



# Impact of Leadership Styles on Employee Performance in Micro-Finance Banking Sector: Evidence from Pakistan

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## Abstract:

This study uses an empirical approach to examine the relationship between different Leadership styles and employee Performance in the microfinance banking sector. Here, we look at how seven distinct leadership styles (autocratic, democratic, laissez-faire, transformational, transactional, charismatic, servant, and situational leadership) affect employee performance in the workplace. With this information, executives can make better decisions that will help their organizations advance. The study is cross-sectional, meaning that data was collected at a particular, predefined point in time. Eleven microfinance institutions are spread out over Pakistan; from those, 192 participants are selected randomly to participate in the study. Data is collected through a self-administered questionnaire. Data are subjected to correlation and regression analysis and other descriptive and inferential statistical tests using IBM SPSS and Smart PLS 4. According to the results, CEOs in the microfinance banking sector would do well to embrace a situational leadership style like charismatic, democratic, servant, or transformational leadership. Employee leadership, Performance, workplace satisfaction, and organizational loyalty all improve when managers adopt these practices. However, research finds no correlation between autocratic, laissez-faire, or transactional leadership and employee performance, suggesting that these styles may be less successful at motivating employees. However, all other leadership styles benefit every organization in improving employee performance, especially in the banking sector.

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## INTRODUCTION

The microfinance banking sector plays an important role in expanding access to banking services and providing agency for people in developing countries, including Pakistan. With the rapid growth of this industry, it is important to have competent employees to ensure long-term success. The leadership style of microfinance bank managers greatly influences employee performance, which ultimately influences the profitability and sustainability of the organization (Nthiga et al., 2023; Memon et al., 2022; Kariuki, 2021). This research aims to prove that various leadership styles have an observable impact on employee performance in the microfinance banking industry. Examples of authoritarian leadership show that managers who make all important

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decisions without employee participation can reduce employee motivation and satisfaction, as stated by Wang et al. (2022).

In contrast, democratic leadership, according to Nazir et al. (2021), increases employee engagement and innovation by giving them a voice in decision making. The laissez-faire leadership model gives staff great freedom with little supervision, while inspiring transformational leadership can drive teams to achieve extraordinary results through clear vision and individual attention (Elkhwesky et al., 2022; Joseph, 2023; Faiz et al., 2023). Transactional leadership uses rewards and punishments to achieve results, while charismatic leaders unite teams to achieve common goals (Abbas & Ali, 2023; Frangieh & Rusu, 2021). Servant leadership emphasizes prioritizing employee needs and their development, while situational leadership adapts the leadership style to the needs of the situation and the individual (Hassan, 2023; Kauppila et al., 2022; Faiz et al., 2023). Examining how various leadership styles influence staff performance in Pakistan's microfinance banks is critical to understanding and increasing employee enthusiasm, satisfaction, and productivity, which will ultimately strengthen Pakistan's economy and reduce poverty.

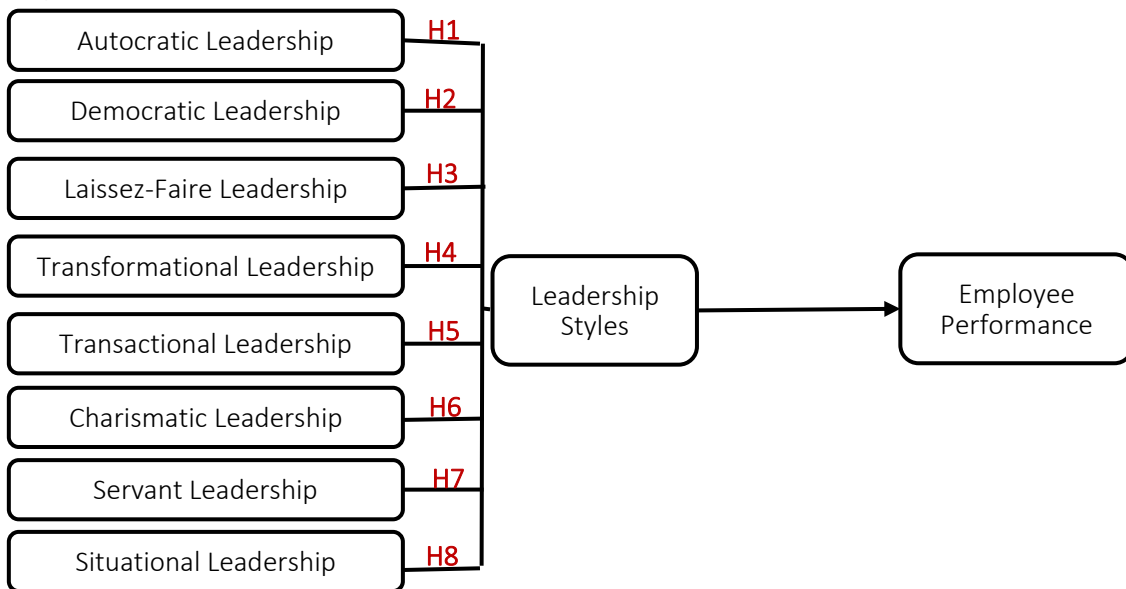
Leadership style plays an important role in influencing employee performance and organizational outcomes. Transformational leadership, defined by inspirational leadership practices, has been found to have a positive correlation with employee performance in various studies. The study (Iqbal et al., 2021; Hashmi et al., 2021; Olayisade & Awolusi, 2021; Faiz et al., 2023) shows that transformational leaders can inspire and empower employees through high standards, intellectual stimulation, and personal support, which leads to improved employee performance in the microfinance banking sector. Additionally, research by Chen et al. (2021) in the industrial sector shows that transformational leaders encourage a culture of innovation and information sharing, improving employee performance. This leadership style has been proven to increase job satisfaction, organizational commitment, and service quality in various sectors, including health and manufacturing (Curado & Santos, 2022; Allozi et al., 2022; Maulidia, 2023).

