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LEADERSHIP AND REVENUE GROWTH OF COMMERCIAL BANKS IN LAGOS STATE, NIGERIA

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Abstract

Leadership remains an imperative strategy capable of engendering for growth along revenue lines. The study sought to determine the effect of leadership on revenue growth of selected commercial banks in Lagos state Nigeria. A quantitative survey of 401 managers was conducted using a pre-tested, validated and reliable questionnaire. Findings revealed that leadership positively and significantly affected revenue growth in the three most profitable banks in Lagos State, Nigeria. The study recommends that banks must prioritize leadership as a strategy capable of increasing team member participation, right mind-set and engineering growth of revenue and performance in the long run.

Introduction

The leadership debate as a major promoter of revenue growth in organizations has continued to fill the academic landscape. Revenue growth however remains paramount as it is indeed a major confirmation to leaders on the continuous existence of the organizations, evidence of market presence as well as confirmation of growth across all performance measures such as employees, firm size and market share (Odigie, 2019). Despite the need to ensure constant revenue growth, the inability of leadership to provide the require front and guidance needed to pilot the affairs of the banks in Nigeria have been seen to fail in times past (Ariguzo, 2019).

Scholars (Ariguzo, 2016; Egwakhe, 2014; Olubiyi, Egwakhe, & Egwuonwu, 2019) have focused their researches on the relationship between leadership quality, managerial roles, leadership dual behaviour, performance of firms, worker's performance, competitive advantage and customer satisfaction in the banking industries, without little considerations for the effect of leadership and its enhancing role in revenue growth in banks. To the best of the researchers' knowledge, scanty studies exist from the Nigerian business context, as Komolafe (2018) has recommended the investigation of these constructs from the Nigerian Banking space to fill the gap.

Report from the Moody as revealed by Adeleke (2019) explained that bank failures have arisen due to bad leadership, the lack of board independence, poor risk management, and the high volume of turnovers within the board, as the report cited Diamond bank Plc as a vivid example. Another report by Central Bank of Nigeria, CBN (2018) confirmed that many colossal bank failures have arisen from decline in revenue as a result of poor leadership of the board members especially as regards remunerations to themselves. According to Ariguzo (2019), the inability of these leaders to provide profound leadership that would encourage full participation of subordinates, leads to a "lording it over the followers", while the shareholders' suffer as capital is depleted without following due process required for loan disbursements. Clearly the leadership as described portrays a collapse of the corporate governance structures supposed to be upheld by the leadership of the banks, leading to the eroding of revenue heads, unrecovered loans, disgruntled staff, untrusting customers and eventually causing a "run" on the bank. It is based on this premise that the study seeks to determine the effect of leadership on revenue growth of the selected commercial banks in Lagos State, Nigeria. The paper was structured to have the introduction, literature review, methodology, data presentation, analysis and discussions and then conclusions.

LEADERSHIP

Leadership as posited by Northouse (2007) is the process where a superior exerts influence on subordinates to achieve a desired goal. Harris, Leithwood, Day, Sammons, and Hopkins (2007) explained leadership as a persuasive role played by an individual targeted at teaming for an agreed set goal. Another scholar, Hogg and Knippenberg (2003) sees leadership as the ability of a superior to exert a dominant influence as a result of position he holds, on the direction of cultural norms and basic assumptions in organizational settings. However, Mitonga-Monga and Coetzee (2012) considered leadership from the context of behaviour displayed by a manager towards integrating personal interests and firm's objectives. Other scholars (Daskal, 2016; Ward, 2019) explain leadership as a show of passion towards a common goal by a superior through the enthusiasm for success.

