculture, manufacturing, service, and construction sectors. Using a combination of quantitative and qualitative approaches, the researchers collected data through a questionnaire distributed via proportional stratified sampling. The analysis, conducted using SPSS software, revealed several major factors hindering the growth of SMEs in the region. These include a lack of access to capital, limited marketing opportunities, poor infrastructure, inadequate human skills, and deficient managerial capabilities. The findings indicate that access to capital, availability of suitable working premises, supportive government policies, access to markets, and infrastructure development are all crucial determinants of SME success and growth By identifying these critical factors, the study provides valuable insights that can inform policymaking and support initiatives to strengthen the SME sector in the Addis Ababa region. Addressing the barriers faced by small and medium enterprises is essential for unleashing their full potential as engines of economic development and job creation in both developed and developing economies.

Licensed under a Creative Commons Attribution-Non Commercial 4.0 International License.

* *Corresponding Email:* abby9172@gmail.com

1. Introduction

Small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ less than a given number of employees. This number varies across countries, with the most frequent upper limit designating an SME as 250 employees, as in the European Union (European Commission, 2003). However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees (OECD, 2005). The labor surplus theory argued that the driving force behind SME development is excess labor supply, which cannot be absorbed in the public sector or large private enterprises and is forced into SMEs in spite of poor pay and low productivity (Ranis & Stewart, 1999). The output demand theory postulates that the development of the SME sector in developing countries is driven by the existence of a market for their products and services (Pack & Westphal, 1986). The firm growth theory contends that as a result of industrialization and economic growth, SMEs are likely to disappear and be replaced by modern large-scale industry (Schumpeter, 1950).

Ethiopia is one of the developing countries in Africa that has prioritized SME development for economic growth, employment generation, and building an industrial economy. In 1997, the government designed a National MSEs Development and Promotion Strategy to facilitate and pave the ground for the growth and development of the sector (Ministry of Trade and Industry, 1997). The primary objective of the strategy was to create a favorable environment for MSEs so that they could facilitate economic growth, create long-term jobs, strengthen cooperation, provide a basis for medium and large-scale enterprises, and promote export. The direct policy support for SMEs includes access to markets, finance, industrial extension, training, and technological support.

This research aims to assess the performance and challenges of SMEs in the Kolfe Keranyo sub-city of Addis Ababa, Ethiopia, with respect to job creation, market linkages, savings, and SME growth levels. The research will focus on identifying both internal and external factors affecting the growth of this critical sector for Ethiopia's economic development.

Small and medium-size enterprises (SMEs) play a very important economic and social role, both in the economy and in reduction of unemployment. In Ethiopia, SMEs have a problem of finance when establishing the business as most individual sources of finance come from family & friends, personal savings and loans acquired from relatives, and money lenders with high amount of interests (MoTI, 2005).

The researcher used a decision hierarchy model developed by Ta & Har (2000). In this model, seven parameters are identified to measure the growth of SMEs. Using these variables, various studies have been conducted by different researchers, however

the results show no consistency, which is one rationale behind the present study. Almossawi (2001) pointed out that although studies done in developed counties have contributed significantly to the literature on SMEs, their findings may not have universal applicability, due to differences in cultural, economic, and legal environments.

In the context of Ethiopia, various studies have investigated SMEs, such as Fetene (2010) and Dereje (2012), but they have focused only on access to finance. Therefore, the researcher believes that the current study fills an important gap by considering other determinants of small and medium enterprises. However, the previous studies used simple descriptive analysis and did not include the most important variables, nor did they employ statistical tests or focus on a specific sub-city rather than Addis Ababa as a whole.

The research aims to address the time gap, as no recent research has been conducted in the Kolfe Keranyo sub-city. This is one of the basic central points of the study. The researcher also has experience that some SMEs have been dissolved due to their inability to resist internal and external factors, while others are struggling to survive with no change over time. Therefore, this study tries to identify to what extent internal and external factors affect the growth of SMEs in Kolfe Keranyo sub-city.

2. Theorethical foundation of the study

The study is guided by several key theories and models related to the growth and performance of small and medium enterprises (SMEs). The resource-based view (RBV) theory suggests that a firm's internal resources and capabilities are the primary drivers of its performance and growth (Barney, 1991; Wernerfelt, 1984). According to the RBV, SMEs can achieve sustainable competitive advantage by developing valuable, rare, inimitable, and non-substitutable (VRIN) resources and capabilities, such as entrepreneurial orientation, managerial skills, access to finance, and technological capabilities.

Institutional theory, on the other hand, focuses on the role of external environmental factors in shaping organizational structures and practices (DiMaggio & Powell, 1983; Scott, 2013). This theory highlights the influence of government policies, regulations, infrastructure, and the overall business environment on the growth and performance of SMEs. Firms must conform to institutional norms, rules, and expectations to gain legitimacy and access to necessary resources for survival and growth.

Furthermore, the firm growth theory contends that as a result of industrialization and economic growth, small and medium enterprises are likely to disappear and be replaced by modern large-scale industry (Schumpeter, 1950). This theory suggests that SMEs may face challenges in sustaining their growth and may eventually be outcompeted by larger firms as the economy develops.

Based on these theoretical perspectives, the conceptual framework for this study will include both internal factors (entrepreneurial orientation, managerial skills, access to finance, technological capabilities) and external factors (government policies, regulations, infrastructure, access to markets, competition) as independent variables, and SME growth and performance (e.g., job creation, sales, profitability, survival) as the dependent variable. The study will examine how these factors affect the growth and performance of SMEs in the Kolfe Keranyo sub-city of Addis Ababa, Ethiopia.

3. Methodology

This study employed a mixed-methods approach, combining both quantitative and qualitative research methods to investigate the factors affecting the growth and performance of small and medium enterprises (SMEs) in the Kolfe Keranyo sub-city of Addis Ababa, Ethiopia.

The quantitative component of the study involved a cross-sectional survey of SMEs in the Kolfe Keranyo sub-city. A structured questionnaire was designed to collect data on the independent variables (internal and external factors) and the dependent variable (SME growth and performance), including both closed-ended and open-ended questions. A random sampling technique was used to select the SMEs to be included in the survey, with a sample size of 200 SMEs, determined using the Cochran formula and considering the total population of SMEs in the sub-city, the desired level of precision, and the expected response rate.

The quantitative data collected through the survey was analyzed using various statistical techniques, including descriptive statistics, correlation analysis, and multiple regression analysis. The correlation and regression analysis were used to examine the effect of the determinants (independent variables) on the growth and performance (dependent variable) of the SMEs, while controlling for other factors.

The qualitative component of the study involved in-depth interviews with a selected number of SME owners, managers, and relevant stakeholders, such as government officials and industry experts. A purposive sampling technique was used to select the interview participants, ensuring a diverse representation of SMEs in terms of industry, size, and stage of growth. The qualitative data collected through the interviews was analyzed using thematic analysis, where the researchers identified and analyzed the emerging themes, patterns, and relationships related to the factors affecting SME growth and performance.

The findings from the quantitative and qualitative components of the study were integrated to provide a comprehensive understanding of the factors affecting SME growth and performance in the Kolfe Keranyo sub-city. The quantitative results, including the correlation and regression analysis, were used to identify the relative importance and the effect of different factors on SME growth and performance, while the qualitative findings helped to explain the underlying mechanisms and contextual nuances. The integration of the quantitative and

qualitative findings was used to develop a robust and contextually-relevant set of recommendations for policymakers, SME support organizations, and SME owners to foster the growth and development of SMEs in the Kolfe Keranyo sub-city and beyond.A total of 200 MSEs were surveyed and data were collected using questionnaires.

4. Results and Discussion

4.1 Pearson correlation cofeeficeints

Correlation analysis provides valuable insights into the factors affecting the growth of micro and small enterprises (MSEs) in the Kolfe Keranyo sub-city of Addis Ababa, Ethiopia. The results indicate that entrepreneur characteristics have a strong positive correlation ($r = 0.541$, $p<0.01$) with MSE growth, suggesting that the personal qualities, skills, and experience of the entrepreneur are crucial determinants of enterprise performance and expansion.

Similarly, the management and marketing capabilities of the enterprise also exhibit a strong positive correlation ($r = 0.568$, $p<0.01$) with MSE growth, highlighting the importance of managerial and marketing skills for the success and growth of these businesses. The technological capacities of the MSEs further demonstrate a strong positive correlation ($r = 0.571$, $p<0.01$) with their growth, underscoring the vital role of technological adoption and utilization in driving enterprise expansion.

Turning to the external factors, the legal and regulatory framework shows a moderate positive correlation ($r = 0.374$, $p<0.01$) with MSE growth, indicating that government policies, regulations, and support mechanisms do play a role, albeit a relatively less prominent one compared to the internal factors. Access to external financing, on the other hand, has a strong positive correlation ($r = 0.588$, $p<0.01$) with MSE growth, suggesting that the availability and accessibility of financial resources are critical for the growth and expansion of these enterprises. Lastly, access to adequate markets also displays a moderate positive correlation ($r = 0.459$, $p<0.01$) with MSE growth, emphasizing the significance of the MSEs' ability to access and serve their target markets.

Moreover, the correlation analysis highlights the multifaceted nature of the factors influencing MSE growth, with both internal and external variables playing crucial roles. This underscores the need for a comprehensive and targeted approach to supporting and fostering the growth and development of micro and small enterprises in the Kolfe Keranyo sub-city and beyond.

