





“The impact of leadership styles on service quality and customer satisfaction: A comparative analysis between foreign and domestic capital banks in Kosovo”

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THE IMPACT OF LEADERSHIP STYLES ON SERVICE QUALITY AND CUSTOMER SATISFACTION: A COMPARATIVE ANALYSIS BETWEEN FOREIGN AND DOMESTIC CAPITAL BANKS IN KOSOVO

Abstract

This study measured the impact of leadership styles on service quality and the impact of service quality on customer satisfaction. In addition, it analyzed whether there is a difference in service quality and customer satisfaction between banks by categorizing them by capital types. The quantitative method was used to achieve the objectives. The sample comprised 360 employees of Kosovo banks, where 99 employees were from banks with domestic capital, and 261 were from foreign capital banks. According to the OLS model, the authoritarian style has a more significant impact on the service quality in banks with foreign capital. In contrast, in banks with domestic capital, a transactional style significantly impacts service quality. According to the t-test, there is a statistically significant relationship between consumer satisfaction and banks with foreign and domestic capital, with the greatest consumer satisfaction in banks with foreign capital. However, considering the service quality, the t-test showed a non-significant result, which means that there is no difference in the service quality between the two categories of banks. This paper found that the leadership style has a higher effect on the service quality of the two categories of banks, recommending that banks fill the gap between the style used and the one that affects the service quality best. Banks also received feedback on customer satisfaction to strengthen SERVQUAL model components, improving service quality and increasing customer satisfaction.

Keywords

leadership styles, quality of service, customer satisfaction, banks

JEL Classification

M31, O32, G21, L15

INTRODUCTION

A leader and his way of dealing with followers is a determining factor in achieving organizational goals while also influencing the quality of services provided to customers (Mustaqim, 2016). Service quality is closely related to the level of employee motivation in organizations, considering that motivation encourages and increases employee engagement. This is related to the leadership style used toward followers (Mustaqim, 2016). Increasing the level of quality of services and products and continuous improvement are essential for business development. This is even more evident in the highly competitive and changing environment of banks, which are also concentrated on the continuous development and training of employees to achieve a satisfactory level of service quality (Kumar et al., 2022).

Environmental characteristics such as workplace size, number of employees, market nature, market competitiveness, and organizational



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culture play an essential role in motivating bank employees and enhancing the quality of their activities (Delić et al., 2017). In addition, transformational leadership and leader-member exchange (LMX) positively affect the quality of services.

The continuous increase in the quality of services enhances customer satisfaction, which is considered a vital resource for organizations (Hofacker & Belanche, 2016) especially for companies in the banking system that deals with the provision of services (Arvidsson & Caliandro, 2015). Customer satisfaction is also considered a challenge for the leaders by constantly striving to build customer loyalty to ensure consistent revenue (Srouji et al., 2019). According to Chen et al. (2018), companies find retaining loyal customers easier than creating new ones. Moreover, with the technological development and continuous updating of the banking system in creating new products, banks are managing to co-create products with customers, enabling them to express their ideas and curiosity for new products through available platforms (Zollo et al., 2018). This development also enables banking companies to easily reach dissatisfied customers by contacting them to eliminate problematic barriers between the two parties (Malik & Ahsan, 2019). Technological development and adaptation of e-CRM are also supported by M. Dhingra and V. Dhingra (2013), who proved that customer satisfaction and customer interaction are advantages of banking companies over the competition.

1. LITERATURE REVIEW

Familiarity with different leadership styles helps organizations and executives cope with the changing global environment in all areas, such as technology, resources, management forms, marketing strategies, distribution systems, and coping with recent crises. Inspiring and stimulating others to achieve common goals are critical characteristics of leadership. Therefore, the ability to inspire trust and mutual support between people to achieve common organizational goals can be defined as leadership (DuBrin, 2016). Moreover, leadership can be defined with different terms directed to one objective: goal achievement. Leadership definitions include process, act, art, effort, and force. According to DuBrin (2016), leadership is explained as the ability of an individual to influence others to achieve organizational goals. On the other hand, it seemed to be an effort to use power over others. According to Northouse (2010), leadership involves influence in the group context, including the achievement of organizational goals.

Recently, leadership has been perceived as a collaborative instrument to achieve organizational goals. It is mainly used by hyperconnected organizations dependent on social media and internet usage, also driven by globalization. According to Fairhurst and Uhl-Bien (2012), leadership is a phenomenon based on social interactions between people to work for organizational goals. Leadership is also

the ability to create an environment where everyone feels committed and valued to do work for the common good (Osborne, 2015).

Although many authors support the theory that leadership is an innate and unteachable skill, others think otherwise. According to Osborne (2015), leaders are made. Even those researchers who support the theory that leaders are made argue that individuals' traits and abilities create leaders. Some of these skills are the ability to inspire others, create solid and effective teams, influence and lead others, accept constant change, and have values and vision as well as empathy for the people around. According to Prahalad and Ramaswamy (2004), autocratic leadership is on its way out today. Leadership must now be built and developed in structures and cultures that empower all members to be trained in leadership traits.

According to Neufeld et al. (2008), leadership would be insignificant without effective communication. Hence, leadership is a communication-based process. Employee leadership depends on the attitudes, manners, and values that managers offer toward employees while also determining their motivation. Managers' treatment of employees motivates them to achieve common organizational goals (Zareen et al., 2014). Motivated employees see themselves as added value in the organization and see engagement as an opportunity to develop their skills. Therefore, they are more

loyal and add value to the organization giving it an irreplaceable competitive advantage by becoming more and more valuable. Employee motivation and involvement are more easily achieved when a culture is created within an organization where goals, vision, mission, and values are shared with everyone (Mujtaba, 2013).

