



TRANSFORMATIONAL LEADERSHIP AND EMPLOYEE LOYALTY IN THE GHANAIAN BANKING SECTOR: ASSESSING THE MEDIATING ROLE OF AFFECTIVE COMMITMENT AND THE MODERATING ROLE OF REWARD

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Abstract

The most important resource in an organization is the employees who work for the organization. The behavior of the employees is greatly influenced by leadership practices by their supervisors. Therefore, this study investigated the relationship between transformational leadership and employee loyalty through the mediating effect of affective commitment. The moderating effect of reward on the relationship between affective commitment and employee loyalty was also examined. The study used purposive sampling technique to distribute 550 questionnaires to employees in the banking sector of which 224 responses were valid. The result of the study suggested that transformational leadership has positive significant influence on both affective commitment and employee loyalty, and affective commitment had positive significant influence on employee loyalty. The results also suggested that affective commitment could not mediate the relationship between transformational leadership and employee loyalty. Moreover, the results suggested that reward could not have a moderating effect on the relationship between affective commitment and employee loyalty. Details and suggestions for further studies are provided in the main text.

Keywords: Leadership, Transformational Leadership, Affective commitment, Reward and Employee loyalty

INTRODUCTION

Leadership is very critical for all organizations in realizing their set objectives. Since leadership is a key factor for improving the performance of many if not all organizations and the success or failure depends on the effectiveness of leadership at all levels. The challenges of dealing with today's tentative business environment have put many organizations on their toes to fight for survival in the hotness of competition. The driver of such strategic move towards surviving the competition is the leadership style provided by supervisors who are likely to impact others in reaching Organizational goals and also lift employee's loyalty. The concept of leadership has drawn heightened attention from social scientists for many decades. Recently, the concentration of leadership has shifted from traditional or transactional models of leadership to a new field of leadership theories, with an emphasis on transformational leadership (B.M. Bass, 1985). Earlier study on theory of transformational leadership has primarily focused on comparing the effects of transformational and transactional leadership on individual performance, satisfaction and effectiveness. (B.M. Bass & Avolio, 1993) studies in this genus of leadership have shown that

transformational leadership is positively related to employee satisfaction and those in roll behaviors which constitute job performance.

According to (Burns, 1978), transformational leadership “occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality”, and results in a transforming effect on both leaders and followers. (Krishnan, 2008), Transformational leadership has been found to have significant effects on several aspects of organizational life and on employee spirituality. Also (Piccolo & Colquitt, 2006) found that transformational leadership was positively related to perceived levels of the five core job characteristics (variety, identity, significance, autonomy, loyalty and feedback), which were related to intrinsic motivation and goal commitment. Intrinsic motivation was related to both task performance and organizational citizenship behavior. Again, (Gooty et al., 2009) showed that transformational leadership enhanced followers positive psychological capital – a higher-order construct that represents an individual's motivational propensity and perseverance toward goals. Furthermore, (B.M. Bass, 1985) emphasized that transformational leadership would result in followers acting beyond expected levels of performance as a result of the leader's influence. Transformational leadership is a conjointly inspiring and winning liaison between supervisor and followers. Employees are expected to be more contented working under supervisors who demonstrate more transformational leadership behaviors, since such supervisors will display more individualized concern. According to Lee and research (2014) transformational leadership is crucial since it enables people with diverse backgrounds to work productively together towards a common goal”. (Aryee, 2002) established the positive impact of transformational leadership on employee loyalty, work attitude and job satisfaction.

Also, some scholars in Ghana have studied the influence of leadership on outcomes such as job satisfaction, organizational commitment and employee attitude on job performance (Sanda & Kuada, 2013). (B.M. Bass, 1995), linked transformational leadership to outcomes such as leadership effectiveness, innovativeness, quality improvement and both subjective and objective rating of employee performance behavior, however,(B.M. Bass, 1995) in his definition outlined four dimensions or factors of transformational leadership; Idealized influence: provides vision and sense of mission, instill pride, gains respect and trust; inspirational motivation: communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways. Individualized consideration: gives personal attention, treats each employee individually, coaches, and advises; and intellectual stimulation: promotes intelligence, rationality and careful problem solving.

Despite the numerous researches steered by scholars exploring the relationship between leadership styles, work attitude, job satisfaction and employee performance,

comparatively not much attention has been paid to its impact on employee behavioral loyalty. (Asiedu Gyensare et al 2017) targeted the saving and loans companies in Ghana to study the impact of transformational leadership on turnover intention, taking affective commitment as the mediator. The focus of this study is to examine the relationship between transformational leadership and employee behavioral loyalty, having affective commitment and reward as mediator and moderator respectively.

LITERATURE REVIEW AND HYPOTHESES FORMULATION

Employee loyalty

Behavioral loyalty is a factor which is very important for the success of an organization. Loyalty can be defined as a commitment or attachment that an employee may feel as a result of increased satisfaction or psychological attachment to the work place. It is the employee's devoutness to the company and his willingness to stay through good or bad times. Iqbal, Tufali, and Lodhi (2015), in their study title "employee loyalty and Organizational commitment" confirmed loyalty having association with commitment. Also, Ajami (1999) states that behavior loyalty is a reason for job satisfaction rather than its results. Empirical evidence has confirmed this fact that organization that focuses on maintaining high level of employee loyalty are able to enjoy not only high level of customer loyalty but also corporate profitability (Reichheld, 1996). Some studies have been conducted to identify relationship between leadership behavior and loyalty. (Alkhiali, 2003) conducted a research to identify the impact of leadership style of heads of scientific department on organizational loyalty of faculty members. His sample was from Jordanian universities. In his study, he observed that the level of organizational loyalty among faculty members was moderate.