Table 1: Pearson correlation coefficient

Variables spear man's rank correlations	Independent variables	Dependent variable

			1	2	3	4	5	6	Growth of MSEs
	Entrepreneur characteristics	r	1.00						
		Sig.	0.00						
	Management and marketing capabilities	R	0.359**	1.00					
		Sig.	0.00	0.00					
	High-tech proficiencies	R	0.821**	0.462**	1.00				
		Sig.	0.00	0.00	0.00				
	Government Regulation issues	R	0.492**	.209*	.493*	1.00			
		Sig.	0.00	0.01	0.03	0.00			
	Availability of subsidy firms that offer finance	R	0.474**	0.349**	0.455**	0.536**	1.00		
		Sig.	0.00	0.00	0.00	0.00	0.00		
	Access to adequate market	R	.375**	.242**	.352**	.493**	.592**	1.00	
		Sig.	0.00	0.00	0.00	0.00	0.00	0.00	
	Growth of MSEs	R	.541**	.568**	.571**	.374**	.588**	.459**	1.00
		Sig.	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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

Source: Survey result, 2022

4.2 Regression analysis

Prior to conducting the regression analysis, the researchers performed a series of diagnostic tests to ensure the underlying assumptions were met. This included tests for normality, linearity, heteroscedasticity, and multicollinearity. The results of these preliminary analyses indicated the data was suitable for proceeding with the regression modeling.

The regression model summary shows that the predictor variables explain 56.1% of the variance in the expansion of micro and small enterprises. The remaining 43.9% is attributed to other factors not included in the study. The ANOVA results

confirm the overall statistical significance of the regression model ($F = 41.291$, $p < 0.001$), indicating the model as a whole significantly predicts MSE growth.

Table 2: Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of theEstimate
1	.749[a]	.561	.547	.592

Source; own survey, 2022

Table 3: ANOVA [a]

Model		Sum of Squares	d/f	Mean Square	F	Sig.
	Regression	86.685	6	14.447	41.291	.000[b]
1	Residual	67.879	194	.350		
	Total	154.564	200			

a. The expansion of micro and small businesses (dependent variable)

b. Predictor variables: (continuous access to a suitable market/market integration/, management and marketing skills/skills in running a business/, government-related concerns, characteristics of entrepreneurs/invention and innovation trends/, High-tech proficiencies, and access to outside financing).

The regression analysis results presented in the Beta Coefficients table provide a de-tailed understanding of the factors that significantly impact the growth of micro and small enterprises (MSEs).

The capability of invention and innovation exhibits a positive and significant influence, with a standardized beta coefficient of 0.228 ($p < 0.007$). This indicates that a one-unit increase in the capability of invention and innovation is associated with a 22.8% increase in MSE growth, holding all other variables constant.

Similarly, the skill of supervising habit or trends shows a strong positive relationship, with a standardized beta coefficient of 0.197 ($p < 0.000$). This suggests that a one-unit increase in the skill of supervising habit or trends leads to a 19.7% increase

in MSE growth.

The availability of technology also has a positive and significant impact, with a standardized beta coefficient of 0.209 ($p < 0.015$). This implies that a one-unit increase in the availability of technology is associated with a 20.9% increase in the growth of MSEs.

Interestingly, government-related issues exhibit a negative and significant relationship, with a standardized beta coefficient of -0.048 ($p < 0.041$). This suggests that a one-unit increase in government-related issues is associated with a 4.8% decrease in MSE growth.

Access to financial support has a positive and significant influence, with a standardized beta coefficient of 0.232 ($p < 0.000$). This indicates that a one-unit increase in access to financial support leads to a 23.2% increase in the growth of MSEs.

Lastly, the capability of management and marketing skills also shows a positive and significant impact, with a standardized beta coefficient of 0.190 ($p < 0.002$). This means that a one-unit increase in the capability of management and marketing skills is associated with a 19% increase in MSE growth.

Morever, the regression analysis highlights the multifaceted nature of the factors influencing the growth of micro and small enterprises, underscoring the importance of addressing both internal (e.g., innovation, management skills) and external (e.g., access to finance, technology) factors to foster the expansion and development of these enterprises.

Table 4: Beta Coefficients [a]

Model	Unstandardized Coefficients		Standardized Coefficients	*t-value*	*P-vale*
	B	Std. Error	Beta		
(Constant)	.301	.241		1.247	.214
Invention and innovation	.212	.078	.228	2.709	.007
Enterprenurial skills	.274	.047	.197	3.665	.000
Availability of technology	.187	.076	.209	2.448	.015
Government Related issues	.037	.045	-.048	-.820	.041
Access to financial support	.237	.063	.232	3.777	.000
Market linkage	.175	.055	.190	3.191	.002

a. Dependent Variable: MSEs Growth

b. *Predictor variables (constant), invention and innovation, skill of enterprenurs, availability of technology, Government related issues, Access to financial support, and market linkage*

Source: Survey result, 2022

5. Conclusion and recoommendations

The research results indicate that the lack of working space, financial problems, poor infrastructure, lack of market information, and other related factors were the major hindering factors affecting the growth of Small and Medium Enterprises (SMEs) in the Kolfe Keranyo sub-city. Based on this analysis, the researcher has drawn the following conclusions:

Working Space: The analysis shows that the availability of a working space has a positive and significant effect on the growth of SMEs. The lack of own working spaces and high rental costs are major problems facing SMEs, which adversely affect their growth. This suggests a direct relationship between the availability of working space and the growth of SMEs.

The study findings reveal a positive relationship between the growth of SMEs and access to finance or capital. This implies that access to finance has a high influence in determining the growth of SMEs. The main problems faced by enterprises include a shortage of working capital, high-interest rates charged by lending institutions, high collateral requirements from banks and other lending institutions, inadequate financial record-keeping systems, and complicated loan application procedures.

Marketing also has a positive and significant effect on the growth of SMEs. However, insufficient market access, lack of marketing channels, lack of market research, lack of demand prediction, and inadequate product and service advertising have a high influence on the growth of SMEs. This indicates a positive relationship between marketing factors and the growth of small and medium enterprises.

The study results show that infrastructure, including power interruptions and lack of sufficient and efficient transportation services, has a positive and significant effect that hinders the business growth of enterprises in the Kolfe Keranyo sub-city.

Government policy also has a positive and significant effect on the growth of SMEs. However, negative impacts exist, such as bureaucracy in the processing of registration and licensing, as well as insufficient government support.

In general, both internal (finance, marketing, working space) and external (infrastructure, government policy) factors have a very high effect on the growth of SMEs.

Therefore, based on the findings, the following recommendations are given:

- To address the financial problems, financial institutions, the Federal and Regional Governments, should provide special emphasis and support, including specialized lending and repayment arrangements, to assist the growth of the SME sector.
- To solve marketing-related problems, the government should facilitate connections between SMEs and provide trainings to enterprises.
- The government should give great attention to improving infrastructure, such as power supply and transportation, to support the growth of SMEs.
- The government should simplify registration and licensing procedures and provide sufficient support to the SME sector.

Future Research: The researcher recommends conducting more research on the issues to contribute to the development of SMEs in the country.The study populations in the area have time-tested indigenous knowledge about their way of life and their environment in general. Their skill and knowledge about the best tree species to utilize for charcoal making is part of their indigenous experience.

Conflicts of Interest

The authors declare that they have no conflicts of interest.

References

Admasu Abera, (2012) Factors Affecting the Performance of Micro and Small Enterprises in Arada and Lideta Sub-Cities, Unpublished MBA thesis, Addis Abeba University.

AkandeOlusola, &YinusOluwaseun, (2014) an appraisal of the Impact of Information Technology (IT) on Nigeria Small and Medium Enterprises (SMESs) Performance. International Journal of Academic Research in Management (IJARM) Vol. 2, No. 4, 2013, Page: 140-152, ISSN: 2296-1747

Akanji O, O. (2006): Microfinance as strategy for poverty reduction, CBN Economic and Financial Review, Vol.39 No 4.

Brush, C., Ceru, D & Blackburn, R. (2009). Pathways to entrepreneurial growth: The influence of management, marketing, and money", Business horizons, 52, pp. 481 – 491 Cassar G (2004), the Financing of Business Start-Ups. J. Bus. Venture 19(2): 261- 283. Catherine Dawson. (2002). Introduction to research methods: A practical guide for any one undertaking a research project, fourth edition, United Kingdom, Books Ltd. Crawford,M. and D. Benedetto (2003), New Product Management. New York, McGraw Creswell, J. W. (2003). Research Design: Qualitative, Quantitative, and mixed methods approaches (2nd ed.). London: SAGE Publications.

Dahl MS, Sorenson. O (2007), Home sweet Home? Social capital and location

decisions[online].Availablehttp://www.druid.dk/fileadmin/images/dokumenter/sornson. Pdf [Accessed: 12 December, 2014].

Dalitso Kayanula and Peter Quartey, (2000), „the policy environment for promoting small and medium sized Enterprises in Ghana & malawi, May 2000

Darroch & clover (2005). Effects of entrepreneurial quality on the success of small, medium and micro agribusinesses in kwazulu-natal, south Africa Agrekon, Vol 44, No

3 (September 2005)

Dobbs, M.,Hamilton, R.T. (2007). Small Business Growth: Recent evidence and new Dutta, B (2009), Entrepreneurship management text and cases, 1st. New Delhi. EXCEL Edward Elgar (1989), Knowledge organizational evaluation and market creation. Available in https://books.google.com.et/books?isbn (accessed 24 December 2014). ElinGrimshilm and Leon Poblete, (2010), Internal and External factors hampering SME growth, A qualitative case study of SMEs in Thailand

Eveliina Soini &Labinot Veseli,(2014), factors influencing SMEs growth in kosovo, International Business Management, 2014

Fathallah Oualalou, (2012). Report on the role of small and medium-sized enterprisesintheMediterranean.Availablein http://community.Org/sites/default/files/asinet-rabat.pdf. (Accessed 26 December Fatoki Olawale and David Garwe. (2010). Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach. African Journal of Business Management Vol. 4(5), pp. 729-738, May 2010.

Barney, J. (1991). Firm resources and sustained competitive advantage. Journal of Management, 17(1), 99-120.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American Sociological Review, 48(2), 147-160.

European Commission. (2003). Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises. Official Journal of the European Union, L 124, 36-41.

Ministry of Trade and Industry. (1997). National Micro and Small Enterprises Development Strategy. Addis Ababa, Ethiopia.

OECD. (2005). OECD SME and Entrepreneurship Outlook 2005. OECD Publishing.

Pack, H., & Westphal, L. E. (1986). Industrial strategy and technological change: theory versus reality. Journal of Development Economics, 22(1), 87-128.