Leadership requires a combination of diverse attributes, behaviours and traits that are used by leaders when interacting with their followers (Mitonga-Monga & Coetzee, 2012). Sammi (2017) further asserted that leadership requires the exhibition of unique qualities such as focus, awareness, decisiveness, accountability, optimism, empathy, honesty, confidence, and inspiration. It is believed that these characteristics of great leadership according to Anastasia (2017) are able to extract a positive attitude, a focused approach, a united mind-set, an empowering character, an empathetic nature, strong team spirit among subordinates being lead. The attributes hence enable the merits of leadership as posited by Khan, Khan, Qureshi, Ismail, Rauf, Latif, and Tahir, (2015) which are self-sufficiency, motivation, variety of ideas and increased confidence of team members be enjoyed by organizations. However, Khan et al. (2015) explained that the demerits of leadership which include bureaucratic delays, time consuming processes, groups attempt to overstep boundaries and the inability to satisfy minorities is ever increasing.

Revenue growth

Revenue refers to the proceeds that arise from the sale of a good or service and growth of a target market (Neneh & Van-Zyl, 2014). Daniel and Levinthal (2018) view revenue growth as the gross returns of economic benefits arising in the course of the ordinary activities of a firm within a specified period. Revenue growth can be referred to using various nomenclatures such as growth in sales, fees, interest, dividends and royalties (Daniel & Levinthal, 2018). According to Adefulu, Asikhia, & Aroyeun (2018) revenue growth could be defined as returns inclusive of gains and profits. Based on this definition, it shows that revenue growth considers sales volume and sales turnover in relation with competition over a specified time period.

Revenue growth is perceived as an objective performance indicator for organizations (Achtenhagen, Naldi, & Melin, 2010; Isaga, 2012). Scholarly discourse has revealed that revenue growth is related to firm survival (Paul, 2015); has implications for employment as regards job creation (Isaga, 2012) and continued growth and expansion (Daniel, 2017). The analysis of revenue growth may be beneficial to clarify the concentration of firms in a market (Saridakis, Lai, Mohammed, & Hansen, 2018). Another major attribute of revenue growth lies in its practical consequences for policy-makers' decisions as impacts on growth in economic activity and employment, thereby contributing to macroeconomics and controlled with using revenue growth policies (Saridakis, Lai, Mohammed, & Hansen, 2018). However, a decrease in the number of employees in a firm may indicate or cause a crisis to the growth of revenue in the firm (Pen, 2014).

Leadership and revenue growth

The Path-goal theory of leadership propounded by House (1971) helps to put the leadership- revenue growth relationship in proper perspective. House and Mitchell (1974) suggests that leadership which encourages active participation of the subordinates ends up producing followers who are committed, motivated and empowered towards the realisation of organization goals given it an edge above other rival firms and producing incremental performance measures which could be in form of growth in revenue, profitability, market size, firm size and customer base.

Empirical studies of Defung, Salim and Bloch (2017) that investigated the sources of growth in productivity of the Indonesian banking sector over a 23year period (1993 to 2015) found that efficiency changes resulting

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from policy reforms and radical deregulations driven by new leaderships introduced rather than technological changes. It revealed that revenue improved moderately and appeared to be less volatile towards the end of the period. An earlier study (Kabir, Sena, Ezekiel & Simeon, 2016) that explored the influence of organisational leadership on performance of firms in the service sector in Nigeria observed that improvements in revenue performance were derived from a strong mix of chains leadership attributes. The study found outstanding leadership teams to have high correlation with growth in performance indicators like revenue, profitability, value creation, market share and improved shareholders' returns (Kabir, Sena, Ezekiel & Simeon, 2016).

A similar scientific study by Sethibe and Steyn (2015) attempted to confirm the impact of innovation on the leadership style-performance relationship and attested to leadership style providing positive effect and superior organisational outputs. Although the study found transactional leadership to engender a culture of innovation, it observed transformational to have higher association with revenue growth as a performance measure. Esowe, Ilori, Kabir, and Udo (2017) established from their study that a relationship exists between the leadership styles of Chief Executive Officers (CEO) and business growth of the organizations. They further explained that the phase of organization growth determines the leadership style to be adopted. A recent study by Odigie (2019) survey banks managers and found that leadership affects revenue growth in commercial banks. It further revealed that disruptive innovation was influential in affecting organizational performance.