In view of the above literature it can be said that employee loyalty is associated with quantity of output and quality of output an employee, timeliness of output of an employee and his presence /attendance on the job, efficiency of the work completed and effectiveness of work completed .(Said, 2008) also asserted that, Measurement of employee loyalty is an activity that is very important because it can be used as a measure of success in supporting the success of the organization and its employees. (S. P. Robbins, 2001) specified that when employee feels happy about work-related tasks then his loyalty is increased and he/she performs tasks in better way.

Transformational leadership and employee loyalty

Waldman (1994) discussed improving multi-functional team innovation processes through reliance on transformational leadership, while (B.M. Bass, 1994) also discussed improving team

decision-making skills through the use of transformational leadership. More recently, Kahai, Sosik, and Avolio (2000) demonstrated that transformational leaders are likely to increase group loyalty in that they are instrumental in overcoming social loafing among group members. Additionally, (Balthazard, Waldman, Howell, & Atwater, 2002) reported that face-to-face teams were more likely to demonstrate higher levels of shared (transformational) leadership and employee loyalty than virtual teams. , (B.M. Bass, 1990) also asserted that, there has been some effort linking employee behavior to transformational leadership. Bandyopadhyay and Martell (2007) extended the framework of (Dick & Basu, 1994) and empirically verified that behavioral loyalty is influenced by transformational leadership. (DeGroot, Kiker, & Cross, 2000) noted in their meta-analysis that when leadership and employee loyalty were examined “results show an effect size at the group level of analysis that is double in magnitude relative to the effect size at the individual level. Therefore, the following hypotheses have been formulated:

Hypothesis 1: Transformational leadership is related to employee loyalty.

Hypothesis 1a: Idealized influence has a positive significant influence on employee loyalty.

Hypothesis 1b: Inspirational motivation has a positive significant influence on employee loyalty.

Hypothesis 1c: Intellectual stimulation has a positive significant influence on employee loyalty.

Hypothesis 1d: Individualized consideration has a positive significant influence on employee loyalty.

Transformational leadership and affective commitment

According to Burns (1978), transformational leadership “occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality, and results in a transforming effect on both leaders and followers’.

A principle of organizational commitment implies that employees make a decision to stay or leave the organization (Meyer, Allen, & Smith, 1993). Allen & Mayer, (1996) also assert that, Organizational commitment can be used to infer whether an employee will choose to continue his membership in the organization. It refers to a psychological state that describes the relationship between an employee’s work and the organization. Some studies have examined the relationship between leadership behaviors and organizational commitment in hospitality workplaces (Patiar & Wang, 2016);The effects of transformational leadership and organizational commitment on hotel departmental performance, (Peachey, Burton, & Wells, 2014) examine the influence of transformational leadership, organizational commitment, job embeddedness, and job search behaviors on turnover intentions in intercollegiate athletics. (Kim, Lee, & George, 2012) also found in their work that, Power and resource sharing do not only improve the perception of empowerment but also increases organizational commitment. The above literature

implies that, organizational commitment is more likely to increase when employees recognize the shared vision and support from transformational leaders. Therefore, we propose the following hypotheses:

Hypothesis 2: Transformational leadership is related to affective commitment.

Hypothesis 2a: Idealized influence has a positive significant influence on affective commitment.

Hypothesis 2b: Inspirational motivation has a positive significant influence on affective commitment.

Hypothesis 2c: Intellectual stimulation has a positive significant influence on affective commitment.

Hypothesis 2d: Individualized consideration has a positive significant influence on affective commitment.

Affective commitment and employee loyalty

Yang, Wan, and Fu (2012) suggested that investigating employee commitment to stay is necessary for predicting whether they will maintain their loyalty to an organization.

Academic investigations into organizational commitment revealed a positive relationship between loyalty and organizational commitment and discussed the significance of the three dimensions of commitment for loyalty and employee retention (Mowday, Porter, & Steers, 2013; Wu & Liu, 2014). In marketing research domains, numerous scholars confirmed the positive correlation between commitment and customer loyalty (Lariviere, Keiningham, Cool, Aksoy, & Malthouse, 2014; Shukla, Banerjee, & Singh, 2016). S. Robbins (2006) defined organizational commitment as a stage in which the employee recognizes a certain group with the goals, and hopes to maintain the status as the group member. Moreover, (Luthans, 2002) define as: 1. Strong willingness to stay as a group member; 2. Willingness to hard work as the organizational aspiration; 3. A certain willingness to accept the values and goals of the organization. In other words, these are behaviors that reflect employees' loyalty to the organization and the next stage in which the organizational members express cares to the organization, success, and the further development. Shahab and Nisa (2014) conducted a study on the influence of leadership and work attitudes toward job satisfaction and employee loyalty claimed that there is a positive and significant effect of work satisfaction to organizational commitment, and also from organizational commitment to employee behavior loyalty. (Hettiarachchi & Jayaeathua, 2014) in their work titled the effect of employer work related attitudes on employee job performance revealed that organizational commitment positively related to employee behavior loyalty. Therefore, we propose the hypothesis that:

Hypothesis 3: Affective commitment will relate positively to employee loyalty.