Ranis, G., & Stewart, F. (1999). V-goods and the role of the urban informal sector in development. Economic Development and Cultural Change, 47(2), 259-288.

Schumpeter, J. A. (1950). Capitalism, Socialism and Democracy. Harper & Row

Scott, W. R. (2013). Institutions and Organizations: Ideas, Interests, and Identities. SAGE Publications.

Wernerfelt, B. (1984). A resource-based view of the firm. Strategic Management Journal, 5(2), 171-180.

Stanturf, J. A., Vance, E. D., Fox, T. R., & Kirst, M (2013) Eucalyptus beyond its native range: Environmental issues in exotic bioenergy plantations. International Journal of Forestry Research.

Tabuti, J. R. S., Dhillion, S. S., & Lye, K. A . (2003). Firewood use in Bulamogi County, Uganda: species selection, harvesting and consumption patterns. *Biomass and Bioenergy*, 25(6), 581-596.

Tengberg, A., & Valencia, S. (2017). Science of Integrated Approaches to Natural Resources Management. A STAP Information Document. Global Environment Facility, Washington, DC

Vol 5. (1), 24-34
ISSN:
URR: www.queenscollege.edu.et
Email: info@queenscollege,net

Queens' Journal of Interdisciplinary Research and Development

Full Length Research Paper

FACTORS AFFECTING LOAN DISBURSEMENT IN COMMERCIAL BANKS OF ETHIOPIA

Natnael G/ezgi[1]*

[1]*Queens College*

Addis Ababa, Ethiopia

Article Info

Article History

Received: 20 April 2022

Published: Auguest 2022

Keywords:

Credit risk, Bank, Performance.

Abstract

The specific objective of this study was to investigate the determinant factors affecting loan disbursement of selected commercial banks in Ethiopia. The research employed a quantitative approach, utilizing descriptive and explanatory research designs, and panel data was collected from the annual financial reports of eight sampled commercial banks from 2010-2022. Secondary data were collected from seven private and one publicly-owned commercial bank in Ethiopia using purposive sampling, and the data were analyzed using descriptive statistics, correlation, and regression analysis. Since the sample was not randomly selected, the study used a fixed-effect regression model, which was determined to be the appropriate model based on Hausman and Wald tests. The results showed that profit, capital, and the number of customers had statistically significant and positive effects on loan disbursement, while deposit, asset, liabilities, and the number of branches had insignificant impacts.

Licensed under a Creative Commons Attribution-Non Commercial 4.0 International License.

* *Corresponding Email: nate@2012@gmail.com*

1. Introduction

Loan disbursement refers to the extension of credit, or the sum of funds lent to borrowers, by commercial banks in exchange for future repayment of the principal amount (Olokoyo, 2011). This lending activity, whether short-term, medium-term, or long-term, is crucial for investment, development, and contributing to the economic growth of a country. Loan disbursement is a primary source of profit generation and financial performance for commercial banks, as they receive deposits from customers and lend those funds to borrowers or investors to earn interest revenue (Comptroller, 1998).

The level of customer deposits directly influences a bank's capacity to disburse loans, both positively and negatively (Natnael, 2017). A decline in liquidity may prompt banks to draw down cash securities to protect their loan collection and position (Leonardo et al., 2001). Deposits are a key determinant of loan provision, as banks have less incentive to lend when liability levels are low (Kashyap & Stein, 2000). Loan performance and collections are the largest benefits and profit sources for most commercial banks (Comptroller, 1998).

In emerging economies like Ethiopia, banks' loan disbursement can have a more significant impact on the implementation of monetary policy compared to developed countries (Alkilani et al., 2015). Commercial banks play a crucial role in mobilizing savings and financial resources to promote economic expansion (Olokoyo, 2011). While some previous studies in Ethiopia have examined factors like deposits, interest rates, GDP, and cash reserve requirements, their results showed these variables had an insignificant impact on loan disbursement (Amano, 2014; Temesgen, 2016; Mitiku, 2014; Berhanu, 2016). Therefore, further research is needed to investigate additional determinants of loan disbursement by commercial banks in Ethiopia, especially given the evolving nature of the banking sector and the economy.

Prior research on the factors affecting loan disbursement by commercial banks in Ethiopia has yielded inconsistent results. Some studies found deposit volume had a significant positive relationship with loan disbursement (Mitku, 2014; Berhanu, 2016; Amano, 2014), while others found cash reserve requirements had a significant effect (Amano, 2014; Berhanu, 2016), contrary to other studies (Mitiku, 2014; Temesgen, 2016). The impact of macroeconomic variables like GDP was also mixed, with some studies finding a significant effect (Berhanu, 2016; Mitku, 2014) and others finding no effect (Amano, 2014; Temesgen, 2016).

This study aims to fill a gap in the literature by examining additional factors that may affect loan disbursement by commercial banks in Ethiopia, including profit, assets, capital, customers, liabilities, and branch network.

The specific objectives are:

1. Examine the effect of profit on loan disbursement
2. Analyze the effect of deposit on loan disbursement
3. Determine the effect of assets on loan disbursement

4. Analyze the effect of capital on loan disbursement

2. Theorethical review and hypotheses

Numerous empirical studies have found a positive and significant relationship between profitability and loan disbursement. For example, a study by Abate (2019) in the Ethiopian banking sector revealed that higher profitability, as measured by return on assets (ROA), had a significant positive impact on banks' loan disbursement. Similarly, Alemu (2015) found that profitability was a key determinant of loan growth in Ethiopian commercial banks.

H1: Profitability has a significant and positive effect on the loan disbursement of commercial banks in Addis Ababa, Ethiopia.

The empirical evidence on the relationship between deposit volume and loan disbursement is well-established. Studies by Tesfaye (2014) and Wondwossen (2017) in the Ethiopian context have consistently shown that banks with higher deposit mobilization tend to have greater loan disbursement capacity.

H2: Deposit volume has a significant and positive effect on the loan disbursement of commercial banks in Addis Ababa, Ethiopia.

Empirical research has generally supported the positive relationship between asset size and loan disbursement. Getahun (2016) and Mengistu (2018) found that larger banks, as measured by their total assets, were able to disburse more loans in the Ethiopian banking industry.

H3: There is a significant positive relationship between the asset size and loan disbursement of commercial banks in Addis Ababa, Ethiopia.

Capital Adequacy and Loan Disbursement

The empirical evidence on the impact of capital adequacy on loan disbursement is mixed. While some studies, such as Demissie (2017), have found a positive and significant relationship, others, like Shimelis (2016), have reported a negative or insignificant effect. This may be due to the various ways in which capital adequacy is measured and the different regulatory environments in which banks operate.

H4: Capital adequacy has a significant positive effect on the loan disbursement of commercial banks in Addis Ababa, Ethiopia.

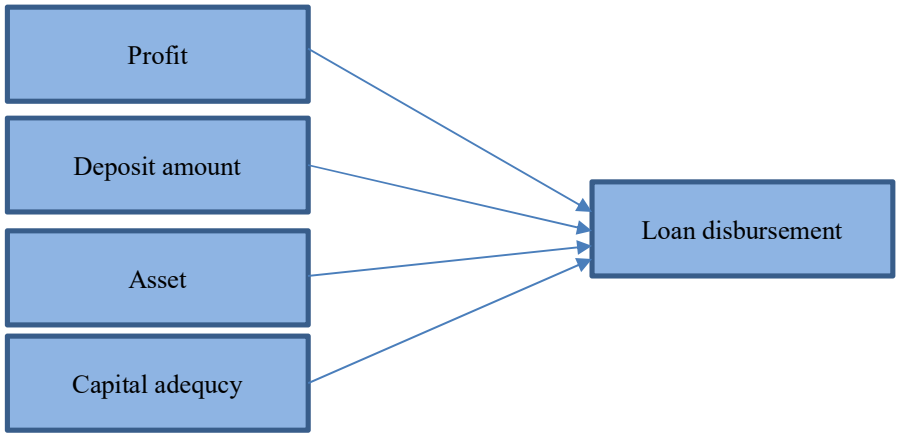

Figure 1: Conceptual framework, 2022

3. Methodology

The research design provides the framework for data collection and analysis. This study used an explanatory research design, which is suitable for analyzing cause-and-effect relationships. The study relied on secondary data obtained from sources like financial reports and websites of commercial banks in Ethiopia.

The target population was the 8 commercial banks in Ethiopia, including 1 public bank and 7 private banks that had been operating for at least 13 years. A non-probability purposive sampling technique was used to select these 8 banks as the sample.

The data were analyzed using descriptive statistics, correlation analysis, and multiple linear regression. Specifically, the study employed panel data analysis techniques like pooled regression, fixed effects, and random effects models to examine the determinants of loan disbursement by the commercial banks.

The multiple regression model was specified with loan disbursement as the dependent variabl4e and factors like profit, deposits, assets, capital, customer base, liabilities, and branch network as the independent variables. The analysis was conducted using the EViews 10 software.

4. Results and Discussion

4.1 Descriptive results

The table provides an overview of key financial and operational metrics for the organization over 104 observations. The mean loan disbursement of 32,816.95 Birr indicates the institution's active role in lending, with the capacity to disburse loans ranging from a minimum of 364.769 Birr to a maximum of 289,878.6 Birr, suggesting it caters to a diverse customer base. The mean profit of 2,236.173 Birr demonstrates the organization's ability to generate surplus, though this figure exhibits high variability with a standard deviation of 4,081.943 Birr, potentially influenced by market dynamics and strategic decisions. The institution's deposit-taking function is highlighted by the mean deposit of 64,133.83 Birr, with the capacity to attract deposits up to 742,648.9 Birr. The substantial mean asset value of 83,631.55 Birr, with a maximum of 1,001,232 Birr, reflects the organization's scale and resource base, while the mean capital of 6,554.565 Birr underscores its financial stability and capacity to support operations. Overall, the statistics paint a picture of a dynamic institution serving a diverse range of customers and operating in a rapidly evolving environment.