In contrast, authoritarian and laissez-faire leadership show a negative impact on employee performance. Other studies (Hajiali et al., 2022; Pizzolitto et al., 2023; Olayisade & Awolusi, 2021; Ali et al., 2021) in the industrial and service sectors found that authoritarian leadership reduces motivation and job satisfaction, which leads to poor performance. In the health sector, Al-Yami (2021) found that authoritarian leadership reduces nurses' performance and job satisfaction. Similarly, a laissez-faire leadership style, characterized by a lack of supervision and direction, is associated with lower employee performance according to research by Khan et al. (2021) in the microfinance banking sector. Lee et al. (2022) confirmed that this leadership style leads to low motivation, poor communication, and low accountability, all of which have a negative impact on employee performance. These studies confirm that although authoritarian and laissez-faire leadership styles may offer short-term benefits, the long-term costs are too high to ignore.

The novelty of this analysis lies in the comprehensive comparison of different leadership styles and their impact on employee performance in various sectors, highlighting clear differences between transformational, authoritarian and laissez-faire leadership. Although previous research has established the general benefits and drawbacks of this leadership style, this analysis uniquely integrates findings from previous research to underscore the consistent positive influence of transformational leadership

on innovation, job satisfaction, and overall performance, particularly in the field of microfinance. banking and industrial sectors. Rather, it reaffirms the detrimental impact of authoritarian and laissez-faire leadership on motivation, communication, and accountability, providing a nuanced understanding of how these styles can produce short-term gains but incur significant long-term losses. This synthesis not only reinforces the critical role of leadership in organizational success but also provides a timely update on the evolving dynamics of leadership effectiveness in the contemporary work environment.

**MODEL:**



**Figure 01. Conceptual Framework**

**Hypotheses:**

- H1.** Autocratic leadership has positive impact on employee performance.
- H2.** Democratic leadership has positive impact on employee performance.
- H3.** Laissez-faire leadership has a positive impact on employee performance.
- H4.** Transformational leadership has a positive impact on employee performance.
- H5.** Transactional leadership has a positive impact on employee performance.
- H6.** Charismatic leadership has a positive impact on employee performance.
- H7.** Servant leadership has a positive impact on employee performance.
- H8.** Situational leadership has a positive impact on employee performance.

The microfinance banking industry can take various lessons from this study's conclusions. To begin, findings from the research will show managers which types of leadership are most likely to boost employee performance in the workplace. In order for micro-finance institutions to create effective leadership development programs and training initiatives, they need to know which leadership styles have a good impact on staff engagement, job satisfaction, and employee performance. Second, by illuminating the types of leadership that encourage employee participation, originality, and problem solving at micro-finance institutions, this study will help improve the quality of life on the job. This, in turn, can boost service quality, customer satisfaction, and employee performance throughout the company. In addition, the research can be used to better select and recruit managers for micro-finance institutions. Banks can evaluate potential

leaders' fit with the organization's aims and values by learning how different leadership styles affect employee performance.