Mediating role of affective commitment

(Mercurio, 2015) proposed a conceptual framework in which affective commitment, or the emotional attachment to the organization, is seen as the core essence of organizational commitment.

Organizational commitment refers to a psychological state that describes the relationship between an employee's work and the organization. (Allen & Mayer, 1996) revealed that Organizational commitment can be used to infer whether an employee will choose to continue his membership in the organization. A principle of organizational commitment implies that employees make a decision to stay or leave the organization (Meyer et al., 1993). Organizational commitment is perilous for personnel and organizational outcomes because it aids as a linkage between any organization and its employees. Kark et al., 2003; Yucel et al., 2013 found out that transformational leadership is positively related to affective commitment, and (Hettiarachchi & Jayaeathua, 2014) in their work titled the effect of employer work related attitudes on employee job performance revealed that Organizational commitment has strong and positive relationship to employee behavior loyalty. To support with Mercurio's construct of affective commitment as a core essence of organizational commitment, it can be said that affective commitment will link the relationship between transformational leadership and employee loyalty. Therefore, the following hypotheses have been formulated:

Hypothesis 4: Affective commitment will mediate the relationship between transformational leadership and employee loyalty.

Hypothesis 4a: Affective commitment will mediate the relationship between idealized influence and employee loyalty.

Hypothesis 4b: Affective commitment will mediate the relationship between inspirational motivation and employee loyalty.

Hypothesis 4c: Affective commitment will mediate the relationship between intellectual stimulation and employee loyalty.

Hypothesis 4d: Affective commitment will mediate the relationship between individualized consideration and employee loyalty.

Moderating role of reward

According to Motowidlo (2003), employee loyalty is defined as the total expected value to the organization of the discrete behavioral episodes that an individual carries out over a specified time period. Those researchers emphasize two key issues in this definition. First, employee behavioral loyalty is an aggregated property of multiple, discrete behaviors that occur over time. Second, the property of behavior to which performance refers is its expected value to the

organization. According to Reb and Cropanzano (2007), average performance evens out employee's contribution to an organization. Average performance evens out variations from the mean that might be due to passing influences outside the control of the employee. Following this rationale, past research found that employee loyalty strongly predicts variance in pay and reward allocation (Barnes & Morgeson, 2007). In the pay-for-performance context, it is eminently reasonable to expect that higher mean of employee behavior loyalty that will lead to positive changes in compensation level. Performance variation also plays a role in compensation award decisions.

(Sturman, 2007) maintains that long-term or directional changes over time are differentiated from short term fluctuations, or unsystematic variation of behavior. Amongst persons, some individuals may show great variation in behavior loyalty, that is, are inconsistent, while others show pint-sized variation, that is, perform consistently around the mean level or a long-term trend. According to (Barnes, Reb, & Ang, 2012), there are numerous reasons to expect that employee behavior loyalty variation of greater magnitude is associated with smaller compensation. By definition, it is easier to predict the behavior of employees who show little performance variability as compared to those who show high variability. Therefore, we propose the hypothesis that:

Hypothesis 5: Reward will moderate the effect of affective commitment on employee loyalty.

Conceptual Model

In this study, it was hypothesized that transformational leadership predicts employee loyalty among bank workers through the effort of affective commitment directly or indirectly. The moderating effect of reward is also tested on the relationship between affective commitment and employee loyalty. The conceptual model included transformational leadership (idealized influence, inspirational motivation, intellectual stimulation and individualized consideration), reward, affective commitment and employee loyalty (see Figure 1).

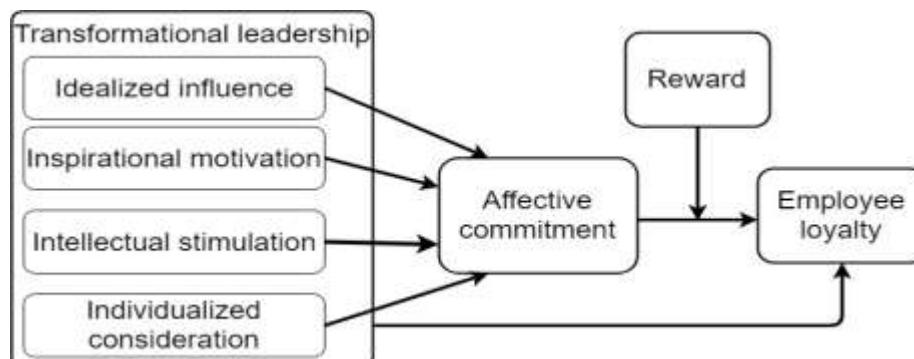


Figure 1 Conceptual Model

RESEARCH METHODS

To investigate the complex relationship between transformational leadership, affective commitment, reward and employee loyalty among bankers, a questionnaire was designed and distributed to bankers in the Greater Accra region of Ghana. Due to the high level of education of most bankers (Nubuor et al 2014), the questionnaire was authored in English. While collecting personal information, the survey also contained items that measured transformational leadership (Gyensare, Anku-Tsede, Sanda, & Okpoti, 2016), affective commitment (Singh, Verbeke, & Rhoads, 1996), reward (Karatepe, 2013) and employee loyalty (Anjam & Ali, 2016). To prevent biases associated with questionnaire survey, both favorable and unfavorable questions were added to the questionnaires (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

All items were measured on 5-point Liker-type scale (1 = strongly disagree to 5 = strongly agree). Statistical analyses such as exploratory factor analysis, confirmatory factor analysis, reliability analysis, validity analysis and correlation analysis were performed on the data.