Table 1: Decsriptive results

	LOAN_DISB.	PROFIT	DEPOSIT	ASSET	CAPITAL
Mean	32816.95	2236.173	64133.83	83631.55	6554.565

Maximum	289878.6	19470.48	742648.9	1001232	54364.79
Minimum	364.769	21.509	820.933	1118.57	189.001
Std. Dev.	56168.87	4081.943	138696.8	185764.7	11493.25
Observations	104	104	104	104	104

Source: National Bank report, 2022

4.2 Regression Results

The regression model provides insights into the relationship between the dependent variable, Loan Disbursement, and the independent variables of Profit, Deposit, Asset, and Capital. The results indicate that Profit and Capital have a statistically significant positive impact on Loan Disbursement, while Asset has a statistically insignificant negative impact. Specifically, the Profit coefficient of 3.524778 suggests that a one-unit increase in Profit is associated with a 3.525-unit increase in Loan Disbursement, holding all other variables constant. This relationship is highly statistically significant, with a p-value of 0.000, indicating a strong link between the institution's profitability and its ability to disburse loans.

Similarly, the Capital coefficient of 1.356529 implies that a one-unit increase in Capital is associated with a 1.357-unit increase in Loan Disbursement, all else equal. This finding also has a high level of statistical significance, with a p-value of 0.000, underscoring the importance of the institution's capital base in supporting its lending activities. In contrast, the Deposit coefficient of 0.292772 suggests a positive but statistically insignificant relationship between Deposit and Loan Disbursement, with a p-value of 0.2345. This implies that the institution's deposit-taking function may not have a direct, significant influence on its loan disbursement decisions.

Furthermore, the Asset coefficient of -0.093203 indicates a negative but statistically insignificant relationship between Asset and Loan Disbursement, with a p-value of 0.5844. This suggests that the institution's overall asset base may not be a primary driver of its loan disbursement activities. The model's goodness-of-fit is strong, as evidenced by the high R-squared value of 0.978356, indicating that the independent variables explain 97.84% of the variation in Loan Disbursement. The Adjusted R-squared of 0.977018 further confirms the model's high explanatory power.

However, the Durbin-Watson statistic of 0.797761 suggests the presence of positive autocorrelation in the residuals, which may indicate a need to address potential issues related to the model's dynamic structure or the presence of unobserved factors. Moreover, the regression analysis highlights the crucial role of Profit and Capital in influencing the institution's loan disbursement activities, while the relationship with Deposit and Asset appears to be less significant in the context of this particular model.Risks in the banking industry refer to uncertainties that can result in adverse variations in profitability or

losses. The banking sector faces a wide array of risks, many of which are well-known. However, there has been a significant shift in focus from traditional qualitative risk assessment towards the quantitative management of risks, driven by evolving risk practices and strong regulatory incentives.

Table 2: Pooled OLS Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROFIT	3.524778	0.792484	4.447759	0.000
DEPOSIT	0.292772	0.244727	1.196319	0.2345
ASSET	-0.093203	0.169822	-0.548826	0.5844
CAPITAL	1.356529	0.313022	4.333661	0.000
Weighted Statistics				
R-squared	0.978356			
Adjusted R-squared	0.977018			
S.E. of regression	8515.183			
Durbin-Watson stat	0.797761			

Note: Dependent Variable: Loan Disbursement

As Table 3 reveasl, the fixed effects panel regression model provides a more nuanced analysis of the relationship between the dependent variable, Loan Disbursement, and the independent variables of Profit, Deposit, Asset, and Capital. This approach accounts for unobserved individual heterogeneity, allowing for a more comprehensive understanding of the underlying dynamics. The results indicate that Profit and Capital have a statistically significant positive impact on Loan Disbursement, while Deposit and Asset have insignificant relationships. The Profit coefficient of 6.122474 suggests that a one-unit increase in Profit is associated with a 6.122-unit increase in Loan Disbursement, holding all other variables constant. This relationship is highly statistically significant, with a p-value of 0.000, reinforcing the importance of profitability in driving the institution's lending activities.

The Capital coefficient of 0.803766 implies that a one-unit increase in Capital is associated with a 0.804-unit increase in Loan Disbursement, all else equal. This finding is also statistically significant, with a p-value of 0.0034, underscoring the role of the institution's capital base in supporting its loan disbursement. In contrast, the Deposit coefficient of 0.205858 suggests a positive but statistically insignificant relationship between Deposit and Loan Disbursement, with a p-value of 0.3012. This implies that the institution's deposit-taking function may not have a direct, significant influence on its lending decisions. The Asset coefficient of -0.016394 indicates a negative and statistically insignificant relationship between Asset and Loan Disbursement, with a p-value of 0.9051. This suggests that the institution's overall asset base may not be a primary driver of its loan disbursement activities.

The model's goodness-of-fit is exceptionally strong, as evidenced by the high R-squared value of 0.987917, indicating that the independent variables explain 98.79% of the variation in Loan Disbursement. The Adjusted R-squared of 0.986017 further confirms the model's high explanatory power. The F-statistic of 519.7785, with a corresponding p-value of 0.000, indicates that the model as a whole is statistically significant, validating the inclusion of the independent variables in explaining the variation in Loan Disbursement. Compared to the Pooled OLS Regression Model, the Fixed Effects Panel Regression Model provides a more robust and reliable analysis, as it accounts for unobserved individual-level factors that may influence the relationships between the variables. This approach helps to address potential omitted variable bias and provides a more comprehensive understanding of the underlying dynamics within the institution.

Table 3: Fixed Effects Panel Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.	
Constant	-28878.88	12621	- 2.2881	0.0245	
PROFIT	6.122474	0.863845	7.08747	0.000	
DEPOSIT	0.205858	0.197966	1.03987	0.3012	
ASSET	-0.016394	0.137144	-0.11954	0.9051	
CAPITAL	0.803766	0.267098	3.00925	0.0034	
	Weighted Statistics				
R-squared	0.987917				
Adjusted R-squared	0.986017				
S.E. of regression	6642.039				
Sum squared	3.93E				
F-statistic	519.7785				
Prob (F-statistic)	0.000				

Note: Dependent Variable: Loan Disbursement

Table 4 reveals the random effects panel regression model provides an alternative approach to analyzing the relationship between the dependent variable, Loan Disbursement, and the independent variables of Profit, Deposit, Asset, and Capital. Unlike the fixed effects model, the random effects model assumes that the unobserved individual-level heterogeneity is uncorrelated with the independent variables. The results indicate that Profit and Capital have a statistically significant positive impact on Loan Disbursement, while Deposit and Asset have insignificant relationships. The Profit coefficient of 2.770889 suggests that a one-unit increase in Profit is associated with a 2.771-unit increase in Loan Disbursement, holding all other variables constant. This relationship is highly statistically significant, with a p-value of 0.0001, reinforcing the importance of profitability in driving the institution's lending activities.

The Capital coefficient of 1.200198 implies that

a one-unit increase in Capital is associated with a 1.200-unit increase in Loan Disbursement, all else equal. This finding is also statistically significant, with a p-value of 0.000, underscoring the role of the institution's capital base in supporting its loan disbursement. In contrast, the Deposit coefficient of 0.279274 suggests a positive but statistically insignificant relationship between Deposit and Loan Disbursement, with a p-value of 0.1239. This implies that the institution's deposit-taking function may not have a direct, significant influence on its lending decisions.

Similarly, the Asset coefficient of -0.06738 indicates a negative and statistically insignificant relationship between Asset and Loan Disbursement, with a p-value of 0.5919. This suggests that the institution's overall asset base may not be a primary driver of its loan disbursement activities. The model's goodness-of-fit is strong, as evidenced by the high R-squared value of 0.978989, indicating that the independent variables explain 97.90% of the variation in Loan Disbursement. The Adjusted R-squared of 0.977457 further confirms the model's high explanatory power. The F-statistic of 638.994, with a corresponding p-value of 0.000, indicates that the model as a whole is statistically significant, validating the inclusion of the independent variables in explaining the variation in Loan Disbursement.

Compared to the Pooled OLS Regression Model and the Fixed Effects Panel Regression Model, the Random Effects Panel Regression Model provides a different perspective on the underlying relationships. While the fixed effects model assumes that the unobserved individual-level factors are correlated with the independent variables, the random effects model assumes that they are uncorrelated. The results of the Random Effects Panel Regression Model are generally consistent with the findings from the Pooled OLS (Table 2) and Fixed Effects model (Table 3) , highlighting the crucial role of Profit and Capital in influencing the institution's loan disbursement activities, while the relationships with Deposit and Asset appear to be less significant.

Table 4: Regression Result of Random Effects Panel Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.	
C	-22124.19	9655.653	-2.29132	0.0241	
PROFIT	2.770889	0.668765	4.143293	0.0001	
DEPOSIT	0.279274	0.179895	1.552428	0.1239	
ASSET	-0.06738	0.125275	-0.537855	0.5919	
CAPITAL	1.200198	0.239882	5.003293	0.000	
	Weighted Statistics				
R-squared	0.978989				
Adjusted R-squared	0.977457				
S.E. of regression	8433.458				
F-statistic	638.994				

Prob (F-statistic)	0.000				

Note: Dependent Variable: Loan disbursement

5 Conclusion and implications

The regression analyses conducted on the data provide valuable insights into the key factors that drive the institution's loan disbursement activities. Across all three models, profitability, as measured by the Profit variable, emerges as a consistently significant and positive determinant of loan disbursement. This suggests that the institution's ability to generate profits is a crucial consideration in its lending decisions, likely reflecting a focus on maintaining a healthy financial position and managing risks effectively. The significance of the Profit variable underscores the importance of the institution's revenue-generating capabilities and cost management strategies in supporting its lending operations. Complementing the role of profitability, the institution's capital base, as captured by the Capital variable, also demonstrates a statistically significant and positive relationship with loan disbursement in both the Fixed Effects and Random Effects models. This finding highlights the importance of the institution's capital adequacy in enabling it to expand its loan portfolio and meet regulatory requirements. The implication is that the institution should maintain a robust capital base, potentially through strategies such as capital raising, efficient capital allocation, and prudent risk management. In contrast, the institution's deposit-taking function, as represented by the Deposit variable, and its overall asset base, as measured by the Asset variable, do not appear to have a direct, significant influence on loan disbursement decisions. This may suggest that factors other than deposit-gathering and asset management, such as risk management and strategic priorities, play a more prominent role in the institution's lending activities. This could incentivize the institution to diversify its funding sources and asset management strategies to better support its lending operations, potentially exploring alternative funding mechanisms and optimizing its asset allocation. The differences in the underlying assumptions and results between the Fixed Effects and Random Effects models also highlight the importance of carefully selecting the appropriate modeling approach when analyzing the drivers of the institution's lending decisions, as the choice of model may depend on the specific characteristics of the institution and the nature of the unobserved individual-level factors that may influence the relationships.