According to Zareen et al. (2014), the greatest focus of the literature on leadership falls on three distinct leadership styles: transactional, transformational, and laissez-fair. They claim that there has been much interest around transactional and transformational leadership. Others argue that the organization's success is aided by adopting behaviors of these styles (Laohavichien et al., 2009). Actions for the benefit of organizations are more easily achieved when organizational values and culture are coordinated with the cooperation of employees. In addition, motivation, desire, and job satisfaction are influenced by employee personality, experience, desire for development and training, as well as the relationship with a leader (Zareen et al., 2014).

A transactional leadership style refers to pulling followers away from their self-interest to create a two-way exchange relationship (Othman et al., 2012). Achieving organizational objectives by a transactional leader is possible when a leader has the ability to manage company resources and follower behaviors (Siewiorek et al., 2013). From this ability, a leader also achieves the predetermined goals by fulfilling the followers' demands as an obligation and monitoring (Antonakis et al., 2003).

A transformational leader is a leader who exceeds employees' expectations of what they can offer a company (Obiwuru et al., 2011). By arousing the followers' motivational spirit, he gets more out of the employees than the employees themselves think they can (Labby & Lunenburg, 2012). Thus, transformational leaders are those who influence company results as well as organizational attitudes (Obiwuru et al., 2011).

A laissez-faire leader provides decision-making opportunities to employees by giving them complete freedom. Here is a distant approach where a leader does not participate and does not comment on the decision-making and activities of employ-

ees. He is also not engaged in the cross-collegiate development of workers and implements goals only when required (Fiaz et al., 2017). In this leadership style, a manager plays a monitoring role but does not provide directives, as he offers employees as much freedom as possible.

According to IBM (2010), leaders and their followers are interrelated, implying that leadership is created through multiple interrelated relationships and actions between leaders and followers. Knowing this, many authors relate leadership to the concepts of individualism by placing a leader at a higher level leaving below his followers and processes at a secondary level (Fairhurst & Uhl-Bien, 2012). Leaders and followers are relational beings who constitute each other and are inseparable in their dynamic activities (Uhl-Bien & Ospina, 2012).

The ability of a leader to use different styles depending on the situation presents a great advantage for the organization (Bowers et al., 2017; Salamzadeh et al., 2019). Understanding the variability of organizations and types of leadership, one can say that choosing a good and appropriate style for the organization is a determining tool for success. According to Van Wart (2013), the agglomeration of skills, traits, and behavior is the main determinant of leadership. Thus, this paper is focused on three types of leadership: transactional, transformative, and laissez-faire (Van Wart, 2013).

Transformational leadership is often presented as the leader's attempt to expand the interests of employees to create awareness and commitment to achieving the organizational objectives and mission by encouraging them to work in the general interest beyond personal interests (Mary, 2008). In addition to this commitment, these leaders are also concerned with the development of individuals' potential and motivation to achieve common goals (Bass, 1995). Transactional leadership is a means of achieving organizational goals using rewards and punishments as methods of action in leader-employee interaction. While considering the third type of leadership (laissez-faire), some scholars present it as a lack of leadership activity, enabling leaders to avoid decision-making and conflict by not engaging in activities (Bass & Avolio, 1990).

Many authors defined leadership as influencing others to accomplish certain goals (De Jong & Den Hartog, 2007). They also describe leadership as a widespread and complex phenomenon in which different styles can be used and combined to achieve common goals (Douglas, 2012; Rowold & Borgmann, 2013). According to Zareen et al. (2014) and Tee et al. (2013), this is a process of social interaction between followers and leaders. Other authors show that the behaviors of leaders directly affect the performance of followers, as they identify that this also affects the quality of services or activities of followers (Howell & Hall-Merenda, 1999; Dvir et al., 2002; Judge et al., 2004). In addition, the choice of leadership style and its combination with the situation plays a vital role in the performance of a leader and followers, as a single style cannot be effective for different situations (Salehzadeh, 2017).

Based on the literature review, there are different findings on how leadership affects service quality and customer satisfaction, and different factors determine this relationship. In reference to this, the conceptualization of the current paper has been made, claiming to contribute to this direction.

2. AIMS AND HYPOTHESES

This study aims to analyze the impact of leadership styles on service quality and the impact of service quality on customer satisfaction, thus filling the research gap. In addition, this paper will analyze the difference in service quality and customer satisfaction between banks by categorizing them according to their capital type.

Thus, the study developed the following hypotheses:

- H1: *Leadership styles affect the quality of services in banks categorized by capital.*
- H2: *Quality of services affects customer satisfaction.*
- H3: *There is a difference in the quality of services between the two categories of banks.*
- H4: *There is a difference in customer satisfaction between the two categories of banks.*

3. METHODOLOGY

The quantitative method was used to achieve the objectives. The sample included 360 employees of Kosovo banks, where 99 employees were from banks with local capital and 261 were from foreign capital. First, the impact of leadership styles (transformational leadership, transactional leadership, delegative leadership, laissez-faire leadership, and authoritarian leadership) on service quality and the impact of service quality on customer satisfaction were measured.

The population was 3,492 employees of commercial banks in Kosovo, where the Central Bank reported their number according to the data as of 2021. The sample was determined through Slovin's formula:

$$N = \frac{N}{1 + N \cdot (e)^2} = \frac{3492}{1 + 3492 \cdot (0.05)^2} = \quad (1)$$

$$= 360 \text{ employees.}$$

The paper used a structured questionnaire divided into four sections. The first section contains questions about the demographics of the respondents to have an overview of the individuals involved in the analysis. The second section presents the leadership styles created through a Likert scale from 1 – Strongly disagree to 5 – Strongly agree.

The third part presents questions that highlight the quality of service through the SERVQUAL method that includes: responsiveness (RS), reliability (RE), assurance (A), tangibility (T), and empathy (E). Finally, the fourth section generated questions using a Likert scale for customer satisfaction.