The aim of this research is to examine the transformational leadership, affective commitment, reward and employee loyalty of bankers with various job trades. For this reason, purposive sampling techniques was used to manage the data collection's quality (Cooper & Schindler, 2006). We personally distributed a total of 550 questionnaires to banking staff in Greater Accra of Ghana. All the banking staff were professionals in the banking industry and they specifically included the bank tellers, bank marketing representatives, loan officers, internal auditors and data processing officers. All managers including the branch managers, marketing managers, operation managers and relationship managers were excluded from participating in the survey because they occupy the various leadership positions in the banks.

Out of the 550 questionnaires distributed, 224 usable responses were returned giving a 40.73% response rate. The instruments used for assessing all the variables in this study were adopted from already established scales used by previous studies. The psychometric properties of these instruments were checked to ensure that the suggestions by (Green, Dunn, & Hoonhout, 2008) in selecting scales for similar studies were met. The reliabilities and validities of the instruments were checked. Issue of common method biases was not a case in our data because the coefficient Cronbach alpha value for each of the scales was above the 0.70 threshold proposed by Nunnally 1970

The majority of the respondents were males (171; 76.30%). Also, more than half of the respondents were aged 20 – 29 (52.70%). Additionally, more than half of the respondents (140; 62.50%) had obtained a diploma qualification. Again, majority of the respondents (91; 40.63%) were marketing officers. There were about 160 respondents who had worked 1 – 4 years (71.4%). Finally, on the personal information on the participants, majority of them earned

between GHC1000 – 1900. Detailed information is provided in Table 1 on the demographic characteristics of the respondents.

Table 1 Demographic characteristics of respondents; Sample size (n) =224

Variables	Description	Frequency	Percent (%)
Gender	male	171	76.34
	female	53	23.66
Age	20 – 29	118	52.68
	30 – 39	106	47.32
Education	Master's degree	10	4.46
	Bachelor's degree	74	33.04
	Diploma	140	62.50
	Marketing officer	91	40.63
Position	Credit Officer	6	2.68
	Teller	66	29.46
	IT Officer	9	4.02
	Data processing / front desk officer	52	23.21
Length of service	1 – 4	160	71.43
	5 – 9	41	18.30
	10 – 14	23	10.27
Salary	Below GHC1000	45	20.08
	GHC1000 – 1900	87	38.84
	GHC2000 – 2900	29	12.95
	GHC3000 – above	63	28.13

ANALYSIS AND RESULTS

Factor analysis

The transformational leadership, affective commitment, reward and employee loyalty scale contained 39 items in total. To trace the main categories of the 39 items, psychometrically sound items and prevent factors with inadmissible solution, we used the principal components analysis with varimax rotation and (eigen value:1 cutoff) (Pallant, 2011) in SPSS version 21 software and confirmatory factor analysis (Gaskin & Lim, 2016) in AMOS version 21 software. The results of the varimax rotation showed that all the items loaded onto their supposed components with all factors loadings greater than 0.50 (Nunnally, 1978).

The items of transformational leadership, affective commitment, reward and employee loyalty were subjected to exploratory factor analysis separately, and generally loaded onto their proposed components, including idealized influence, inspirational motivation, intellectual

stimulation and individualized consideration, which accounted for 80.07% of the variance; affective commitment accounted for 86.99% of the variance; reward accounted for 65.69% of the variance and employee loyalty accounted for 62.86% of the variance.

We further validated the results by performing the confirmatory factor analysis (CFA) for all the measures. The standardized factor loadings for all the measures were above 0.60 which were significant. The CFA model fit measures: Chi-square (χ^2) = 502.539, normed chi-square (χ^2/df) = 1.527, standardized root mean square residual (SRMR) = 0.045, comparative fit index (CFI) = 0.962 and root mean square error of approximation (RMSEA) = 0.049 which satisfied the model fit thresholds for goodness of fit to the data (Gaskin & Lim, 2016; Joreskog & Sorbom, 1993). The Cronbach alpha and the composite reliability values for all the measures were above the 0.70 threshold which show the variables achieved high internal consistencies. Also, average variance extracted (AVE) for all the variables were greater than the 0.50 threshold which shows the variables had good convergent validity (Table 2).

Table 2 CFA factor loadings, reliability and validity analysis

Variables	Code	β	S.E.	<i>t</i>	P	α	CR	AVE
Idealized influence	ID1	0.957				0.929	0.931	0.731
	ID3	0.836	0.047	19.529	***			
	ID2	0.83	0.047	19.161	***			
	ID4	0.831	0.05	19.211	***			
	ID5	0.813	0.05	18.224	***			
Inspirational motivation	IM2	0.884				0.934	0.924	0.752
	IM1	0.911	0.051	19.684	***			
	IM3	0.816	0.061	15.96	***			
	IM4	0.856	0.055	17.488	***			
Intellectual stimulation	IS4	0.976				0.91	0.912	0.724
	IS2	0.873	0.042	22.321	***			
	IS1	0.784	0.052	17.076	***			
	IS3	0.753	0.052	15.666	***			
Individualized consideration	IC2	0.735				0.777	0.783	0.645
	IC1	0.866	0.136	8.427	***			
Reward	Rwd1	0.991				0.864	0.872	0.583
	Rwd4	0.776	0.051	16.304	***			
	Rwd3	0.705	0.056	13.665	***			
	Rwd2	0.682	0.058	12.951	***			
	Rwd5	0.609	0.062	10.867	***			
Affective commitment	AC3	0.877				0.924	0.927	0.809

Table 2...