## RESEARCH METHOD

This study will adopt a quantitative research approach to analyze how various types of leadership styles affect employee performance in Pakistan's microfinance banking industry. To gather information at a single point in time, we'll use a cross-sectional methodology. Purposive sampling will be used to pick respondents from the microfinance banking sector. Employees at 11 microfinance institutions (Table 01) located in various parts of Pakistan will make up the bulk of the study's target group. Based on the availability and manageability of the data, a sample size of 192 employees will be selected. Self-administered questionnaires will be the primary method of gathering information. There will be two parts to the questionnaire. Participants' ages, gender, educational levels, and years of experience will be tallied in the first segment. In the second part, we'll use different question about leadership styles and employee Performance.

The Multifactor Leadership Questionnaire will be used to analyze several leadership approaches, including authoritarian, democratic, transformational, transactional, charismatic, servant, and situational leadership. Participants will be asked to score the frequency with which they encounter statements in the survey that pertain to leadership behaviors using a five-point Likert scale 1 assigned to strongly disagree and 5 assigned to strongly agree. The data will be analyzed with Smart PLS 4 and IBM SPSS. Means, frequencies, and percentages will be utilized as descriptive statistics to summarize the data collected from the participants. We will use inferential statistics like correlation and regression analysis to look for links between leadership styles and employee performance in the workplace.

**Table 01. 11 Selected Microfinance Bank in Pakistan for Data Collection**

1.	<i>FINCA Microfinance Bank Ltd.</i>
2.	<i>U Microfinance Bank Ltd.</i>
3.	<i>Khushhali Bank Ltd.</i>
4.	<i>Advance Pakistan Microfinance Bank Ltd.</i>
5.	<i>Sindh Microfinance Bank Ltd.</i>
6.	<i>NRSP Microfinance Bank Ltd.</i>
7.	<i>Telenor Microfinance Bank Ltd.</i>
8.	<i>Pak Oman Microfinance Bank Ltd.</i>
9.	<i>Apna Microfinance Bank</i>
10.	<i>The First Microfinance Bank Ltd.</i>
11.	<i>Mobilink Microfinance Bank Ltd.</i>

This study employs the Multifactor Leadership Questionnaire (MLQ) to analyze different leadership approaches, such as authoritarian, democratic, transformational, transactional, charismatic, servant, and situational leadership. Participants rate the frequency of leadership behaviors using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Data will be analyzed using Smart PLS 4 and IBM SPSS, with descriptive statistics like means, frequencies, and percentages summarizing the data. Inferential statistics, including correlation and regression analysis, will be used to explore the relationship between leadership styles and employee performance. Data is

collected from 11 selected microfinance banks in Pakistan, including institutions like FINCA Microfinance Bank Ltd. and Khushhali Bank Ltd.

## RESULTS AND DISCUSSION

### Demographic characteristics of Respondents

Table 02. Demographic characteristics of Respondents

Gender			
		Frequency	Percent (%)
Valid	Male	137	71.4
	Female	55	28.6
	Total	192	100.0
Age			
		Frequency	Percent (%)
Valid	20-25	15	7.8
	26-30	143	74.5
	31-40	19	9.9
	Above 40	15	7.8
	Total	192	100.0
Education			
		Frequency	Percent (%)
Valid	Bachelor	20	10.4
	Master	109	56.8
	Other	5	2.6
	Above Master	58	30.2
	Total	192	100.0
Experience			
		Frequency	Percent (%)
Valid	3-5	30	15.6
	6-8	118	61.5
	9-11	25	13.0
	Above 11	19	9.9
	Total	192	100.0

Table 02 shows the demographic information about the survey's participants. It contains information on the respondents' gender, age, level of education, and years of experience in the workforce. The bulk of the 192 respondents (71.4% of the total) were male, while just 28.6% of the respondents were female. The majority of responders (74.5%), in terms of age, were between the ages of 26 and 30. People between the ages of 31 and 40 made up 9.9% of the sample. Those between the ages of 20 and 25 made up 7.8% of the total, while those older than 40 made up 7.2%. Respondents' levels of formal schooling ranged widely. The vast majority had at least a master's degree (56.8%), while 30.2% had degrees beyond that. A mere 10.4 percent had earned a bachelor's degree, and an even smaller fraction (2.6%). Lastly, the statistics showed that the most majority (61.5%) had between six and eight years of professional experience. Following those with more than 11 years of expertise, 15.6% of respondents said they had between 3- and 5-years' worth of experience. A total of 192 responses were included for the statistical analysis.