References

Alemu, A. M. (2015). Determinants of loan growth in Ethiopian commercial banks. Journal of Economics and Sustainable Development, 6(5), 17-24.

Alkilani, O., Alrawashdeh, R., & Alsaad, A. (2015). The impact of monetary policy on banks' lending behavior: evidence from emerging economies. European Scientific Journal, 11(28), 299-314.

Amano, A. (2014). Determinants of commercial banks' lending behavior in private sector credit in Ethiopia. International Journal of Research in Social Sciences, 4(1), 35-44.

Berhanu, B. (2016). Determinants of commercial banks' lending: evidence from Ethiopian

commercial banks. Global Journal of Management and Business Research, 16(1), 1-8.

Comptroller, T. (1998). Loan Portfolio Management. Comptroller's Handbook, Office of the Comptroller of the Currency.

Kashyap, A. K., & Stein, J. C. (2000). What do a million observations on banks say about the transmission of monetary policy?. American Economic Review, 90(3), 407-428.

Leonardo, L., Ali, K. M., Khan, M. S., & Mao, Z. (2001). Bank behavior in developing countries: Focus on China. Emerging Markets Review, 2(3), 242-258.

Mitiku, A. (2014). Determinants of commercial banks' lending: evidence from Ethiopian commercial banks. Global Journal of Management and Business Research, 14(3), 1-7.

Mitku, T. (2014). Determinants of banks' lending: case of Ethiopia. Global Journal of Management and Business Research, 14(1), 1-10.

Natnael, T. (2017). Determinants of commercial banks' lending behavior in private sector credit in Ethiopia. International Journal of Scientific and Research Publications, 7(11), 171-186.

Olokoyo, F. O. (2011). Determinants of commercial banks' lending behavior in Nigeria. International Journal of Financial Research, 2(2), 61-72.

Tesfaye, B. (2014). Determinants of banks' lending: case of Ethiopia. Global Journal of Management and Business Research, 14(3), 1-7.

Temesgen, K. (2016). Determinants of commercial banks' lending: evidence from Ethiopia. Global Journal of Management and Business Research, 16(1), 1-8.

Wondwossen, T. (2017). Determinants of commercial banks' lending behavior in private sector credit in Ethiopia. International Journal of Scientific and Research Publications, 7(11), 171-186.

Vol 5. (1), 24-34
ISSN:
URR: www.queenscollege.edu.et
Email: info@queenscollege,net

Queens' Journal of Interdisciplinary Research and Development

Full Length Research Paper

Workers Attitude toward Female Managers in Addis Ababa City Administration: The Case of Nifas Silk Lafto Subcity)

***Eyasu Hagos*[1]**

[1]*College of Queens, Ethiopia.*

Article Info

Article History

Received: 8 April 2022

Published: Auguest2022

Keywords:

attitude, women manager, Addis Ababa City, Nifas Sub-city Silk Lafto

Abstract

The main purpose of this study was to investigate the perceived effect of knowledge management systems on decision making in the Addis Ababa City Administration. The study sought answers to basic questions related to knowledge identification, knowledge acquisition, knowledge transfer, and knowledge assessment, and their perceived effect on decision making. The survey conducted in the Addis Ababa City Administration, Nifas Silk Lafto Sub-city, revealed a direct perceived effect of the knowledge management system on decision making, with a substantial number of staff not performing at their best level. The research employed a mixed methodology, with community partnership facilitators, supervisors, officers, specialists, leads, coordinators, team leaders, managers, and directors as the subjects of the study. Questionnaires and interviews were the primary data gathering instruments, and statistical tools such as numbers, percentages, weighted mean, standard deviation, t-test, and chi-square test were used to analyze and interpret the data. The findings showed that knowledge identification, knowledge acquisition, knowledge transfer, and knowledge assessment were the key dimensions that had a directly perceived effect on the success of decision making, and the study recommended further enhancing the visions and career developments of female managers.

Licensed under a Creative Commons Attribution-Non Commercial 4.0 International License.

* *Corresponding Email: eyasuh@gmail.com*

1. Introduction

Attitude is an expression of inner feelings that reflects a person's favorable or unfavorable predisposition towards an object. It has three components: affective (feelings), cognitive (beliefs, information), and behavioral (likely actions) (Zikmund, 2003). This study focused on the cognitive component, investigating the beliefs that workers hold towards female managers.

Stereotypes are structured sets of beliefs about the personal attributes of a group of people (Del Boca, 1979). Gender stereotypes relate to common views of males as more independent, objective, task-oriented, and better-suited for management, while females are seen as more sensitive, gentle, and less capable of high-level responsibilities (Terborg and Ilgen, 1975).

Despite efforts by international institutions to advocate for female rights and promote female managers, attitudes have powerful influences on workplace behavior (Herbert & Yost, 1978). Male subordinates may politely refuse instructions from female managers or make negative comments, as women are often perceived less favorably in terms of ability and accomplishments, even with equal qualifications (Eagly & Carau, 2001).

As more women enter the workforce globally, attitudes towards women in management remain an important issue. This study aims to compare attitudes towards women in management, as gender role perceptions in male-dominated economies and social structures often prefer male leaders, despite women's recent achievements in leadership roles (Murgai, 1999; Chen, 1997; Adler and Izraeli, 1988).

The study focuses on Nifas Silk Lafto Subcity in Addis Ababa, Ethiopia, which has a significant female population and women in managerial positions, including the President and Chief of Justice. Examining the long-rooted gender stereotypical attitudes towards females in the workplace could provide insights into the potential discrimination they face (Ilgen and Terborg, 1975).

Globally, stereotyping of females as less competitive and less capable is not unusual. This is true in most countries regardless of their economic development. Multinational research on "attitudes towards female managers" has consistently reported the universal existence of gender-based stereotypes.

Studies conducted in the US (Dubno, 1985; Owen & Todor, 1993), comparing the US to Chile (Cordano et al., 2001) and Nigeria (Tomkiewicz & Adeyemi-Bello, 1995), as well as research in the United Arab Emirates (Elamin & Omanin, 2010), Greece (Galanaki, 2009), India (Gulhati, 1990), Canada (Orser, 1994), and Egypt (Mustafa, 2003), all concluded that there are negative attitudes towards women managers. Across these diverse contexts, women are viewed as being less qualified than men for managerial positions. Surprisingly, the studies showed that male subordinates often hold less favorable attitudes towards female managers than female subordinates.

In developing countries, women in managerial positions in the corporate world have been few in almost all countries. The 1995 Beijing Conference on Women sought to narrow the gap between men and women and provide equal opportunities. This goal has been achieved to a large extent in many developed countries - for instance, in the US, nearly 60% of adult women are in the workforce

and hold 51.4% of all managerial and professional positions (US Bureau of Labour Statistics, 2011).

However, the situation is different in Africa. In Ethiopia, where the culture is predominantly male-dominated and hinders the potential of females, one can expect similar or even worse results in terms of unfavorable attitudes towards female managers, as found in previous studies. However, the widely declared policy of promoting "equality in terms of education, job opportunities, and managerial positions" in 1996 (FDRE, 1998) may have led to some changes in attitudes.

This study aims to understand the attitudes of workers towards female managers in the case of the Nifas Silk Lafto Subcity in Addis Ababa, Ethiopia. Previous studies have often failed to consider "workers" as the unit of observation when analyzing attitudes. It is likely that the more individuals are exposed to female managers, the less biased their attitudes become. By focusing on workers who directly interact with female managers, this study seeks to provide insights that are less influenced by broader cultural biases.

The specific objectives of this study are:

1) To identify the gender stereotypical attitudes or characteristics among workers about female managers in Nifas Silk Lafto Subcity, Addis Ababa, Ethiopia.
2) To examine the factors that affect the attitudes of workers towards female managers.
3) To explore the major problems that hinder women managers from effectively exercising their responsibilities.

2. Theoretical Framework

This study was guided by the social role theory (Eagly, 1987) and the stereotype content model (Fiske et al., 2002) to understand the attitudes of workers towards female managers.

The social role theory posits that gender stereotypes and expectations are shaped by the social roles that men and women occupy in society (Eagly, 1987). According to this theory, the perceived gender-based differences in characteristics and behaviors between men and women arise from the different social roles they typically assume, such as men in leadership positions and women in caregiving roles. These societal expectations and stereotypes can then influence the attitudes and perceptions towards individuals in certain roles, such as female managers.

The stereotype content model, developed by Fiske et al. (2002), suggests that stereotypes are formed based on two fundamental dimensions: warmth and competence. Individuals or groups perceived as high in warmth but low in competence (e.g., the elderly, housewives) are often viewed with pity, while those perceived as low in warmth but high in competence (e.g., rich people, professionals) are often viewed with envy or admiration. The model further suggests that these stereotype-based perceptions can shape attitudes and behaviors towards individuals or groups.

In the context of this study, the social role theory and the stereotype content model provide a theoretical foundation to explore how gender-based stereotypes and expectations may influence the attitudes of workers towards female managers, and how these attitudes are shaped by the perceived characteristics and competencies of female managers.