	AC1	0.963	0.051	21.391	***			
	AC2	0.854	0.057	17.598	***			
Employee loyalty	EL4	0.985				0.846	0.858	0.555
	EL1	0.726	0.057	14.042	***			
	EL5	0.636	0.062	11.398	***			
	EL2	0.64	0.06	11.492	***			
	EL3	0.68	0.061	12.613	***			

Note: β , Standardized estimates from CFA; α , Cronbach alpha; *** $p < 0.001$.

Abbreviations: S.E., Standard error; t , critical ratio; CR, Composite reliability; AVE, Average variance extracted.

Pearson's correlation analysis

A Pearson's correlation analysis was then performed to analyze the relationships between transformational leadership, reward, affective commitment and employee loyalty for bank workers in this research. The details of the correlation analysis as well as the means and standard deviations of all the variables chosen for this study are presented in Table 3.

Table 3 Means, Standard deviation (std.) and Correlation coefficients

	Means	Std.	1	2	3	4	5	6	7	8	9	10	11	12	13
1.Gen	1.240	0.426	1												
2.age	1.470	0.500	-.359**	1											
3.Edu	2.580	0.578	-0.123	-0.055	1										
4.Pos	2.670	1.587	.151*	-0.048	-0.080	1									
5.Los	1.390	0.667	-.167*	.347**	-.192**	-.275**	1								
6.Sal	2.490	1.104	-.467**	.227**	.268**	-.594**	.349**	1							
7.ID	3.364	0.908	-0.094	0.035	-0.006	0.103	0.042	.151*	1						
8.IM	3.335	0.944	-0.028	0.059	-0.074	.160*	0.090	0.107	.461**	1					
9.IS	3.364	0.907	-0.035	0.017	-0.071	0.115	0.041	0.114	.431**	.486**	1				
10.IC	3.217	0.986	0.038	-.154*	0.050	.165*	-0.070	0.040	.318**	.374**	.439**	1			
11.Rwd	3.285	0.905	-.152*	-.147*	0.039	-0.001	-0.013	.199**	.137*	.200**	.183**	.176**	1		
12.AC	3.329	0.976	0.042	-0.014	0.010	0.123	0.046	.145*	.444**	.389**	.453**	.436**	.136*	1	
13.EL	3.177	0.926	-.341**	.173**	-0.110	-.175**	.341**	.350**	.305**	.303**	.234**	.185**	.427**	.258**	

Abbreviations: Gen, gender; Edu, educational qualification; Pos, position; Los, length of service; Sal, salary; ID, idealized influence; IM, inspirational motivation; IS, intellectual stimulation; IC, individualized consideration; Rwd, reward; AC, affective commitment; EL, employee loyalty.

Regression analysis

To further investigate the interrelationship among the variables chosen for this study, hierarchical regression analysis (HRA) in SPSS version 21 was employed. Hierarchical regression analysis (HRA) was used as the main statistical technique because of its sophisticated nature which allows for the estimation of a single dependent variable (e.g. employee loyalty) from a group of explanatory variables (e.g. transformational leadership, affective commitment and reward). The HRA was used to conduct both the mediation and moderation analysis in this study.

Testing of main and mediating effect

The assumptions for mediation-moderation analysis proposed by Baron and Kenny (1986) were also employed for this current study. According Baron and Kenny (1986), three conditions need to be satisfied for a mediation analysis: (1) the independent variable (transformational leadership) must have significant influence on the dependent variable (employee loyalty), (2) the independent variable must significantly predict the mediating variable (affective commitment) and (3) the effect of the independent variable on the dependent variable must be reduced significantly or eliminated after controlling for the mediating variable.

The results from Models 2 and 3 in Table 4 show that transformational leadership had a positive significant influence on employee loyalty and affective commitment which support Hypotheses 1 and 2. Also, the results from Model 4 in Table 4 show that affective commitment had a positive significant influence on employee loyalty which support Hypothesis 3. Furthermore, to test the mediation effect, the affective commitment was controlled for in Model 5 in Table 4. The results show that the transformational leadership significantly predicted employee loyalty while the affective commitment could not which indicate no mediation effect, hence, Hypothesis 4 was not supported.

In addition to knowing the effect of transformational leadership on employee loyalty through affective commitment directly or indirectly, the effects of each of the dimensions of transformational leadership on employee loyalty through affective commitment directly or indirectly were also investigated

The results in Model 2 from Table 5 show that two out of the four dimensions of transformational leadership had a positive significant influence on employee loyalty which support Hypotheses 1a and 1b. Also, in Model 3 of Table 5, three out of the four dimensions of transformational leadership had a positive significant influence on the affective commitment among bank workers which support Hypotheses 2a, 2c and 2d. Moreover, in Model 5 of the

Table 5 where the affective commitment was controlled, the results showed that only the inspirational motivation of transformational leadership had a positive significant influence on employee loyalty. Also, the results showed that affective commitment could not significantly predict employee loyalty in the Model 5 in Table 5. The results suggested that affective commitment could not mediate the relationship between any of the four dimensions of transformational leadership and employee loyalty; hence, Hypotheses 4a, 4b, 4c and 4d were not supported.