Data were collected by distributing questionnaires created through Google Forms to bank employees. Data processing was done through the Statistical Package for Social Sciences. Figure 1 explains the consequence of the research methodology.

The interconnection of study variables can be found in Figure 2.

The presentation of the results was done through the use of many statistical tests, where initially, the Kolmogorov-Smirnov Test was performed. This test represented the distribution of data and enabled performing the following tests.

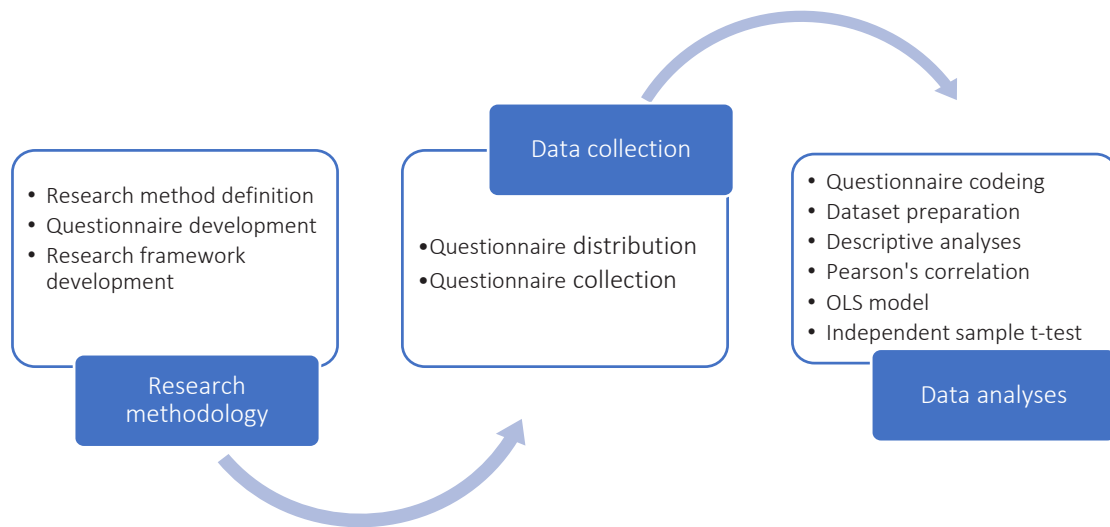


Figure 1. Methodology flowchart

Initially, the results were presented through descriptive analyses for all variables used in this study. The arithmetic mean shows the sum of all values by multiplying them by the frequency of each group by dividing them by the sum of all their frequencies. The arithmetic mean indicates the measure of the central tendency of a group. The calculation of the mean is done by:

$$Mean = A(or \bar{x}) = \frac{x_1f_1 + x_2f_2 + x_3f_3 + \dots + x_n f_n}{f_1 + f_2 + f_3 + \dots + f_n} \quad (2)$$

Pearson correlation analysis was used to measure the correlation between the variables, specifically leadership styles, service quality, and customer satisfaction. Pearson coefficient

shows the relationship between the measured variables. The calculation of the correlation coefficient is enabled by:

$$r = \frac{\sum XY - \frac{(\sum X)(\sum Y)}{n}}{\sqrt{\left[\left(\sum X^2 - \frac{(\sum X)^2}{n_x}\right)\left(\sum Y^2 - \frac{(\sum Y)^2}{n_y}\right)\right]}}, \quad (3)$$

R Square is used to show the proportion of variance that the dependent variable is affected by the independent variable, indicating how much the regression model data fit, otherwise called the goodness of fit. The calculation of the R Square is enabled through:

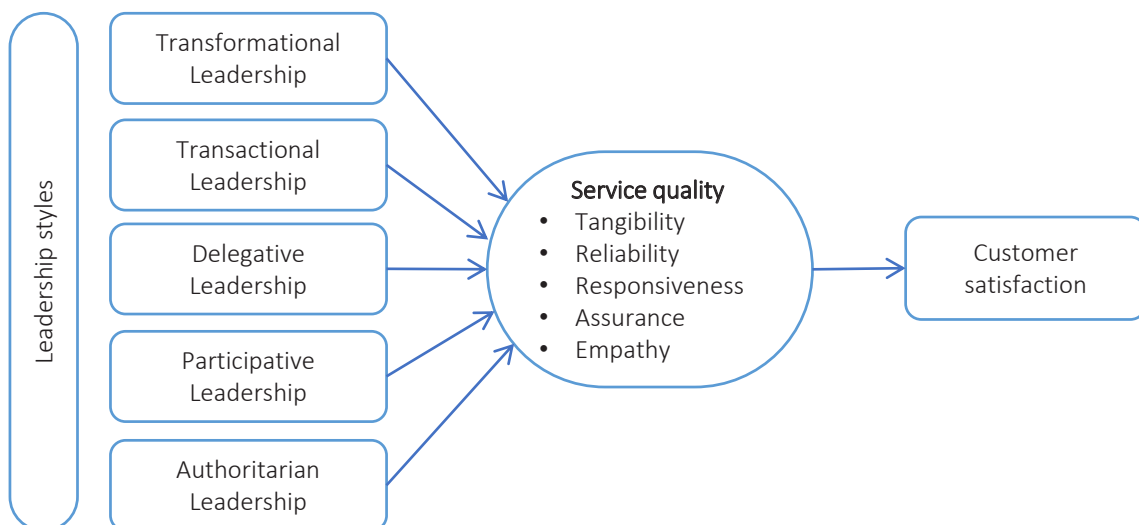


Figure 2. Study framework

$$R^2 = \sum_{i=1}^n \frac{[y_i - (a + bx_i)]^2}{1 + b^2} \quad (4)$$

Simple linear regression predicts the dependent variable by changing the independent variable and is calculated by:

$$Y_i = \beta_0 + \beta_1 X_i \quad (5)$$

The t-test was used to compare the averages of the two groups, i.e., the service quality between banks with foreign capital and domestic capital, as well as customer satisfaction. This test is often used to show if there is a difference in the mean of the phenomenon between the two groups. The independent sample t-test is calculated by:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{(n_1 - 1)\sigma_1^2 + (n_2 - 1)\sigma_2^2}{n_1 + n_2 - 2}} \times \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}} \quad (6)$$