METHODOLOGY
The research employed survey research design which examined the effects of leadership on revenue growth in selected commercial banks in Lagos State. The commercial banks with the highest total equity and profitable in the Nigerian banking sector as at 2017 financial reports were surveyed, namely: Zenith Bank Plc, Guaranty Trust Bank Plc and UBA Bank Plc. The study targeted the middle and lower level management staff with emphasis on the head offices of these banks; as such the study was limited to Lagos State, Nigeria. The total population for the study was two thousand and sixteen as stated in Table 1.

Table 1: Dispersion of management staff levels across the selected commercial banks

Bank	Top Mgt	Middle Mgt	Lower Mgt	Total
Zenith Bank Plc	141	210	352	703
Guaranty Trust Bank Plc	117	176	294	587
United Bank for Africa Plc	145	218	363	726
Total	403	604	1009	2,016

Source: Researcher's determination, 2019

Based on the study's population, a sample size of 311 was calculated using the Raosoft online software sample at 5% error rate, while requisite provision of 30% was made to cater for non- response as recommended by Zikmund (2000), making the final sample size of the study to become 401. The data collected was done with the aid of a self-structured questionnaire with close-ended statements and response options of "very high" to "very low" using the 6-point likert-scale type. The instrument which was subjected to pilot testing and the exploratory factor analysis test carried out to confirm the validity of the instrument provided KMO and Bartlett results above 0.629 and reliability Cronbach's alpha values to 0.717. Based on the study's hypothesis the econometric model which favoured regression analytical method of data analysis was constructed as:

RG = f (L).. functional equation

RG = α_0 + $\beta_1 LS_i$ + e_i................................... Model Equation

The apriori expectation the study suggests that leadership would show a significant positive effect on revenue growth.

DATA PRESENTATION, ANALYSIS, AND DISCUSSIONS
Questionnaire response rate was 88.5% as only 355 respondents provided useable information through the research instrument. The descriptive results for the two constructs were analysed.

Table 2: Descriptive analysis on Leadership

Leadership Question Items	Mean	Standard Deviation
Motivation	5.26	1.03
Delegation	4.97	0.94
Flexibility	4.84	0.97
Communication	4.73	1.28
Integrity	4.65	1.38
GRAND	4.89	1.12

Source: Field Survey (2019)

The results of the descriptive analysis of leadership construct as revealed in Table 2 show that on the average, the respondents indicated that motivation is high (mean = 5.26, STD = 1.032) meaning that subordinates are motivation is greatly encouraged by leaders in the banks. Also, respondents opinion on the average indicated that delegation is high (mean = 4.97, STD = 0.943) implying that leaders tend to delegate duties and responsibilities to groom subordinates. On flexibility of leadership, respondents indicated that on the average flexibility is high (mean = 4.84, STD = 0.955) revealing that the leaders show less stiffness. Furthermore, on the communication by leadership of the banks, respondents on the average indicated that communication is moderately high (mean = 4.73, STD = 1.281). Lastly, on integrity of the leadership, the respondents indicated that integrity is moderately high on the average (mean = 4.65, STD = 1.375). The average score of the statements as regards leadership is 4.89 with a standard deviation of 1.12 which indicates that on the average the leadership is regarded as by the respondents of the selected commercial banks.