3. Methods and Materials

This study employed a mixed-methods approach, combining quantitative and qualitative methods, to investigate the attitudes of workers towards female managers in the Nifas Silk Lafto Subcity of Addis Ababa, Ethiopia. For the quantitative approach, a structured questionnaire was designed to collect data on the workers' attitudes towards female managers. The questionnaire included sections on demographic information, gender stereotypical attitudes, and factors affecting attitudes. The questionnaire was distributed to a random sample of 300 workers, and 265 valid responses were received, representing a response rate of 88.3%.

To complement the quantitative data, semi-structured interviews were conducted with 20 purposefully selected workers, including both male and female employees. The interview guide covered topics such as perceptions and experiences of working with female managers, challenges and barriers faced by female managers, and suggestions for improving the status and acceptance of female managers. The interviews were recorded, transcribed, and analyzed using thematic analysis to identify recurring themes and patterns.

The quantitative data from the questionnaires was analyzed using statistical software, including descriptive statistics and inferential statistics, such as t-tests and one-way ANOVA. The qualitative data from the interviews was analyzed using thematic analysis, where the interview transcripts were carefully reviewed, and codes were assigned to identify key themes and patterns. The integration of the quantitative and qualitative findings allowed for a more comprehensive understanding of the research problem and the development of a holistic interpretation of the attitudes towards female managers in the Nifas Silk Lafto Subcity.

4. Results and Discussions

4.1 Descriptive Results

The survey respondents had diverse demographic characteristics. The gender distribution was 57.4% male and 42.6% female. The mean age of the respondents was 35.2 years, with the majority (54.3%) being between 30 and 40 years old. In terms of educational attainment, 42.6% had a bachelor's degree, 31.7% had a diploma, and 25.7% had a postgraduate degree. The mean work experience of the respondents was 9.5 years, with approximately 40% having 5-10 years of experience. Regarding their positions, 38.1% were in administrative roles, 31.3% were in technical/professional positions, and 30.6% were in managerial roles.

The respondents' level of agreement with gender stereotypical statements about female managers was measured on a 5-point Likert scale. The results indicated moderate levels of gender stereotypical attitudes. For example, the respondents tended to agree that "women are less assertive than men in managerial positions" ($M = 3.42$, $SD = 1.09$) and that "female managers are more emotional and irrational than male managers" ($M = 3.15$, $SD = 1.23$). However, they were less likely to agree with statements such as "women lack the necessary leadership skills for managerial roles" ($M = 2.87$, $SD = 1.17$) and "female managers are less capable of making tough decisions than male managers" ($M = 2.78$, $SD = 1.21$).

The survey also examined factors that may influence the workers' attitudes towards female manag-

ers. The respondents were asked to rate the importance of various factors on a 5-point Likert scale. The results suggest that exposure to female managers (M = 4.01, SD = 0.92) and organizational culture and policies (M = 3.87, SD = 1.04) were perceived as the most important factors in shaping their attitudes. Societal norms and expectations (M = 3.72, SD = 1.11), personal beliefs and values (M = 3.54, SD = 1.18), and media and cultural representations (M = 3.41, SD = 1.23) were also considered relevant, but to a lesser extent.

4.2 Correlation results

The correlation analysis revealed several significant relationships between the variables examined in the survey. First, gender stereotypical attitudes held by the respondents were negatively correlated with their exposure to female managers ($r = -0.42$, $p < 0.01$) and the organizational culture and policies in their workplaces ($r = -0.39$, $p < 0.01$). This suggests that greater exposure to female managers and more supportive organizational environments are associated with lower levels of gender stereotypical attitudes among the workers.

The analysis also showed a positive correlation between exposure to female managers and the organization's culture and policies ($r = 0.47$, $p < 0.01$). This indicates that organizations with more supportive policies and cultures tend to have higher levels of exposure to female managers. Additionally, societal norms and expectations were positively correlated with gender stereotypical attitudes ($r = 0.35$, $p < 0.01$), personal beliefs and values ($r = 0.42$, $p < 0.01$), and media and cultural representations ($r = 0.38$, $p < 0.01$). This suggests that societal influences play a significant role in shaping individual attitudes and perceptions towards female managers.

Furthermore, the results reveal that personal beliefs and values were positively correlated with gender stereotypical attitudes ($r = 0.29$, $p < 0.01$) and media and cultural representations ($r = 0.35$, $p < 0.01$). This indicates that individual belief systems and exposure to media and cultural representations can contribute to the formation of gender stereotypical attitudes among the respondents.

Morever, the correlation analysis provides valuable insights into the complex interplay of various factors, including organizational culture, societal norms, personal beliefs, and exposure to female managers, which influence the attitudes of workers towards female managers.

4.3 Regression results

The multiple regression analysis provided further insights into the factors influencing gender stereotypical attitudes among the survey respondents. The results revealed several significant relationships.

First, the analysis showed a significant negative relationship between exposure to female managers and gender stereotypical attitudes ($\beta = -0.31$, $p < 0.001$). This indicates that as the level of exposure to female managers increases, the respondents' gender stereotypical attitudes tend to decrease. This finding supports the notion that increased interaction and familiarity with female leaders can help reduce stereotypical perceptions.

The regression analysis also found a significant negative relationship between organizational culture and policies and gender stereotypical attitudes ($\beta = -0.21$, $p < 0.001$). This suggests that organizations with more supportive and inclusive environments, characterized by policies and practices

that promote gender diversity and equality, are associated with lower levels of gender stereotypical attitudes among their employees.

Furthermore, the results indicated a significant positive relationship between societal norms and expectations and gender stereotypical attitudes ($\beta = 0.21$, $p < 0.001$). This implies that the respondents' gender stereotypical attitudes are influenced by the broader societal context, including prevailing norms, beliefs, and expectations about gender roles and leadership.

The analysis also revealed a significant positive relationship between personal beliefs and values and gender stereotypical attitudes ($\beta = 0.13$, $p = 0.042$). This suggests that individuals' own belief systems and value orientations play a role in shaping their perceptions and attitudes towards female managers.

Lastly, the regression analysis showed a significant positive relationship between media and cultural representations and gender stereotypical attitudes ($\beta = 0.14$, $p = 0.010$). This finding highlights the influential role that media and cultural portrayals of gender and leadership can have on individuals' attitudes and perceptions.

The overall model explained 32% of the variance in gender stereotypical attitudes, indicating that the combination of the examined factors significantly contributes to understanding the formation of gender stereotypical attitudes among the survey respondents.

These regression results provide valuable insights into the multifaceted nature of the factors influencing gender stereotypical attitudes in the workplace. The findings underscore the importance of both individual-level factors, such as exposure to female managers and personal beliefs, as well as organizational and societal-level factors, such as organizational culture and societal norms, in shaping the attitudes and perceptions of workers towards female managers.

5. Conclusion and Implications

5.1 Conclusion

There have been numerous studies examining the experiences of female managers across different regions, including Africa, Asia, and Europe. These studies have highlighted the widespread existence of fairness issues for female managers, which are receiving serious attention globally. Despite ongoing efforts to address these challenges, the situation for female managers in our country of Ethiopia remains inadequate.

This study aimed to examine attitudes towards female managers in the Nifas Silk Lafto Sub-city of Addis Ababa. Key variables such as respondents' age, gender, marital status, and education level were analyzed to evaluate their impacts. The findings indicate that participants generally support the participation of female managers in the workplace. However, male workers outnumber female workers in the Addis Ababa City Administration, Nifas Silk Lafto Sub-city, despite women's equal competence. The study also found that the more educated the women, the more positive their perceptions of managerial roles.

The research revealed that women in Addis Ababa City display ambition, assertiveness, self-confidence, and competitiveness, but these qualities are hindered by poor enabling environments. Negative stereotypes and lack of awareness among workers towards female managers persist, creating barriers to their advancement.

The City Administration is actively working to empower women and increase their representation in managerial and leadership positions. However, the study found that men's attitudes towards women in these roles remain relatively negative.

5.2 Recommendations:

a) For Government Sectors:

- Provide capacity-building opportunities to develop women's knowledge and skills
- Assist women in employing effective managerial approaches and tools
- Offer comprehensive training in management and innovative decision-making
- Encourage women to engage with critical issues

b) For Addis Ababa City Administration:

- Equip female managers with necessary facilities and support
- Organize continuous professional development activities to enhance women's skills and experience
- Initiate programs to boost women's ambition, assertiveness, self-confidence, and competitiveness, as these qualities are essential for the city's administrative progress.

Conflict of Interests

The authors declare that there's no conflict of interest concerning to the publication of this article

References

Eagly, A. H. (1987). Sex differences in social behavior: A social-role interpretation. Hillsdale, NJ: Erlbaum.

Fiske, S. T., Cuddy, A. J., Glick, P., & Xu, J. (2002). A model of (often mixed) stereotype content: competence and warmth respectively follow from perceived status and competition. Journal of Personality and Social Psychology, 82(6), 878-902.

Abdalla, I. A. (1996). Attitudes toward women in Turkey and Pakistan. Women in Management Review, 11(1), 29-39.

Adeyemi-Bello, T., & Tomkiewicz, J. M. (1996). The attitudes of Nigerians toward women managers.

Alexander, P. (2012). Attitude of male employees towards female managers in some selected organization in Ghana. International Refereed Research Journal, 3(3), 86-93.

Almaz, E. (1991). Perspectives on gender and development. In T. Berhane Selassie (Ed.), Gender issues in Ethiopia. Institute of Ethiopian Studies, Addis Ababa University.

Ashmore, R. D., & Del Boca, F. D. (1979). Sex stereotypes and implicit personality theory: Toward a cognitive-social psychological conceptualization. Sex Roles, 5(2).

Black, A. E., & Rothman, S. (1998). Have you really come a long way? Women's access to power in the United States. Gender Issues, 16(1/2), 107-134.

Cordano, M., Scherer, R. F., & Owen, C. L. (2002). Attitudes towards female managers: Sex versus culture. Women in Management Review, 17(2), 51-60.

Cortis, R., & Cassar, V. (2005). Perceptions of and about women as managers: Investigating job involvement, self-esteem and attitudes. Women in Management Review,

20(3), 149-164.