## Descriptive Statistics

Table 03. Descriptive Statistics of Demographic variables

Descriptive Statistics								
	N	Range	Minimum	Maximum	Mean	Std. Error	Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
Gender	192	1.00	1.00	2.00	1.2865	.03271	.45329	.205
Age	192	3.00	1.00	4.00	1.5104	.06927	.95987	.921
Education	192	3.00	1.00	4.00	3.0677	.06225	.86260	.744
Experience	192	3.00	1.00	4.00	1.7135	.07445	1.03156	1.064
Valid N (listwise)	192							

Table 03 presents summary statistics for a total of 192 people by gender, age, education, and work experience. The Gender variable has a range of 1.00, with values of 1 and 2 representing the two possible genders (male and female). The sample has a somewhat higher proportion of persons classified as 1 (e.g., male), as indicated by the mean value for Gender of 1.2865. There is a 3.00-point spread for the Age variable, which accepts the values 1–4. If the average age of the sample is 1, then the mean age is 1.5104. The majority of respondents have a higher education, as indicated by the Education variable's mean value of 3.0677 and its range of 3.00, which includes values from 1 to 4. The Experience variable, which may take on values between 1 and 4, has a range of 3.00, a mean of 1.7135, and a standard deviation of 0.5625, all of which point to an intermediate level of experience. Variance and standard deviation are measures of dispersion that show how far the data points are from the mean for each variable.

Table 04. Descriptive Statistics of variables

	N	Mean	Std. Deviation	Variance
	Statistic	Statistic	Std. Error	Statistic
Employee_Performance	192	3.9177	.05642	.78179
Autocratic_Leadership	192	3.6753	.07350	1.01841
Democratic_Leadership	192	3.8524	.06399	.88664
Laissezfaire_Leadership	192	4.2448	.07760	1.07525
Transformational_Leadership	192	4.0747	.07669	1.06271
Transactional_Leadership	192	4.0712	.06410	.88824
Charismatic_Leadership	192	3.4063	.07898	1.09439
Servant_Leadership	192	4.0781	.06606	.91540
Situational_Leadership	192	3.5816	.06397	.88636
Valid N (listwise)	192			

A sample of 192 employees' responses to questions about how their leaders influence them and their work are summarized in Table 4. On a scale from 1 to 5, how would you describe your level of autocracy, democracy, laissez-faire, transformation, transaction, charisma, servitude, and situational adaptability? Employee Performance,

which measures employees' Performance as a whole, is likewise a scale from 1 to 5. The mean values for the various leadership types represent the typical ratings employees have given for each type. For instance, employees rated Transformational leadership the highest (4.0747), indicating they see this type of leadership as most common at work. However, the mean score of 3.4063 for charismatic leadership suggests it may be less common than the other leadership styles. How widely employees' responses varied is illustrated by each leadership style's standard deviation and variance. When the standard deviation of the ratings is low, the ratings tend to cluster around the mean value, and when it's high, the ratings tend to be more dispersed.

## Correlation Analysis

Table 05. Correlation Analysis

Correlation Analysis		(EP)	(AL)	(DL)	(LF)	(TFL)	(TSL)	(CL)	(SL)	(SIL)
<i>Employee Performance (EP)</i>	Pearson Correlation	<b>1</b>								
	Sig. (2-tailed)									
	N	192								
<i>Autocratic Leadership (AL)</i>	Pearson Correlation	.343**	<b>1</b>							
	Sig. (2-tailed)	.000								
	N	192	192							
<i>Democratic Leadership (DL)</i>	Pearson Correlation	.437**	.219*	<b>1</b>						
	Sig. (2-tailed)	.000	.002							
	N	192	192	192						
<i>Laissezfaire Leadership (LFL)</i>	Pearson Correlation	.110	.019	.291*	<b>1</b>					
	Sig. (2-tailed)	.129	.790	.000						
	N	192	192	192	192					
<i>Transformational Leadership (TFL)</i>	Pearson Correlation	.597**	.196*	.326*	.088	<b>1</b>				
	Sig. (2-tailed)	.000	.007	.000	.226					
	N	192	192	192	192	192				
<i>Transactional Leadership (TSL)</i>	Pearson Correlation	.595**	.383*	.593*	.052	.428**	<b>1</b>			
	Sig. (2-tailed)	.000	.000	.000	.476	.000				
	N	192	192	192	192	192	192			
<i>Charismatic Leadership (CL)</i>	Pearson Correlation	.548**	.231*	.606*	.344*	.418**	.409**	<b>1</b>		
	Sig. (2-tailed)	.000	.001	.000	.000	.000	.000			
	N	192	192	192	192	192	192	192		
<i>Servant Leadership (SL)</i>	Pearson Correlation	.748**	.401*	.457*	.039	.535**	.864**	.421**	<b>1</b>	
	Sig. (2-tailed)	.000	.000	.000	.591	.000	.000	.000		
	N	192	192	192	192	192	192	192	192	
<i>Situational Leadership (SIL)</i>	Pearson Correlation	.338**	.355*	.814*	.194*	.285**	.642**	.692**	.479**	<b>1</b>
	Sig. (2-tailed)									
	N	192	192	192	192	192	192	192	192	192

Sig. (2-tailed)	.000	.000	.000	.007	.000	.000	.000	.000	.000
N	192	192	192	192	192	192	192	192	192

\*\* . At the two-tailed alpha level of significance (0.01), a correlation exists.