4. RESULTS AND DISCUSSION

The study surveyed 360 managers of commercial banks in Kosovo separated by capital, where 17.8% (N = 64) were female, and 82.2% (N = 296) were male. When referring to age, 3.3% (N = 12) were 18-25 years old, 20.6% (N = 74) aged 26-33 years old, 48.1% (N = 173) aged 34-41 years old, and 28.1% (N = 101) belonged to the 42-49 category. Regarding the level of education, 34.2% (N = 123) of managers had a bachelor's degree, 59.2% (N = 213) had a master's degree, and 6.7% (N = 24) had a Ph.D. Of the 360 managers participating in the surveying, 72.5% (N = 261) were employed in banks with foreign capital, and 27.5% (N = 99) were employed in banks with domestic capital (Table 1).

Table 1. Sample demographics

Item	Category	N	Percentage (%)
Gender	Female	64	17.8
	Male	296	82.2
Age	18-25 years old	12	3.3
	26-33 years old	74	20.6
	34-41 years old	173	48.0
	42-49 years old	101	28.1
Level of education	Bachelor	123	34.2
	Master	213	59.1
	PhD.	24	6.7
Type of capital	Foreign	261	72.5
	Domestic	99	27.5

4.1. Descriptive results

Table 2 presents descriptive analyses of leadership styles, service quality, and customer satisfaction. Leadership styles are measured through a Likert scale, where 1 – Strongly disagree and 5 – Strongly agree. Referring to the average $\bar{x} = 3.69$ and SD = .369 of the transformational leadership (TfL) for domestic capital banks, it is concluded that employees of domestic capital banks above the average level agreed that managers are an example of how they behave. In addition, they are inspiring and motivating in realizing personal and organizational goals that stimulate thinking differently; they always find ways to move to another dimension of thinking. Moreover, such managers pay attention to each employee by personally listening to the problems and providing support for solving them. The average transformational style (TfL) for banks with foreign capital is $\bar{x} = 3.96$ and SD = .813. This shows that transformational leadership is more pronounced in banks with foreign capital than in domestic ones.

According to the results, the average transactional leadership (TcL) for banks with domestic capital is $\bar{x} = 3.34$ and DS = .596. This means that employees have agreed on the average level that a manager must implement employee requirements and tasks by conditioning contractual rewards. Moreover, a manager is always active in ensuring compliance with work standards and acts only in situations where established behavior has created serious problems. The average transactional leadership (TcL) for banks with foreign capital is $\bar{x} = 3.28$ and SD = .759, which is a lower average than banks with domestic capital.

According to the results, the average delegated leadership for banks with domestic capital is $\bar{x} = 4.67$ and $SD = .681$. This shows compliance above the average level that a manager shares authority and responsibility with employees, motivates and gives freedom to perform tasks independently, creates satisfaction in employees to delegate responsibilities, and develops self-motivation. The average for delegated leadership for banks with foreign capital is $\bar{x} = 3.89$ and $SD = .869$. When comparing the averages, the managers of banks with foreign capital tend to be more delegating than those with domestic capital.

According to statistics, the average for laissez-faire leadership for the two categories of banks is very approximate and is the lowest average compared to other leadership averages. This result implies that managers do not allow employees to make their own decisions and be involved in organizational activities.

In terms of authoritarian leadership, the average of the two categories of banks is similar and above average. Thus, employees have stated above average that managers have control over the company's processes, set goals, set processes, and oversee all steps toward success.

The dependent variable (service quality) showed that the statistic for banks with domestic capital is $\bar{x} = 3.27$ and $SD = .493$. According to the results, managers have declared above the average level that they offer modern equipment, explicit pamphlets with clear explanations, and suitable environment for landing and waiting. Moreover, they provide services according to the promised deadlines, assist in case of any banking problem, are

efficient and fast in providing services, are polite to customers and always inform them about new and attractive schemes, and always suggest making the right decision. The average service quality for banks with foreign capital is $\bar{x} = 4.32$ and $SD = .502$, which means compliance is well above average. Therefore, there is a relatively large difference in the service quality between the two categories of banks, where banks with foreign capital proved to be more successful in the context of service quality.