Table 4 Mediating effect of affective commitment on
transformational leadership and employee loyalty

Variables	Employee	Employee	Affective	Employee	Employee
	loyalty	loyalty	commitment	loyalty	loyalty
	Model 1	Model 2	Model 3	Model 4	Model 5
Constant	3.586*** (7.249)	2.558*** (5.074)	-.246 (-.472)	3.234*** (6.653)	2.584*** (5.142)
Gender	-.505*** (-3.273)	-.559*** (-3.840)	.335* (2.223)	-.605*** (-4.000)	-.595*** (-4.053)
Age	-.091 (-.730)	-.038 (-.328)	-.003 (-.022)	-.069 (-.576)	-.038 (-.326)
Educational level	-.263* (-2.527)	-.200* (-2.027)	.000 (-.001)	-.238* (-2.361)	-.200* (-2.035)
Position	.032 (.715)	-.053 (-1.192)	.087 (1.898)	-.022 (-.503)	-.062 (-1.394)
Years of service	.298** (3.084)	.295*** (3.248)	.023 (.249)	.291** (3.121)	.293*** (3.233)
Salary	.213** (2.816)	.080 (1.065)	.195* (2.512)	.114 (1.485)	.059 (.781)
Transformational leadership		.426*** (5.348)	.727*** (8.826)		.349*** (3.768)
Affective commitment				.233*** (4.030)	.106 (1.619)
R ²	.241	.330	.356	.294	.338
ΔR ²	.241	.089	.232	.053	.008
F	11.505***	15.201***	17.082***	12.875	13.729***

Note: * p < 0.05; ** p < 0.01; *** p < 0.001.

Table 5 Mediating effect of affective commitment on four dimensions of transformational leadership and employee loyalty

Variables	Employee loyalty	Employee loyalty	Affective commitment	Employee loyalty	Employee loyalty
	Model 1	Model 2	Model 3	Model 4	Model 5
Constant	3.586*** (7.249)	2.576*** (5.086)	-.307 (-.589)	3.234*** (6.653)	2.611*** (5.170)
Gender	-.505*** (-3.273)	-.557*** (-3.807)	.348* (2.306)	-.605*** (-4.000)	-.596*** (-4.037)
Age	-.091 (-.730)	-.042 (-.354)	.015 (.122)	-.069 (-.576)	-.044 (-.369)
Educational level	-.263* (-2.527)	-.204* (-2.050)	-.011 (-.104)	-.238* (-2.361)	-.203* (-2.047)
Position	.032 (.715)	-.055 (-1.243)	.091* (1.977)	-.022 (-.503)	-.066 (-1.461)
Years of service	.298** (3.084)	.292** (3.193)	.033 (.352)	.291** (3.121)	.288** (3.165)
Salary	.213** (2.816)	.078 (1.037)	.198* (2.546)	.114 (1.485)	.056 (.739)
Idealized influence		.157* (2.325)	.245*** (3.511)		.130 (1.879)
Inspirational motivation		.150* (2.188)	.066 (.933)		.142* (2.086)
Intellectual stimulation		.019 (.273)	.203** (2.763)		-.003 (-.041)
Individualized consideration		.103 (1.667)	.219*** (3.432)		.079 (1.247)
Affective commitment				.233*** (4.030)	.111 (1.673)
R ²	.241	.336	.366	.294	.345
ΔR ²	.241	.095	.241	.053	.009
F	11.505***	10.800***	12.274***	12.875***	10.155***

Note: * p < 0.05; ** p < 0.01; *** p < 0.001.

Testing of the moderating effect of reward

To investigate the moderating effect of reward on the relationship between affective commitment and employee loyalty, the affective commitment and reward variables were mean centered to avoid multicollinearity. The control variables were first input onto the first block of the regression model.

The affective commitment and the reward were input onto the second block and the interaction term of the mean centered from the affective commitment and the reward was input onto the third block to obtain three models. The regression outputs are shown in Table 6. The results from the Model 2 show that the affective commitment and the reward had a positive significant influence on employee loyalty. Also, in the Model 3, the affective commitment and reward remained significant to employee loyalty but the interaction term of the affective commitment and the reward could not which indicate that the reward did not moderate the relationship between affective commitment and employee loyalty, hence, Hypothesis 5 is not supported. Further evidence is shown by the moderation graph in Figure 2. Since the hypotheses contained in this study are many, the summary of the hypotheses has been presented in Table 7.