\* . At the two-tailed alpha level of 0.05, the correlation is significant.

Leadership styles range from autocratic to democratic to laissez-faire to transactional to charismatic to servant and situational leadership are all examined in Table 05 to determine their effects on employee Performance. Coefficients of correlation can range from -1 to 1. When the value is positive, the connection is robust; when it's negative, the connection is weak. Values closer to 1 or -1 imply a stronger association, whereas values closer to 0 indicate a weaker one. If the correlation is purely coincidental, the significance levels (\*\* and \*) will reflect that. In this context, a correlation of \*\* indicates statistical significance at the 0.01 level, whereas a correlation of \* indicates significance at the 0.05 level. A link of this magnitude is extremely unlikely to have occurred by chance. A correlation of 0.343\*\* between AL and EP provides further evidence for their beneficial relationship. Employees tend to approve of more autocratic management approaches. There is a 0.437% positive correlation between democratic leadership and employee performance, indicating a connection between leader-led democracies and employee performance in the workplace. The association between LFL and EP is not statistically significant if the p-value (Sig. 2-tailed) is greater than 0.05.

These findings provide support for the hypothesis that there is no correlation between leadership style and group performance. Transformative leadership and employee Performance are highly correlated ( $r = 0.597^{**}$ ). Higher levels of employee performance are closely correlated with increases in transformative leadership. Employee performance (EP) is positively related to Transactional Leadership (TSL), with a correlation of 0.595. When managers focus more on the bottom line, employees respond positively. The 0.548\*\* correlation between CL and EP indicates a good association between the two variables. These findings show that employees under a more charismatic manager will be more motivated to do their jobs. Since SL is highly correlated with EP ( $r = 0.748^{**}$ ), it clearly affects EP in a noticeable way. There is a correlation between elevated levels of servant leadership and increased employee performance. Employee performance (EP) is significantly correlated with Situational Leadership (SIL) ( $r = 0.338^{**}$ ). This indicates that there is a link between a leader's adaptability and the success of their team.

## Regression Analysis

Table 06. Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.857 <sup>a</sup>	.735	.724	.41100

a. (Constant), "Situational Leadership," "Laissez-Faire" Leadership," and "Transformational Leadership" are the predictors., Autocratic\_Leadership, Servant\_Leadership, Charismatic\_Leadership, Democratic\_Leadership, Transactional\_Leadership

Employee performance can be predicted using a number of different leadership styles (Table 06 shows a model summary for a multiple regression analysis that used these factors: Leadership styles (such as Situational Leadership, Laissez-Faire Leadership, Transformational Leadership, Autocratic Leadership, Servant Leadership, Charismatic Leadership, Democratic Leadership, and Transactional Leadership). The R value of the

model is 0.857, which indicates a strong relationship between expected and actual employee performance. As shown by the R Square value (coefficient of determination) of 0.735, the combined influence of the aforementioned leadership styles accounts for roughly 73.5% of the variance in employee performance. With the number of predictors and the size of the sample taken into account, the Adjusted R Square is 0.724. Differences between actual and forecasted employee performance values averaged 0.411 standard deviations, which is the standard error of the estimate. In the table below, we can see that all of the aforementioned leadership styles serve as predictors and that the constant stands in for the regression model's intercept. The model appears to have a decent fit overall, with the included leadership styles explaining a sizable amount of the observed variation in employee performance.

**Table 07. ANOVA**

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.828	8	10.728	63.513	.000 <sup>b</sup>
	Residual	30.912	183	.169		
	Total	116.740	191			

a. Employee\_Performance as the Dependant Variable  
b. Leadership styles that can be predicted include (Constant), Situational\_Leadership, Laissez-Faire\_Leadership, Transformational\_Leadership, Autocratic\_Leadership, Servant\_Leadership, Charismatic\_Leadership, Democratic\_Leadership, and Transactional\_Leadership.