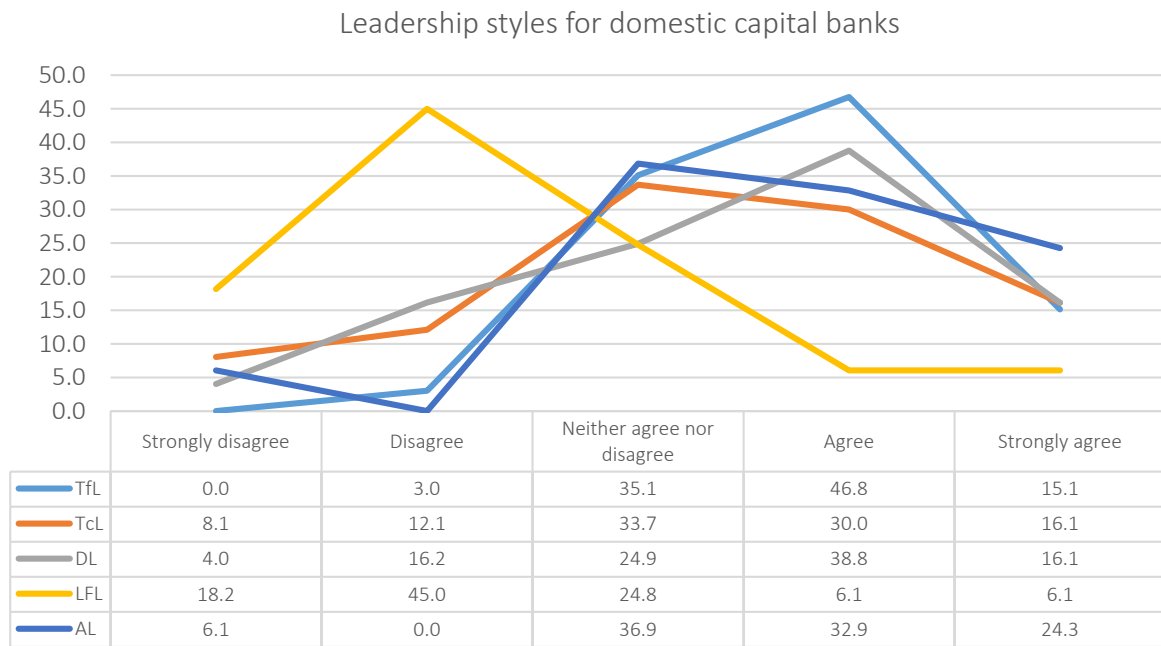
The second variable is consumer satisfaction; according to descriptive results, the average consumer satisfaction for banks with domestic capital is $\bar{x} = 3.81$ and $SD = .952$, which shows consumer satisfaction is above average. Thus, customers are satisfied with the digital services offered by the bank at ATMs; they are satisfied with the services offered in e-banking and mobile banking, and services for making payments through POS. Moreover, they mark the possibility of making online payments and the ability to open accounts digitally. The average satisfaction for banks with foreign capital is $\bar{x} = 4.07$ and $SD = .691$, which is higher than for banks with domestic capital. This difference in consumer satisfaction between the two categories of banks is because banks with foreign capital are more digitalized, which makes customers more satisfied.

Figures 3 and 4 present a comparison of leadership styles between foreign capital banks and domestic ones. According to the findings, transformational leadership had different distributions between the two categories of banks, whereas in domestic capital banks, 35.1% of employees remained neutral to this leadership style. In contrast, in foreign

Table 2. Descriptive analysis

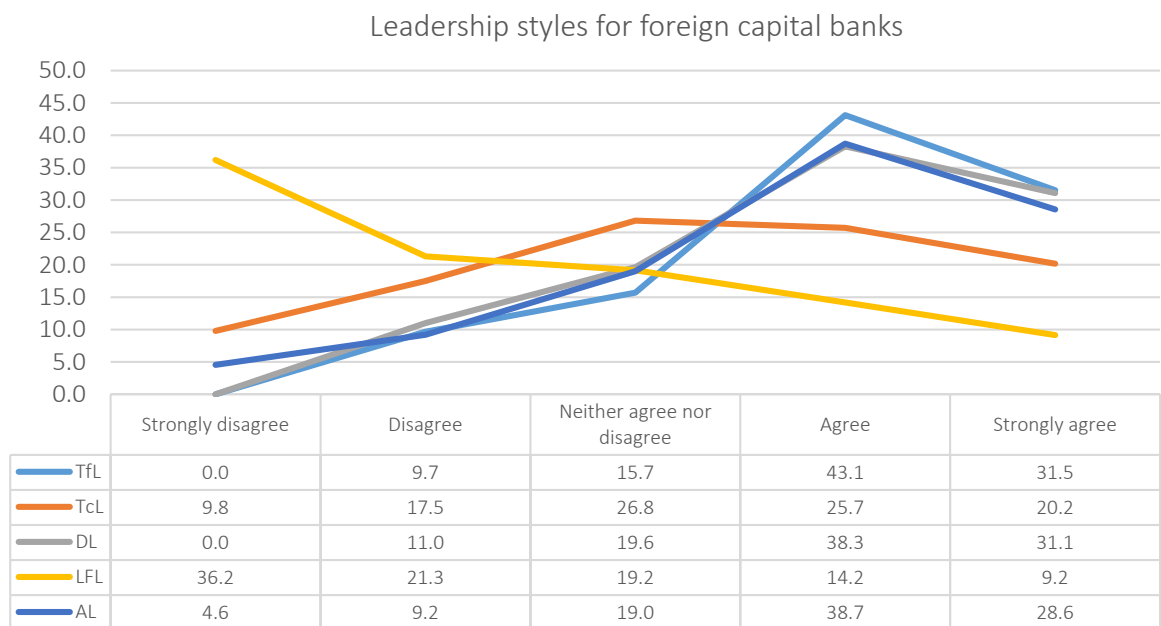
Domestic capital						Foreign capital					
Variables	N	Min	Max	Mean	DS	Variables	N	Min	Max	Mean	DS
TfL	99	3.00	5.00	3.6919	0.69879	TfL	261	2.25	5.00	3.9646	0.81331
TcL	99	2.33	4.33	3.3401	0.59663	TcL	261	2.00	5.00	3.2886	0.75908
DL	99	2.33	4.67	3.4680	0.68167	DL	261	2.00	5.00	3.8940	0.86938
LFL	99	1.00	4.50	2.3687	0.98350	LFL	261	1.00	5.00	2.3889	1.22440
AL	99	2.75	5.00	3.7399	0.63378	AL	261	1.50	5.00	3.7739	1.04451
QS	99	2.29	5.00	3.2706	0.49321	QS	261	3.21	5.00	4.3207	0.50280
CS	99	1.67	5.00	3.8215	0.95246	CS	261	2.17	5.00	4.0709	0.69151

Note: TfL – Transformational Leadership; TcL – Transactional Leadership; DL – Delegative Leadership; LFL – Laissez-Faire Leadership; AL – Authoritarian Leadership; QS – Quality of Services; CS – Customer Satisfaction.



Note: TfL – Transformational Leadership; TcL – Transactional Leadership; DL – Delegative Leadership; LFL – Laissez-Faire Leadership; AL – Authoritarian Leadership.