Table 6 Moderating effect of reward on affective commitment and employee loyalty

Variables	Employee loyalty		
	Model 1	Model 2	Model 3
Constant	3.586*** (7.249)	1.880*** (3.863)	1.906*** (3.877)
Gender	-.505*** (-3.273)	-.490*** (-3.528)	-.484*** (-3.462)
Age	-.091 (-.730)	.105 (.938)	.113 (.987)
Educational level	-.263* (-2.527)	-.198 (-2.156)	-.209* (-2.184)
Position	.032 (.715)	-.059 (-1.436)	-.060 (-1.456)
Years of service	.298** (3.084)	.305*** (3.583)	.295*** (3.329)
Salary	.213** (2.816)	.019 (.259)	.019 (.262)
Affective commitment		.207*** (3.903)	.209*** (3.917)
Reward		.383*** (6.722)	.382*** (6.666)
Affective commitment x Reward			-.026 (-.417)
R^2	.241	.417	.417
ΔR^2	.241	.176	.000
F	11.505***	19.217***	17.036***

Note: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

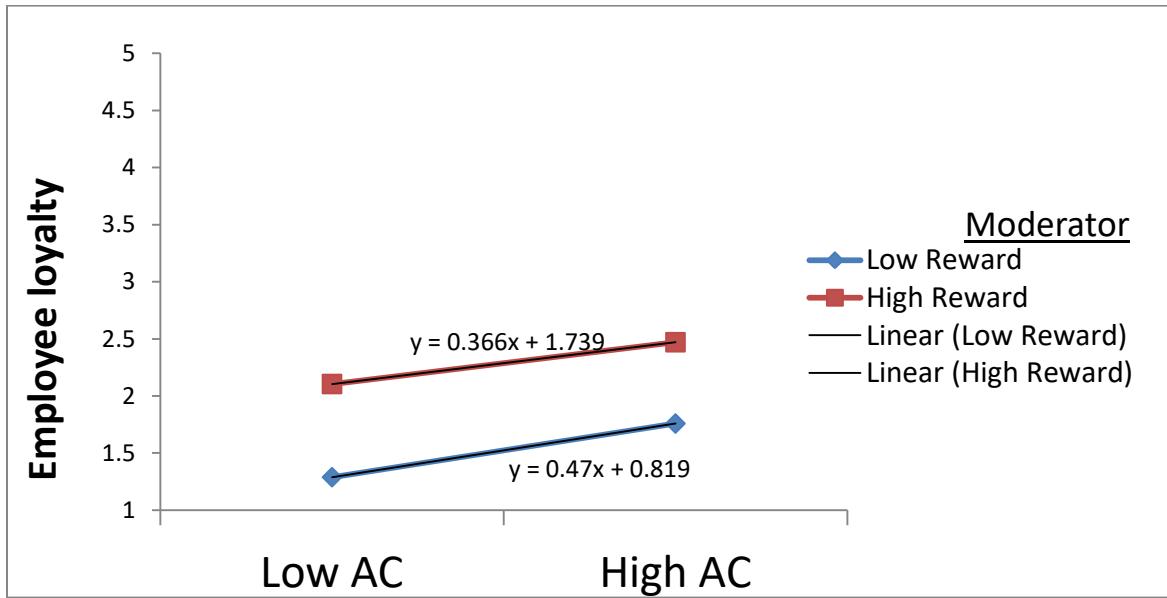


Figure 2 The moderating effect of reward on the relationship between affective commitment and employee loyalty

Table 7 Summary of Hypotheses

Hypotheses (H)	Description	Remarks
H1	Transformational leadership is related to employee loyalty	Supported
H1a	Idealized influence has a positive significant influence on employee loyalty	Supported
H1b	Inspirational motivation has a positive significant influence on employee loyalty.	Supported
H1c	Intellectual stimulation has a positive significant influence on employee loyalty.	Not supported
H1d	Individualized consideration has a positive significant influence on employee loyalty	Not supported
H2	Transformational leadership is related to affective commitment.	Supported
H2a	Idealized influence has a positive significant influence on affective commitment.	Supported
H2b	Inspirational motivation has a positive significant influence on affective commitment.	Not supported
H2c	Intellectual stimulation has a positive significant influence on affective commitment	Supported

H2d	Individualized consideration has a positive significant influence on affective commitment.	Supported	Table 7...
H3	Affective commitment will relate positively to employee loyalty	Supported	
H4	Affective commitment will mediate the relationship between transformational leadership and employee loyalty.	Not supported	
H4a	Affective commitment will mediate the relationship between idealized influence and employee loyalty.	Not supported	
H4b	Affective commitment will mediate the relationship between inspirational motivation and employee loyalty.	Not supported	
H4c	Affective commitment will mediate the relationship between intellectual stimulation and employee loyalty.	Not supported	
H4d	Affective commitment will mediate the relationship between individualized consideration and employee loyalty.	Not supported	
H5	Reward will moderate the effect of affective commitment on employee loyalty.	Not supported	

DISCUSSIONS

Effect of Transformational leadership on employee loyalty

The results of study found a direct effect of transformational leadership on employee loyalty. The findings suggest that supervisors who exhibit transformational style of leadership influence the loyalty of their employees. (Bandyopadhyay & Martell, 2007) extended the framework of (Dick & Basu, 1994) confirmed and empirically verified that employee behavioral loyalty is influenced by transformational leadership.

Effect of transformational leadership of affective commitment

The results found that transformational leadership had a positive significant influence on affective commitment. Evidence suggests that supervisors that practice this leadership style by given training and coaching increase employees level of commitment in the organization. Dvir et al. (2002), proposes that such training and coaching initiatives are related to increase the levels of commitment, motivation and satisfaction as well as follower's performance. Empirical studies by (Chandna and Krishnan, 2009; Chiun et al., 2009) using data from Africa confirmed that transformational leadership have positive effect on affective commitment.