A study of Variance (ANOVA) results for a multiple regression study performed to predict Employee Performance based on different leadership styles are shown in Table 7. Regression, Residual, and Total are the three primary sections of the ANOVA table. The regression model's explanatory power is discussed in this section. With 8 df, the regression has a Sum of Squares of 85.828. Each predictor accounts for an average of 10.728 of the total variances. Overall, the model provides a good fit to the data, with an F-statistic of 63.513. There is a strong relationship between leadership styles and employee performance in the workplace. as indicated by the model's Sig. value of .00000. In this piece, we explain the model's discrepancy or unexplained variance. There are 183 df in the residual, and its Sum of Squares is 30.912. The average amount of unaccounted-for variation in employee performance is 0.169, as measured by the Mean Square of the residual. The following table displays the total variation in Employee Performance, independent of any known predictors. A total of 116.740 squares can be calculated.

**Table 08. Regression Analysis**

	Total Effect					
	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values	Hypothesis Status
Autocratic_Leadership -> (EP)	0.067	0.061	0.042	1.606	0.108	Not Accepted
Charismatic_Leadership -> (EP)	0.310	0.323	0.071	4.382	0.000	Accepted
Democratic_Leadership -> (EP)	0.358	0.350	0.063	5.703	0.000	Accepted
Laissez-faire_Leadership -> (EP)	-0.005	-0.016	0.079	0.063	0.950	Not Accepted
Servant_Leadership -> (EP)	0.677	0.671	0.106	6.396	0.000	Accepted
Situational_Leadership -> (EP)	-0.360	-0.344	0.090	3.999	0.000	Accepted
Transactional_Leadership -> (EP)	-0.118	-0.128	0.126	0.939	0.348	Not Accepted
Transformational_Leadership -> (EP)	0.098	0.103	0.045	2.185	0.029	Accepted

Combining the effects of authoritarian, charismatic, democratic, lax, laissez-faire, servant, situational, transactional, and transformational leadership styles, Table 08 reveals a clear picture of the whole range of leadership's effects on employee performance in the workplace. In the table below, we can see how different leadership styles affected employee performance, split down into their individual sample values (shown in the "Original sample (O)" column) and their sample mean (shown in the "Sample mean (M)" column). Variation in these effects across the sample is shown in the "Standard deviation (STDEV)" column. T-statistics, a measure of the importance of the effect of each leadership style, are displayed as absolute values in the "T statistics (|O/STDEV|)" column. The probability of obtaining the observed T-statistic from random chance is shown in the "P values" column. To see if our hypotheses about the impact of different types of leadership on employee performance hold up, we can use a significance threshold of 0.05. In conclusion, the data show that the following styles of leadership significantly impact employee performance: Different types of leadership include the charismatic leader, the democratic follower, the selfless follower, the adaptable leader, and the transformative leader. However, the data shows that autocratic leadership, laissez-faire leadership, and transactional leadership have no meaningful effects on employee performance.