Figure 3. Leadership styles for banks with domestic capital



Note: TfL – Transformational Leadership; TcL – Transactional Leadership; DL – Delegative Leadership; LFL – Laissez-Faire Leadership; AL – Authoritarian Leadership.

Figure 4. Leadership styles for banks with foreign capital

capital banks, over 70% agreed with the category statements that transformational leadership has measured.

Regarding transactional leadership, Figures 3 and 4 show small differences between the two cate-

gories of banks where for a small percentage, the compliance rate was higher in banks with foreign capital than in banks with domestic capital. On the other hand, delegative leadership presents significant differences between the two categories of banks. The agreement for the presence of this lead-

ership style in banks with foreign capital is 69.4%, while in banks with domestic capital, it is 54.9%.

Regarding laissez-faire leadership, this style is used more in banks with foreign capital than in banks with domestic capital, but in a small percentage. Most respondents disagreed that their managers apply this leadership style. Authoritarian leadership presents the largest difference between the two categories of banks in the neutral option, where 36.9% of respondents did not give an opinion on the statements of this category. In contrast, in banks with foreign capital, only 19% of respondents were neutral. The majority of respondents, over 60%, agreed that their manager has the traits of an authoritarian leader.

Figures 5 and 6 present the quality of service measured according to the SERVQUAL method and customer satisfaction measured from the employees' perspective. According to the results, there is a significant difference between the two categories of banks. Banks with foreign capital showed a higher result in terms of service quality. 84.7% of employees of banks with foreign cap-

ital agreed with the questions that measure the quality of service through SERVQUAL, while compliance for banks with domestic capital was 55.1%. The disagreement about the quality of service was among 32% for the banks with domestic capital, while in the banks with foreign capital, it was only 2%. The reason for this difference is that banks with foreign capital are more digitalized, making the quality of services better. Consumer satisfaction in Figure 6 shows a similar result between the two categories of banks where most respondents have declared a high level of consumer satisfaction.

Next, the Kolmogorov-Smirnov and Shapiro-Wilk tests were performed to confirm the distribution of the data. Since $p = .200 > .05$, the data distribution is normal, and the first condition for the realization of the correlation and the OLS model is met. Referring to the value of the Durbin-Watson test, which is within the allowed range from 1.5 to 2.5, the study found no autocorrelation in the model, and the second condition is met. According to Table 3, the reliability of the questionnaire is acceptable, referring to $\alpha = .937$.

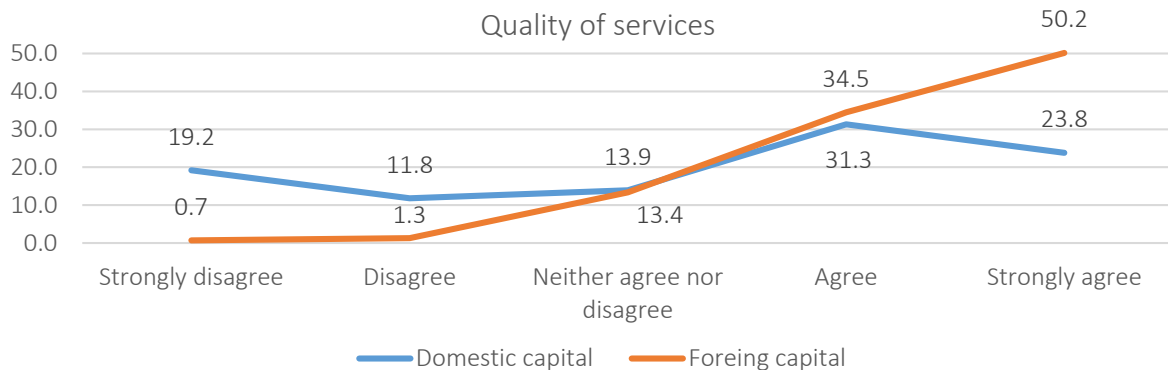


Figure 5. Quality of services

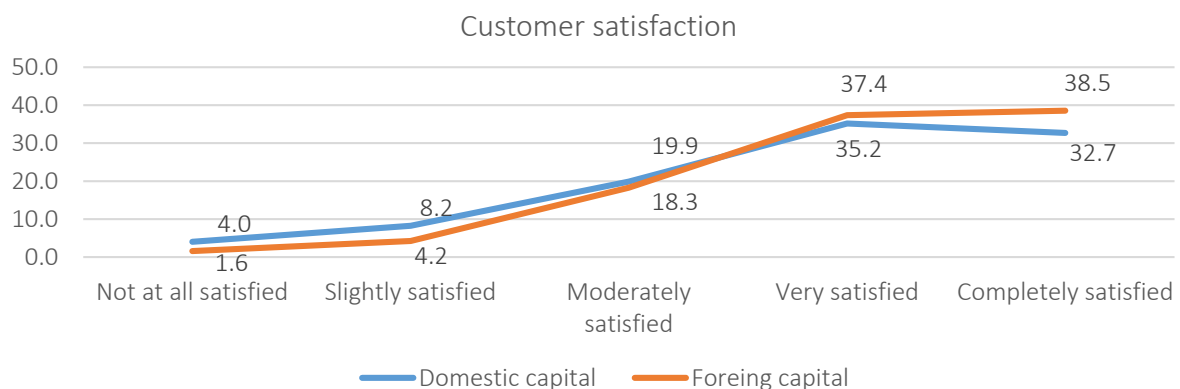


Figure 6. Customer satisfaction

Table 3. Questionnaire reliability

Variables	Cronbach's Alpha coefficients
TfL	.951
RE	.990
TcL	.901
A	.971
DL	.919
T	.929
LFL	.900
Total	.937

Note: TfL – Transformational Leadership; TcL – Transactional Leadership; DL – Delegative Leadership; LFL – Laissez-Faire Leadership; AL – Authoritarian Leadership; QS – Quality of Services; CS – Customer Satisfaction.