Katz, D. (1960). The functional approach to the study of attitudes. Public Opinion Quarterly, 24(Summer), 163-204.

Dubno, P. (1985). Attitudes towards women executives: A longitudinal approach. Academy of Management Journal, 28(2), 235-239.

Elamin, A. M., & Omair, K. (2010). Males' attitudes towards working females in Saudi Arabia. Personnel Review, 39(6), 746-766.

FDRE. (1998). The Ethiopian women development and change package. Addis Ababa, Ethiopia.

FDRE. (2015). Growth and transformation plan of Ethiopia II 2015-2022. Addis Ababa, Ethiopia.

Galanki, E., Papalexandris, A., & Halikias, J. (2009). Revisiting leadership styles and attitudes towards women as managers in Greece 15 years later. Gender in Management: An International Journal, 24(7), 484-504.

Gordon, A. (1935). Attitudes. In C. Murchison (Ed.), A handbook of social psychology.

Gulhati, K. (1990). Attitude towards women managers: Comparison of attitudes of male and female managers in India. Economic and Political Weekly, M41-M48.

Mostafa, M. M. (2003). Attitudes towards women who work in Egypt. Women in Management Review, 18(5), 252-266.

Narasimhan, G., & Iyer, L. (1990). Attitude towards women managers. Economic and Political Weekly, 25(44), 2451-2455.

Oakley, J. G. (2000). Gender-based barriers to senior management positions: Understanding the scarcity of female CEOs. Journal of Business Ethics, 27(2), 321-335.

Orser, B. (1994). Sex role stereotypes and requisite management characteristics: An international perspective. Women in Management Review, 9(4), 11-19.

Owen, C. L., & Todor, W. D. (1993). Attitudes towards women as managers: Still the same. Business Horizons, 36, 12-16.

VOL 5(2), 83-100
Copyright © Madda Walabu University
ISSN: 2523-1901 (Online)
URL: http://jessd.mwu.edu.et/
Email: JESSDeditorials@mwu.edu.et

Journal of Equity in Sciences & Sustainable Development

DOI: https: //doi.org/10.20372/mwu.jessd.2022.1538

Full Length Research Paper

EFFECTS OF REWARD STRATEGY ON EMPLOYEE PERFORMANCE IN PRIVATE BANKS: AN EVIDENCE FROM ABYSSINIA BANK, ADDIS ABABA

Betelhem W/Gebreal [1]and Sintayehu Aynalem Aseres[2]

[2]Madda Walabu University

Article Info

Article History

Received: May 2022

Accepted: Augest 2022

Keywords:

Salary, Bonus, Medical Expense, Educational Fee, Employee Recognition, Career Advancement

Abstract

This study examines the effect of reward strategies on employee performance in the Western Addis Ababa districts of Bank of Abyssinia. It aims to establish the relationship between employee performance and rewards, utilizing a Census method to collect data from bank employees in the targeted region. The study employed a self-administered questionnaire, and the data was analyzed using the SPSS statistical software, with both descriptive and inferential tools. The findings reveal that the six independent variables (employee salary, bonus, medical expense coverage, educational fee coverage, recognition, and career advancements) have varying degrees of positive relationships with the dependent variable, employee performance. Specifically, career advancements showed a strong positive relationship, followed by educational fee coverage, bonus, and recognition, which had moderately positive effects. In contrast, medical expense coverage and employee salary had positive but weak relationships with performance. The regression analysis further supported these findings, indicating that the identified factors have significant and positive effects on employee performance in the bank. Overall, the study's results align with the existing theoretical and empirical literature, as both descriptive and inferential statistics confirm the identified factors.

Licensed under a Creative Commons Attribution-Non Commercial 4.0 International License.

* *Corresponding Email: sinaynalem2007@gmail.com*

1. Introduction

In the world, there are two competing interests. Employers require their employees to do more with less, while employees are asking for more incentives. This requires that organizations devise a system that strikes a balance, if they want to continue to have increased performance (Puwanenthiren, 2011). Organizations are increasingly realizing that they have to establish an equitable balance between the employee's contribution to the organization and the organization's contribution to the employee. Establishing this balance is one of the main reasons to reward employees.

To maximize the overall performance of the company, the employer needs to understand what motivates the employees and how to increase their job satisfaction. It might, however, be challenging for a company to find out what motivates its employees, especially because different people are motivated by different things (Nursebo, 2012). A reward system is imperative for employee performance, and an increase in employee performance will lead to an increase in organizational performance. In an organizational context of performance, employee performance is defined as the degree to which an organizational member contributes to achieving the goals of the organization. Employee performance is vital to an organization's success, as it is an imperative mechanism that contributes to the success of an organization. According to Motowidlo, Borman and Schmidt (1997) cited in Onukwube (2010), job performance is the behavior that can be evaluated in terms of the extent to which it contributes to organizational effectiveness. Similarly, Jaafar et al. (2006) see job performance as an individual's work achievement after having exerted effort. Guest (2001) regards it as the behavior and outcomes that employees engage in or bring about that are linked with and contribute to organizational goals. Reward systems in an organization help to motivate and retain employees at work, which is an important element of human resource management. A well-designed reward system leads an organization towards higher productivity and employee satisfaction.

Employee reward systems could be defined as a program by an organization to reward performance and motivate individuals as well as group employees. For a company to design a reward system, it should specify the organizational goals to be attained and the specific performance that will attract rewards. By doing so, the reward system will help management shape the behavior of employees, thereby attaining the organization's goal to achieve higher levels of quality and performance. As Hatice (2012) states, "reward systems play a critical role in determining the organization's ability to attract high-potential individuals and retain high-performing employees." To put it another way, effective rewards are the most important way to engage people with their work and their organization (Ibrar, 2015). Employee performance is defined as a situation in which one group of people acts in a specific manner for the benefit of another group of people (Chaundary & Sharma, 2012). It is concerned with employees' work efficiency, how well they perform on the job, and the responsibilities assigned to them as measured against the commonly accepted performance criteria established by their employers (Torrington, 2008). Management uses incentives to motivate workers. As a result, an effective reward system

draws new employees to the company and spurs current ones to work harder. According to Malik et al. (2011), the reward system is a very important tool that all banks can use to enhance employee motivation in different ways. In other words, banks give rewards to employees, and the reward system seeks not only to attract new employees to join the bank but also to keep existing employees and also motivate them to perform at a high level (Mohemmed, 2011).

This study aims to answer the following research questions:

1) *What are the factors affecting employee performance at the Bank of Abyssinia?*
2) *How do financial incentives/rewards affect employee performance at the Bank of Abyssinia?*
3) *What are the effects of non-financial rewards on employees' performance at the Bank of Abyssinia?*

Morever, the study was to examine the effect of reward strategy on the performance of employees at the Bank of Abyssinia. Specifically, the study addressed the following objectives:

1. *To measure the effect of financial rewards on employees' performance at the Bank of Abyssinia.*
2. *To examine the effect of non-financial rewards on employees' performance at the Bank of Abyssinia.*

2. Theorethical Framework

Reward refers to recognizing employees, both individually and as a group, for their performance and acknowledging their contribution to the organization's mission (Zaliha, Soonyew, and Laikuan, 2009). Reward encompasses all monetary, non-monetary, and psychological compensation that an organization provides to its employees in exchange for the work they do. It includes both extrinsic and intrinsic rewards (Bratton, 2007).

According to Gross and Friedman (2004), rewards include compensation (base pay, short- and long-term incentives), benefits (health issues, work-life balance, and other benefits), and career development (training and progression). Rewards can be categorized into two main types: intrinsic and extrinsic (Mottaz, 2012).

Intrinsic rewards are derived from the content of the task itself, such as interesting and challenging work, self-direction, responsibility, variety, creativity, the opportunity to use one's skills and abilities, and sufficient feedback on the effectiveness of one's efforts. Extrinsic rewards, on the other hand, come from the work environment, such as promotions, private office space, and the social climate.

The company's reward strategy specifies what an organization intends to do with rewards in the next few years and how it plans to implement it. This leads to the creation of a reward system comprised of interconnected processes and practices that work together to ensure that reward management benefits the organization and its employees. This is considered a strategic approach to reward, where reward and corporate strategy are integrated, and the organization plans ahead to make the plans happen.

Specifically, the HR strategy stems from the business strategy and is concerned with key areas such as resourcing, skills acquisition and development, performance and quality management, rewards,

and employee relations. The goal is to make initiatives in each of these areas mutually supportive.

While many managers are intrigued by team-based awards, others are hesitant to apply them due to their complexity and potential negative influence on individual performance. Organizational incentives can include the potential for higher earnings and productivity, comprehensive training that streamlines important business processes, and good communication between employees and management (Larson, 2003).

Intrinsic rewards, such as responsibility, performance, and the task itself, may have a longer-term and deeper impact on employee motivation compared to extrinsic, monetary rewards (Armstrong, 2007). Intrinsic rewards satisfy the internal factors or motivators of the employee, leading to a sense of satisfaction and commitment to their work.

Non-monetary compensation, such as recognition, advancement, working conditions, and appreciation, may also have a significant impact on employee performance (Oroh, Lapian, & Pandowo, 2014).

3. Methodology

The study employed both quantitative and qualitative research approaches to analyze the effect of reward strategy on employee performance at Bank of Abyssinia. The quantitative approach used a Likert scale questionnaire to collect data from managers and employees, while the qualitative approach gathered data on the effectiveness of the organization and managers' perceptions of reward strategy issues. The study used an explanatory research design to examine the relationship between the independent variables (financial and non-financial rewards) and the dependent variable (employee performance). A census method was used to collect data from all 108 permanent employees with at least 2 years of experience across 7 bank branches in western Addis Ababa. Both primary and secondary data were analyzed using descriptive and inferential statistics such as frequencies, means, correlations, and multiple linear regression.

4. Results and Discussion

The survey data provides a detailed demographic profile of the respondents. The majority were male (65.7%) and between the ages of 26-35 (33.33%). Most were married (66.7%) and held bachelor's degrees (69.4%). In terms of their positions at the bank, the vast majority were officers (93.5%), and the majority had over 5 years of service (62%), followed by 4-5 years (32.4%) and 2-4 years (5.6%). This background information on the characteristics of the survey participants helps to provide useful context for interpreting the subsequent analysis of the data.