Table 3: Descriptive analysis on Revenue Growth

Revenue Growth Question Items	Mean	Standard Deviation
Return on equity in the last five years	5.24	1.006
Profit expansion in the last five years	4.94	1.072
Cost reduction in the last five years	4.83	1.105
Risk asset growth in the last five years	4.83	1.069
GRAND	4.96	1.063

Source: Field Survey (2019)

Table 3 presents results of descriptive statistics on revenue growth. The results on return of equity in the last five years revealed that on the average, the respondents' opinion tend towards a response of high (mean = 5.24, STD = 1. 006) suggesting that return on equity has been high in comparison with industry. Also, the results revealed that the respondents on the average indicated that profit expansion in the last five year is high (mean = 4.94, STD = 1.072). On cost reduction in the last five years, the respondents on the average were disposed to it being high (mean = 4.83, STD = 1.105) which suggests that strategy to reduce cost is on the front burner of the organizations goal. Finally, with respect to risk asset growth in the last five years, opinions of respondents on the average agree that it is above moderately high (mean = 4.83, STD = 1.069). The average score of the question items targeted at getting respondents opinion on revenue growth in general is 4.96 and standard deviation of 1.063. This means that on average the respondents indicate that revenue growth is high at the selected commercial Banks in Lagos State, Nigeria.

The descriptive statistics results for leadership and revenue growth in Tables 2 and 3 respectively showed that opinions and perception of the respondents on the constructs are similar. The average mean scores indicated that respondents' opinions converge at high on the beliefs of both variables. This implies that respondents' opinions agree regarding leadership and revenue growth in the selected commercial banks.

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Table 4: Regression Analysis results of Leadership on Revenue Growth of Selected commercial Banks in Lagos State, Nigeria

N	Model	B	Sig.	t- statistics
355	Constant	7.481	0.000	8.805
	Leadership	0.506	0.000[b]	14.751
R = 0.618[a]; R^2 = 0.382; F (1, 353) = 217.587; Std. Error of the Estimate = 2.63112				

Source: Field Survey (2019)

The regression results as presented in Table 4 revealed that leadership has a positive significant effect on revenue growth of the selected commercial banks investigated in Lagos State Nigeria (β = 0.506, t = 14.751, p=0.000 <0.05). The coefficient of relationship, *R* revealed that at 0.618, a moderate positive and significant relation was established between leadership and revenue growth. Also, the coefficient of determination, R^2 posits that only 38.2% of revenue growth is accounted for by leadership, leaving the balance of 61.8% explained by factors not considered in the study. To formulate the econometric model of the study which would explain the variation in revenue growth due to the effect of leadership can be stated as follows:

RG = 7.48 + 0.51LD .... Equation 1

Where: RG = Revenue Growth; LD = Leadership

The regression model explains that at point zero for leadership, revenue growth would be 7.48, Also, a unit change in leadership results in a 0.51 increase in revenue growth of the selected commercial Banks in Lagos State, Nigeria. Impliedly, increase in leadership will bring about a corresponding increase in revenue growth of the selected banks. Subsequently, the result provides that leadership has a positive significant effect on revenue growth of selected commercial Banks in Lagos State, Nigeria.

From the result obtained, which showed that leadership has a positive and significant effect on revenue growth of Selected commercial Banks in Lagos State, Nigeria (β = 0.506, R2 = 0.382, t = 14.751, p<0.05), the study has further authenticated the position of various authors (Defung, Salim, & Bloch, 2017; Esowe, Ilori, Kabir, & Udo, 2017; Kabir, Sena, Ezekiel & Simeon, 2016; Odigie, 2019; Sethibe & Steyn, 2015) on the subject matter.

CONCLUSION
The paper sought to investigate the effect of leadership on revenue growth of selected commercial banks in Lagos State, Nigeria. The findings revealed from the quantitative survey that leadership has significant effect on revenue growth of selected commercial banks Lagos State and added credence to the already existing literature on the leadership-performance relationship from the context of sales growth. The study concludes that leadership remains a veritable strategic tool to be used by management of banks in engendering revenue growth. This is imperative as leadership institutes belief in self, goals and visions of organizations, gives the subordinates a sense of belonging and leads to improvement of all systems in the organization bringing about revenue growth. Therefore, the study recommends that leadership particularly in commercial banks should a strategy which be enshrined to enable the attainment of organizational goals. Further studies should empirically investigate the effect of leadership on profitability and similar study can also be investigated in other sectors in Nigeria.

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