Effect of affective commitment on employee loyalty

The model 4 of table 4 of the findings revealed that, Affective commitment had a positive significant influence on employee loyalty. This is to say that, employees of an organization

become more loyal if they feel a sense of belonging. (S. P. Robbins, 2001) attests that when employee feels happy about work-related tasks then his loyalty is increased and he/she performs tasks in better way. (Hettiarachchi & Jayaeathua, 2014) confirmed in their work titled “the effect of employer work related attitudes on employee job performance” revealed that Organizational commitment has strong and positive relationship to employee behavioral loyalty. Also, (Iqbal et al., 2015), in his study title “employee loyalty and Organizational commitment” confirmed employee loyalty having association with commitment.

Mediating effect of affective commitment on the relationship between transformational leadership and employee loyalty

The results show that transformational leadership significantly predicted employee loyalty but affective commitment could not mediate the relationship between transformational leadership and employee loyalty. Employees are expected to be contented working under supervisors who demonstrate more transformational leadership behaviors of high attachment, affiliation and cognition leading to employee loyalty. (Advani & Abbas, 2015) stated that transformational leadership has an effect to motivate employees’ loyalty effectively. This evidence opposes the empirical study results that show the relationship between transformational leadership and employee loyalty on work performance by (Almutairi, 2016), analyzed the mediation effect of organizational commitment in the relationship between transformational leadership style and work performance which the results in the study showed that transformational leadership style shows a positive influence on employee loyalty that significantly affect work performance.

Moderating effect of reward on the relationship between affective commitment and employee loyalty

Although, the evidence from the result show that affective commitment and reward had a significant positive influence on employee loyalty, reward could not moderate the relationship between affective commitment and employee loyalty. Suggesting that low level of affective commitment by employees in organization will reduce the level of loyalty employee that receive low reward from their supervisors, therefore weaken the positive effect on affective commitment and employee loyalty. This study result contradict the finding of (Piccolo & Colquitt, 2006) that found transformational leadership positively related to perceived levels of the five core job characteristics (variety, identity, significance, autonomy, loyalty and feedback), which were related to intrinsic motivation and commitment.

CONCLUSIONS

The study proposed and tested a research model that examined the transformational leadership, affective commitment, reward and employee behavioral loyalty of bankers with various job trades. The study acquired empirical evidence that supported the hypotheses concerning the relationship between the variables. The results showed that transformational leadership had a direct effect on affective commitment and employee behavioral loyalty, and affective commitment had positive significant influence on employee behavioral loyalty. The results also suggest that affective commitment could not mediate the relationship between transformational leadership and employee loyalty. Moreover, the results suggest that reward could not have a moderating effect on the relationship between affective commitment and employee loyalty. The findings emphasized that transformational leadership and affective commitment have a critical role in enhancing employee behavioral loyalty. Finally, the researcher hopes that the findings of this study will provide a valuable reference for future research.

LIMITATIONS OF THE STUDY

In this study, only transformational leadership was considered. In future, we can consider more leadership styles since one style of leadership in organizations may not be impracticable. Secondly, the sample size for the study was too small making it difficult to generalize the findings. Thirdly, both the affective commitment and the reward could not perform the functions for which they were intended for in the conceptual framework. It is possible that the small sample size might have influenced their intended roles. Future researchers should increase the sample to help draw the actual effect of the affective commitment and the reward.

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APPENDIX**Questionnaire**

Construct	Description
Idealized influence (ID)	
ID1	My manager goes beyond self-interest for the good of the group
ID2	My manager acts in ways that build my respect
ID3	My manager displays a sense of power and confidence
ID4	My manager specifies the importance of having a strong sense of decisions
ID5	My manager emphasizes the importance of a collective sense of mission
Inspirational motivation (IM)	
IM1	My manager talks optimistically about the future
IM2	My manager talks enthusiastically about what needs to be done
IM3	My manager expresses a compelling vision of the future
IM4	My manager expresses confidence that goals will be achieved
Intellectual stimulation (IS)	
IS1	My manager re-examines critical assumptions to questions whether they are okay
IS2	My manager seeks differing perspectives when solving problems
IS3	My manager gets me to look at problems from many different angles
IS4	My manager suggests new ways of looking at how to complete assignments
Individualized consideration (IC)	
IC1	My manager spends time teaching and coaching
IC2	My manager helps me to develop strengths
Organizational commitment (OC)	
AC1	I really care about the fate of this company
AC2	I am willing to put in a great deal of effort beyond what is normally expected in order to help this company be successful
AC3	This company inspires me to put forth my best effort
Employee loyalty (EL)	
EL1	I feel strong personal attachment with my company
EL2	I feel like part of the (family) company
EL3	I am always treated fairly in this company
EL4	Even if I will get an offer of a better job, I will not leave this company
EL5	I will continue my job in this company for a long time
Reward (Rwd)	
Rwd 1	If I improve the level of service, I offer customers, I will be rewarded
Rwd 2	The rewards I receive are based on customer evaluations of service
Rwd 3	I am rewarded for serving customers well
Rwd 4	I am rewarded for dealing effectively with customer problems
Rwd 5	I am rewarded for satisfying complaining customers