The model summary and ANOVA results provide a comprehensive assessment of the regression model and its predictive power. The multiple correlation coefficient (R) of 0.887 indicates a strong positive correlation between the set of independent variables (Recognition, Salarr, bonus, educational fee, training opportunity, decision making, , career advancement opportunity, and job secuirity) and the dependent variable (employee performance).

The R-squared (R Square) value of 0.787 further suggests that the independent variables in the model are able to explain 78.7% of the variation in the dependent variable. The adjusted R-squared value of 0.767 demonstrates that the model has good explanatory power and can be generalized to

the population. Additionally, the low standard error of the estimate (0.42053) implies a relatively small amount of residual variation in the dependent variable.

The ANOVA results provide strong statistical support for the overall model fit. The F-statistic of 40.245 and the corresponding p-value of less than 0.001 indicate that the regression model is statistically significant, meaning that at least one of the independent variables is a significant predictor of the dependent variable (EP). This provides confidence in the model's ability to accurately predict the outcome variable based on the set of independent variables.

Table 1: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.887[a]	.787	.767	.42053
a. Predictors: (Constant), R, S, B, EF, TO, DM, BEC, CAO, JS				

Table 2: ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.055	9	7.117	40.245	.000[b]
	Residual	17.331	98	.177		
	Total	81.385	107			
a. Dependent Variable: EP						
b. Predictors: (Constant), R, S, B, EF, TO, DM, BEC, CAO, JS						

The regression results presented in the Coefficients table provide a detailed understanding of the relationships between the independent variables and the dependent variable, EP. The analysis shows that several of the independent variables have a statistically significant positive impact on EP. Salary, with an unstandardized coefficient of 0.153 and a standardized coefficient (Beta) of 0.173, indicates that a one-unit increase in Salary is associated with a 0.153 increase in EP, holding all other variables constant. Bonus, with an unstandardized coefficient of 0.238 and a Beta of 0.268, has a relatively strong positive influence, such that a one-unit increase in Bonus is linked to a 0.238 increase in EP. Education Fee, with an unstandardized coefficient of 0.149 and a Beta of 0.225, also has a moderate positive impact on EP. Similarly, Medical Benefits, Career Advancement, Training Opportunity, and Job Security all

demonstrate statistically significant positive relationships with the dependent variable. The standardized coefficients for these variables indicate their relative importance in predicting EP, with Training Opportunity having the largest standardized effect (Beta = 0.695). In contrast, Decision Making and Recognition do not have a statistically significant impact on EP when the other variables are accounted for, as evidenced by their insignificant p-values. Moreover, the regression results suggest that Salary, Bonus, Education Fee, and several other employment-related factors are key predictors of EP, providing valuable insights for understanding and potentially improving employee performance.

Table 3 Regression Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.972	.282		6.989	.000
	Salary	.153	.056	.173	2.733	.007
	Bonus	.238	.064	.268	3.708	.000
	Education fee	.149	.044	.225	3.373	.001
	Medical benefits	.130	.059	.212	2.195	.031
	Career advancement	.168	.068	.225	2.479	.015
	Training opportunity	.537	.059	.695	9.128	.000
	Decision making	.017	.085	.016	.204	.839
	Job security	.450	.083	.572	5.445	.000
	Recognition	.032	.056	.041	.567	.572
a. Dependent Variable: EP						

Source: SPSS Output 2023

5. Conclusion and recommendations

The regression model's strong explanatory power, as demonstrated by the high R-squared value of 0.787, has significant implications for understanding and enhancing employee performance within the organization. This finding suggests that the independent variables included in the model can collectively explain a substantial 78.7% of the variation in the dependent variable, Employee Performance (EP). The statistical significance of the overall model, as evidenced by the F-statistic of 40.245 and the corresponding p-value of less than 0.001, further reinforces the validity and reliability of the regression analysis. This indicates that the model as a whole is a robust predictor of EP

and can provide valuable insights to guide organizational decision-making.

The regression coefficients reveal the relative importance of the independent variables in influencing EP. Salary, Bonus, and Education Fee emerge as the most influential factors, with standardized coefficients (Betas) of 0.173, 0.268, and 0.225, respectively. This implies that investments in competitive compensation packages, including salary increases and performance-based bonuses, as well as educational assistance programs, can yield significant improvements in employee performance. Beyond financial incentives, the analysis also highlights the crucial role of non-financial factors in predicting EP. Variables such as Medical Benefits, Career Advancement opportunities, Training Opportunities, and Job Security all demonstrate substantial positive impacts, with standardized coefficients ranging from 0.212 to 0.695. This underscores the importance of creating a holistic and supportive work environment that addresses both monetary and non-monetary aspects of employee well-being and development.

Interestingly, the regression results indicate that decision making and 3ecognition do not have a statistically significant impact on EP when the other variables are accounted for. This finding suggests that while these factors may be important in their own right, their influence on employee performance may be overshadowed by the more dominant predictors identified in the model. Furthermore, the insights gained from this comprehensive regression analysis provide a robust foundation for the organization to prioritize and implement strategic interventions aimed at enhancing employee performance. By focusing on the key drivers of EP, the organization can optimize its resource allocation and HR practices to foster a more productive and engaged workforce, ultimately contributing to improved organizational outcomes.

Recommendations:

Based on the findings, we recommend the following actions to enhance employee performance:

- Salary and Bonus Structure: Implement competitive and fair compensation packages, including regular salary increases and performance-based bonus structures, to attract and retain high-performing employees.
- Educational Assistance: Provide educational fee reimbursement or tuition assistance programs to encourage employees to pursue professional development and acquire new skills, which can directly contribute to improved performance.
- Benefits and Opportunities: Enhance employee benefits, such as comprehensive medical coverage, and create clear career advancement pathways and training opportunities to foster a supportive and engaging work environment.
- Job Security: Ensure stable employment conditions and job security to boost employee confidence and commitment, which can positively influence their performance.
- Performance Management: Reevaluate the decision-making processes and recognition systems to ensure they are aligned with the key factors that drive employee performance.

Conflict of Interests

The authors declare that there's no conflict of interest concerning to the publication of this article

References

Agresti, A. (2013). Categorical data analysis (3rd ed.). John Wiley & Sons.

Ahmad, T., Farrukh, F., & Nazir, S. (2015). Capacity building boosts employee performance. Industrial and Commercial Training, 47(2), 61-66.

Ahmed, I. (2017). The effects of rewards on employee's performance in banks: A study of three districts (Lodhran, Vehari, Khanewal) commercial banks in Pakistan. 352–361.

Ajila, C. O. (1997). Job motivation and attitude to work as correlates of productivity among workers in manufacturing companies in Lagos State, Nigeria [Unpublished doctoral dissertation]. Obafemi Awolowo University.

Aktar, S., Sachu, M. K., & Ali, E. (2012). The impact of employee performance in commercial bank of Bangladesh: Empirical study. Journal of Business and Management, 1(1), 153-165.

Alam, M. S., Saeed, A. S. A., Sahabuddin, M., & Akter, S. (2013). Relationship between employees' recognition and employee contribution in service industry. International Journal of Business and Marketing Management, 1(1), 1-8.

Dahlqvist, A., & Matsson, A. (2013). The impact of extrinsic and intrinsic rewards on employees' motivation – A case study of an insurance company.

Allen, R. S., & Killman, R. H. (2001). Aligning reward practices in support of total quality management. Business Horizons, 44(3), 77-84.

Armstrong, M. (1991). Rewarding teams: Good practice. Chartered Institute of Personnel and Development.

Armstrong, M. (2009). Armstrong's handbook of performance management (4th ed.). Kogan Page.

Armstrong, M. (2010). A handbook of reward management practices (10th ed.). Kogan Page.

Armstrong, M., & Stephens, T. (2005). Employee reward management and practice: First edition. Kogan Page.

Armstrong, M. (2007). A handbook of employee reward management and practice (2nd ed.). Kogan Page.

Babakus, E., Yavas, U., Karatepe, O. M., & Avci, T. (2003). The effect of management commitment to service quality on employees' affective and performance outcomes. Journal of Retailing and Consumer Science, 31(3), 272-286.

Badrinarayan, S. R., & Tilekar, P. (2011). Critical analysis of motivators and hygiene factors with special reference to employees of private and public sector banks in India. International Journal of Research in IT & Management, 1(1), 39-50.

Bhatnagar, J. (2007). Talent management strategy of employee engagement in Indian ITES employees: Key to retention. Employee Relations, 29(6), 640-663.

Bhattacharya, S., & Mukherjee, P. (2009). Rewards as a key to employee engagement: A comparative study on I.T. professionals. ASBM Journal of Management, II(1).

Bloom, M., & Milkovich, G. T. (1998). Rethinking international compensation. Compensation & Benefits Review, 30(1), 15-23.

Bratton, B., & Gold, G. (2007). Human resource management: Theory and practice (4th ed.). Palgrave Macmillan.

Bratton, J., & Gold, J. (2003). Human resource management: Theory and practice. Palgrave Macmillan.

Brooks, C. (2008). Introductory econometrics for finance (2nd ed.). Cambridge University.

Caudill, L. H. (2014). An historical perspective of reward system: Lessons learned from scientific management era. International Journal of Human Resource Studies.

Chiang, F. F. T., & Birtch, T. A. (2008). Achieving task and extra-task-related behaviors: A case of gender and position differences in the perceived role of rewards in the hotel industry. International Journal of Hospitality Management, 27, 491-503.

Chijioke, N., & Chinedu, F. (2015). Effect of rewards on employee performance in organizations: A study of selected commercial banks in Awka Metropolis. 7(4), 80-89.

Christensen, A. L. (2011). Linking ethical leadership to employee performance: The role of leader member exchange, self-efficacy, and organizational identification. Organizational Behaviour And Human Decision Process, 115(2), 204-213.