The presentation of the correlation between the variables is enabled through Pearson correlation (Table 4). According to the Pearson coefficient value:

- 1) $r = .347$ and $p = .000 < .01$, it is concluded that there is a weak positive linear relationship between transformational leadership (TfL) and quality of services (QS).
- 2) $r = .384$ and $p = .000 < .01$, it is concluded that there is a weak positive linear relationship between transactional leadership (TcL) and quality of services (QS).
- 3) $r = .371$ and $p = .000 < .01$, it is concluded that there is a weak positive linear relationship between delegative leadership (DL) and quality of services (QS).

- 4) $r = .763$ and $p = .000 < .01$, it is concluded that there is a weak positive linear relationship between quality of services (QS) and Customer Satisfaction (CS).

However, the relationship between laissez-faire leadership and service quality has not been commented on as $p > .01$.

Table 5 presents the OLS model for leadership styles in particular and service quality, where $R^2 = .165$ ($\beta = .251$; $t = 7.142$; $Sig < .05$), meaning that transformational leadership explains 1.5% of the variance in the quality of services for banks with foreign capital. The values $F(1,259) = 51.006$ and $sig = .000$ indicate that the model used is important at every level. In comparison, transformational leadership for banks with domestic capital is excluded from the model since $p > 0.05$.

$R^2 = .150$ ($\beta = .257$; $t = 6.761$; $Sig < .05$) means that transactional leadership explains 15% of the variance in service quality for banks with foreign capital. The values $F(1,259) = 45.705$ and $sig = .000$ indicate that the model used is important at every level. $R^2 = .152$ ($\beta = .322$; $t = 4.127$; $Sig < .05$) means that transactional leadership explains 15.2% of the variance in the quality of service for banks with domestic capital. The values $F(1,97) = 17.405$ and $sig = .000$ indicate that the model used is important at every level.

Table 4. Pearson correlation matrix

Variables	TfL	TcL	DL	LFL	AL	QS	CS
TfL	1						
TcL	.586** 0.000	1					
DL	.539** 0.000	.640** 0.000	1				
LFL	-0.061 0.245	.473** 0.000	.123* 0.019	1			
AL	.281** 0.000	.524** 0.000	.721** 0.000	0.085 0.108	1		
QS	.347** 0.000	.384** 0.000	.371** 0.000	-0.023 0.662	.433** 0.000	1	
CS	.137** 0.009	.365** 0.000	.233** 0.000	.264** 0.000	.200** 0.000	.763** 0.000	1

Note: ** Correlation is significant at the 0.01 level (2-tailed). TfL – Transformational Leadership; TcL – Transactional Leadership; DL – Delegative Leadership; LFL – Laissez-Faire Leadership; AL – Authoritarian Leadership; QS – Quality of Services; CS – Customer Satisfaction.

R2 = .149 ($\beta = .223$; $t = 6.730$; $\text{Sig} < .05$) means that delegative leadership explains 14.9% of the variance in service quality for banks with foreign capital. The values $F(1,259) = 45.299$ and $\text{sig} = .000$ indicate that the model used is important at every level. Whereas the value $R2 = .108$ ($\beta = .238$; $t = 3.425$; $\text{Sig} < .05$) means that delegative leadership explains 10.8% of the variance in the quality of service for banks with domestic capital. The values $F(1,97) = 11.728$ and $\text{sig} = .000$ indicate that the model used is important at every level.

R2 = .238 ($\beta = .235$; $t = 9.005$; $\text{Sig} < .05$) means that the authoritarian leadership explains 23.8% of the variance in the quality of service for banks with foreign capital. The values $F(1,259) = 81,082$ and $\text{sig} = .000$ indicate that the model used is important at every level. Whereas the value $R2 = .052$ ($\beta = .161$; $t = 2.311$; $\text{Sig} < .05$) means that authoritarian leadership explains 5.2% of the variance in the quality of service for banks with domestic capital. The values $F(1,97) = 5.342$ and $\text{sig} = .000$ indicate that the model used is important at every level.

Laissez-faire leadership was excluded from the model for both categories of banks as the results were insignificant, as $p > 0.05$.

Based on the results, *H1* is accepted since there are statistically significant correlations that lead-

ership styles affect the quality of service in banks categorized by capital.

The value of R Square presented in Table 6 ($R2 = .869$; $\text{Sig} = .000 < .05$) means that the quality of services explains 86.9% of the variance in customer satisfaction for banks with foreign capital and $R2 = .695$ ($\text{Sig} = .000 < .05$) means that the quality of services explains 69.5 % of the variance in customer satisfaction for banks with domestic capital.

If the quality of service in banks with foreign capital is 0, customer satisfaction will be 2.262 units; with the increase of one unit in service quality, customer satisfaction for banks with foreign capital will increase by .506 units. Whereas in banks with domestic capital, if the quality of service is 0 units, consumer satisfaction will be -3.868 units; with the increase of one unit in service quality, consumer satisfaction for banks with domestic capital will increase by 1.800 units:

$$y = \beta_0 + \beta_1 \cdot x_1 + \varepsilon, \tag{7}$$

$$y_{(\text{Quality of service for foreing banks})} = 2.262 + .506 \cdot x_{(\text{Customer Satisfaction})} \tag{8}$$

Table 5. OLS model according to the categorization of banks for leadership styles and service quality