### Modified Model

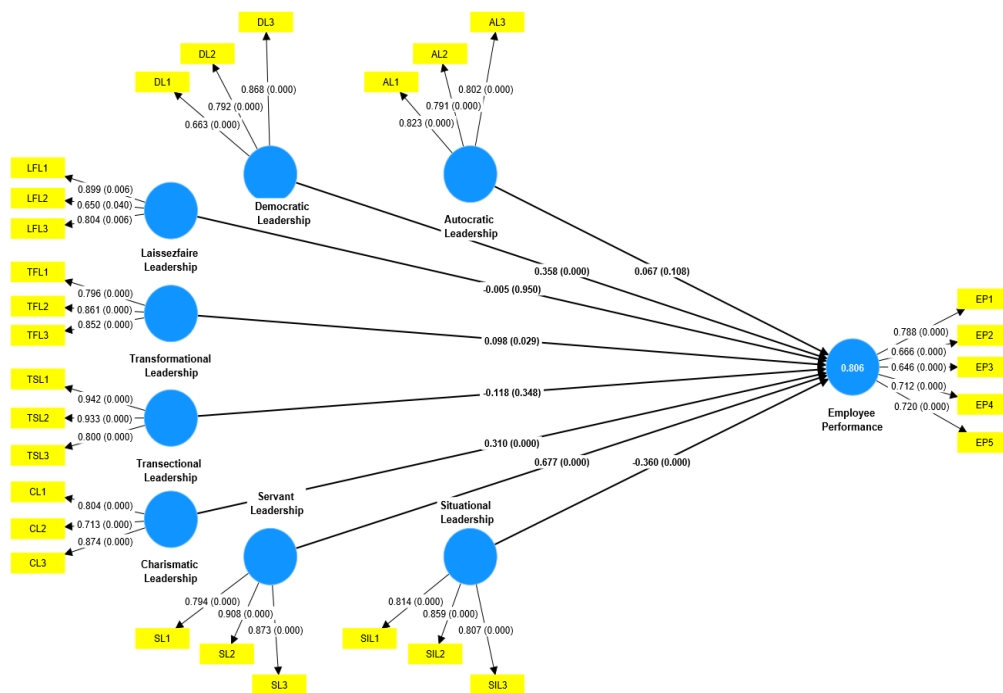


Figure 02. Modified Model

### Construct Reliability and Validity

Table 09. Construct Reliability and Validity

	Item	Cronbach's alpha ( $\alpha$ )	Composite reliability ( $\rho_a$ )	Composite reliability ( $\rho_c$ )	Average variance extracted (AVE)
Autocratic_Leadership	3	0.737	0.748	0.847	0.648
Charismatic_Leadership	3	0.756	0.903	0.841	0.639
Democratic_Leadership	3	0.724	0.832	0.820	0.606

Employee_Performance	5	0.754	0.768	0.833	0.501
Laissezfaire_Leadership	6	0.789	0.545	0.832	0.626
Servant_Leadership	3	0.822	0.824	0.894	0.739
Situational_Leadership	3	0.778	0.806	0.867	0.684
Transectional_Leadership	3	0.878	0.947	0.923	0.800
Transformational_Leadership	3	0.788	0.803	0.875	0.700

Table 9 shows the findings from a construct validity and reliability study of many leadership style and employee performance-related items. The methodology makes use of four metrics: Cronbach's alpha, composite reliability (rho\_a and rho\_c), average variance extracted (AVE), and total variance explained (TVE). The reliability coefficient known as Cronbach's Alpha This statistic indicates the degree to which different items in each construct reliably assess the same underlying notion. Higher values within the range of 0–1 indicate greater internal consistency. In this examination, Cronbach's alpha values for all constructs are above 0.7, indicating that they are all reliable. Composite dependability (rho\_a and rho\_c) and kappa are two alternate ways to quantify internal consistency. They, like Cronbach's alpha, determine whether or not different items reliably measure the same underlying construct. All of the constructs in this investigation have Composite reliability ratings above 0.7, indicating high levels of internal consistency (range: 0-1). Average Variance Extracted (AVE) is a measure of proportion of variation in a construct that can be pinned down to its component parts. To provide adequate convergent validity, AVE values should be greater than 0.5. All AVE values in this analysis are greater than 0.5, showing strong convergent validity for all of the constructs.

**DISCUSSION**

Influence of leadership styles on employee performance in Pakistan's microfinance sector Seven different styles of leadership were examined, and their correlation with employee Performance was determined. Autocratic leadership's supposed effectiveness at boosting employee Performance was debunked. This research challenges the idea that autocratic leadership in Pakistan's microfinance banking sector increases Performance. There was no statistically significant difference between the sample mean and the original sample, as shown by the T-statistic of 1.606 and the corresponding P-value of 0.108. There is some disagreement on whether or not autocratic leadership increases efficiency. Hajjali et al. (2022) observed that authoritarian leadership, while it may increase employee performance under certain conditions, often has the opposite effect on employee motivation and job satisfaction. However, other researchers have found that authoritarian leadership is beneficial in high-pressure situations where quick choices are critical (Dickson, 2023). It was recognized that employees are more motivated when led by charismatic individuals.

The results indicate a close relationship between charismatic leadership and employee Performance. The T-statistic of 4.382 and the corresponding P-value of 0.000 show that the difference between the sample mean and the original sample is statistically significant. There is evidence to show that leaders with charisma are better able to motivate their teams and steer their companies in innovative directions. According to the research (Supratman et al., 2021; Purwanto et al., 2023), charismatic leaders are able to motivate and push their employees to new levels of success. They are able to convey an enticing vision to their team, which in turn inspires loyalty and dedication from those who

work under them. This hypothesis was supported because of the positive correlation between a more democratic leadership style and employee performance. Conclusions Democratic leadership has been found to increase employee performance in the workplace. The T-statistic of 5.703 and the corresponding P-value of 0.000 show that there was a significant difference between the sample mean and the original sample. A hallmark of democratic leadership is actively engaging with and listening to one's staff. The literature (Raupu et al., 2021; Jaafar et al., 2021; Ridlo & Yanti, 2023) suggests that this type of leadership can lead to increased job satisfaction, more motivation, and better performance. Teamwork improves when employees feel valued and trusted in their roles. The concept that slack management reduces Performance was debunked.

Employees' Performance was not positively correlated with management's laissez-faire attitude. No statistically significant difference existed between the sample mean and the original sample, as demonstrated by the T-statistic of 0.063 and the accompanying P-value of 0.950. Laid-back leaders are less involved in the day-to-day operations of their teams. Decreased employee performance and leadership in the workplace have been linked to this style of leadership (Hajiali et al., 2022; Zaini, 2023). Employees may underachieve if they feel they are not being properly supervised or motivated. It was generally acknowledged that servant leadership improved efficiency in business settings. Having a servant leader has been shown to increase Performance in the workplace. The sample mean differed significantly from the original sample, as shown by the T-statistic of 6.396 and the corresponding P-value of 0.000. In a servant leadership structure, the needs of employees are prioritized before those of the boss. Literature by (Hassan, 2023; Kauppila et al., 2022) found that servant leaders boost leadership and Performance by fostering an environment of trust and distributing authority.

Adopting this method has the potential to boost employee motivation and employee performance. This theory was accepted because it was found that situational leadership can boost employee performance. The results show a significant negative relationship between situational leadership and employee Performance. Comparing the sample mean to the original sample, the T-statistic of 3.999 and the corresponding P-value of 0.000 show that there is a significant difference. Hersey and Blanchard's situational leadership theory from 1969 postulates that the optimal method of leading a team or organization varies with the specific circumstances at hand and the people involved. Inconsistent or unresponsive leaders can have a negative impact on performance. There was no correlation between managers' transactional and transformational approaches and employees' Performance. Employees' Performance did not rise in tandem with the prevalence of transactional leaders. No statistically significant difference was found between the sample mean and the original sample (T-statistic = 0.939, P-value = 0.348).

In transactional leadership, the leader uses rewards and penalties in interactions with the team to motivate employees to do their best (Abbas & Ali, 2023). Although this style of leadership has its place, there is some debate as to whether it actually increases Performance. Findings consistent with a positive impact of transformational leadership on workplace employee performance lend credence to the hypothesis. It was discovered that transformative leadership boosts efficiency in the workplace. The T-statistic of 2.185 and the corresponding P-value of 0.029 show that there was a statistically significant difference between the sample mean and the original sample. Abbas & Ali (2023) found that transformational leaders inspire followers to set aside self-interest in favor of the

group's mission. Increases in employee performance, satisfaction at work, and loyalty to the company have been attributed to this style of management.

## CONCLUSION

In summary, this work critically evaluated how different types of leadership influence employee performance in the microfinance banking industry. The research looked into seven varieties of leadership, including authoritarian, charismatic, democratic, laissez-faire, servant, situational, and transactional types. The results shed light on the connection between leadership styles and employee performance, elucidating the nature of effective leadership in the field. According to the findings, the most effective leadership styles in terms of workforce employee performance are the charismatic, democratic, servant, and transformational varieties. It was shown that these types of leadership were linked to increased levels of employee inspiration and motivation, a more pleasant work environment, and steadfast loyalty on the part of employees. Since the study did not find any correlation between authoritarian, laissez-faire, situational, or transactional leadership styles and employee performance, it is plausible that democratic leadership styles are superior in this regard. Charismatic, democratic, servant-oriented, and transformational leaders are associated with higher levels of employee engagement, performance, and work satisfaction. Conversely, executives with a transactional, situational, laissez-faire, or autocratic style may struggle to bring out the best in their employees and their leadership.

It simply takes adopting a handful of recommendations to make significant changes to a company's leadership practices. Microfinance institutions must prioritize providing transformative leadership development opportunities for their top executives. Certain types of leaders are more equipped to motivate their teams, articulate a compelling vision for the company's future, and instill a sense of community in their workforce. Financial industry executives could benefit from leadership development programs that focus on cultivating transformational leadership skills in order to more effectively drive positive change and increase employee performance. The second is that democratic leadership is essential if you want your staff to feel heard and invested in the company. When working for a microfinance organization, staff members should feel safe voicing their ideas and offering input. As a result of the increased leadership and Performance that result from this style of leadership, it is becoming increasingly popular. Microfinance organizations would be well not to neglect the good impact of servant leadership on employee leadership and Performance. Inspiring loyalty and hard effort from employees require leaders to prioritize their needs and treat them with kindness and respect. Conversely, autocratic and laissez-faire leadership styles were found to have no correlation with performance, suggesting they should be avoided by managers. Instead, leaders should work to achieve a balance between directing their teams and giving them room to make decisions and come up with new ideas. Finally, it's important to set up assessment and feedback methods to track the results of leadership activities on an ongoing basis. Regular surveys and reviews of employee performance can help microfinance institutions assess the leadership of their staff and pinpoint management weaknesses.

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