Variables	Capital	β	R	R Square	Adjusted R square	t	Sig.	Std. error	Durbin Watson
TfL	Foreign	0.251	0.406	0.165	0.161	7.142	0.000	0.035	2.490
	Domestic	0.108	0.138	0.019	0.009	1.375	0.172	0.078	2.294
TcL	Foreign	0.257	0.387	0.150	0.147	6.761	0.000	0.038	2.365
	Domestic	0.322	0.39	0.152	0.143	4.172	0.000	0.077	2.584
DL	Foreign	0.223	0.386	0.149	0.146	6.730	0.000	0.033	2.463
	Domestic	0.238	0.328	0.108	0.099	3.425	0.001	0.069	1.754
LFL	Foreign	-0.01	0.045	0.002	-0.002	-0.71	0.474	0.025	2.370
	Domestic	0.024	0.047	0.002	-0.008	0.463	0.645	0.051	2.040
AL	Foreign	0.235	0.488	0.238	0.235	9.005	0.000	0.026	2.378
	Domestic	0.161	0.228	0.052	0.042	2.311	0.023	0.070	1.857

Note: TfL – Transformational Leadership; TcL – Transactional Leadership; DL – Delegative Leadership; LFL – Laissez-Faire Leadership; AL – Authoritarian Leadership.

Table 6. OLS model according to the categorization of banks for service quality and customer satisfaction

Variables	Capital	β	R	R Square	Adjusted R Square	t	Sig.	Std. error	Durbin Watson
Customer Satisfaction	Foreign	1.800	0.932	0.869	0.868	25.398	0.000	0.071	1.991
	Domestic	0.506	0.695	0.484	0.482	15.573	0.000	0.032	2.307

$$Y_{(Quality\ of\ service\ for\ domestic\ banks)} = -3.868 + 1.800 \cdot x_{(Customer\ Satisfaction)} \quad (9)$$

Based on the results, *H2* is accepted since there are statistically significant correlations that the quality of service affects customer satisfaction.

According to Table 7, the average quality of services for banks with foreign capital is $\bar{x} = 4.32$ and $SD = .502$, while for banks with domestic capital it is $\bar{x} = 3.27$ and $SD = .493$. Consumer satisfaction for banks with foreign capital is $\bar{x} = 4.07$ and $SD = .691$, while for banks with domestic capital it is $\bar{x} = 3.82$ and $SD = .952$.

From the independent sample t-test, referring to $p > 0.05$, there is no difference in the quality of service between banks with foreign and domestic capital. However, the results of the t-test have given different results for customer satisfaction according to the categorization of banks. Given that $p < 0.05$, it is concluded that there is a statistically significant difference between banks with foreign capital and domestic capital in terms of customer satisfaction, where customer satisfaction is higher in banks with foreign capital.

Based on the results, *H3* is accepted since there is no statistically significant correlation that there is a difference in the quality of services between the two categories of banks. In addition, based on the results, *H4* is accepted since there is a statistically significant correlation that there is a difference in customer satisfaction between the two categories of banks.

The findings of Gibson et al. (2005) showed that transformational and transactional styles positively affect the quality of services. Their findings are consistent with the findings of this paper: leadership styles affect service quality, where the laissez-faire leadership style is excluded from the model due to the lack of significance level (Gibson et al., 2005).

According to Ekiz et al. (2006) and Farooq et al. (2009), quality of services is considered one of the most critical success factors in today's industry having a significant impact on customer satisfaction. Similar findings were brought by the current paper, where all components of the SERVQUAL model influence customer satisfaction (Erkiz et al., 2006; Farooq et al., 2018).

Table 7. Descriptive analysis of service quality and customer satisfaction

Category		N	Mean	Std. deviation	Std. error mean
QS	Foreign	261	4.3207	0.50280	0.03112
	Domestic	99	3.2706	0.49321	0.04957
CS	Foreign	261	4.0709	0.69151	0.04280
	Domestic	99	3.8215	0.95246	0.09573

Note: QS – Quality of Services; CS – Customer Satisfaction.

Table 8. T-test for quality of service and customer satisfaction according to the categorization of banks

Category		Levene's test for equality of variances		T-test for equality of means						
		F	Sig,	t	df	Sig, (2-tailed)	Mean difference	Std, error difference	95% confidence interval of the difference	
									Lower	Upper
QS	Equal variances assumed	0.483	0.487	0.850	358	0.396	0.05018	0.05904	-0.0659	0.16629
	Equal variances not assumed	-	-	0.857	179.952	0.392	0.05018	0.05853	-0.0653	0.16568
CS	Equal variances assumed	7.841	0.005	2.737	358	0.007	0.24933	0.09110	0.07018	0.42848
	Equal variances not assumed	-	-	2.378	139.011	0.019	0.24933	0.10486	0.04201	0.45666

CONCLUSION

This study aims to analyze the impact of leadership styles on service quality and the impact of service quality on customer satisfaction, thus filling the research gap. In addition, this paper analyzes the difference in service quality and customer satisfaction between banks by categorizing them according to capital.

According to the results, it is concluded that banks with domestic capital use an authoritative style, where a manager has control over all company processes, sets goals, sets processes, and oversees all steps toward a company's success. In contrast, in banks with foreign capital, leaders use a transformational leadership style, where a manager is inspiring and motivating in achieving personal and organizational goals, always finding ways to move to another dimension in thinking.

However, there is a gap between the leadership style used and the one that influences the quality of service. According to the OLS model, it turned out that the transactional style describes 15.2% of the service quality of banks with local capital. In comparison, 23.8% of the service quality of foreign capital banks depends on the authoritative style. Laissez-faire leadership was excluded from the OLS model because it did not turn out to be significant. When referring to customer satisfaction in banks with foreign capital, it turned out that the quality of service describes 86.9% of it. In contrast, 48.4% of customer satisfaction in domestic capital banks is described by the quality of services.

According to the results of the independent sample t-test, there is no difference in the quality of services between banks with foreign and domestic capital. However, the results of the t-test have given different results for customer satisfaction according to the categorization of banks. Given that $p < 0.05$, there is a statistically significant difference between banks with foreign capital and domestic capital in terms of customer satisfaction, where customer satisfaction is higher in foreign capital banks.

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