Leadership Behavior and Loan Default Management in The Banking Sector of Ghana: The Moderating Role of Regulatory Governance

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Abstract

In many emerging economies, financial institutions like banks are crucial to developing countries. Banks are largely into lending, and the issues of default in loans are bound to occur. The role of leadership may be considered critical to effectively managing loan default. This study investigates the extent leadership behaviors influence loan default management and the role regulatory governance plays in the relationship between leadership behavior and loan default management. The research is based on a mixed-method design. A cross-sectional survey design was used to get 313 responses from respondents who are part of the credit delivery cycle in banks in Ghana. Based on the findings of the study, several recommendations can be made. First, since autocratic leadership behavior was found to significantly impact the management of loan default cases in banks, it is recommended that the loan recovery department of financial institutions should be characterized by leaders making decisions unilaterally with little input from subordinates who are not well vexed and experienced in loan management issues. Second, it is also recommended that the leadership structure within the loan recovery department should ensure team members or subordinates complete critical tasks according to schedule to manage loans effectively.

SYNOPSIS

Purpose and Problem

In many emerging economies, financial institutions like banks are crucial to these countries' development. Financial institutions can be compared to the human body's arteries that respond to pumping blood to the areas they need the most. In the case of the bank, they help pump financial resources from depositories to areas they can be used for social and economic advancements. As a result of people's limited access to capital markets in many developing countries, the role of financial institutions cannot be overemphasized in emerging economies. This suggests that banks that run on well-functioning systems can accelerate economic growth while those that perform poorly exacerbate poverty. However, the survival of the operations of financial institutions is challenged by several credit risks, which require leadership efforts in effectively managing loans to avert high default cases. This study aims to fill these gaps in the literature by empirical testing the direct effect of leadership behaviors on loan default management in the banking sector of Ghana. The study further explored the moderating influence of regulatory governance on the effect of leadership behavior on loan default management. The study adopted McGregor's theories X and Y in examining the leadership behaviors that affect loan default management in the banking sector of Ghana. This theory is used to explain the motivational factors that influence employee behavior. In this study, employees are seen to be undertaking leadership in managing loan default. Theory Y represents the usual approaches leaders or managers in the firm, which has often yielded poor outcomes, such as high loan default rates in banks (Sager, 2008). Theory X is seen as an alternative approach that managers can use to develop other functional outcomes, in this case, the effective management of loan default cases in the banking sector of Ghana. The following subsections discuss the study's findings concerning hypotheses formulated from the study's main aim.

Results

The study used 313 respondents in the final analysis (after data cleaning of the 326 responses obtained). The industry experience of the respondents showed that the majority of the respondents have 5-10 years (39%) of industry experience, followed by those with less than five years (34.8%) followed by those with 11-15 years of industry experience (21.4%) with the least industry experienced respondents having over 16 years (4.8%). This implies that the study's respondents were knowledgeable, clearly understood the study's objectives, and could give the needed responses to questions posed to them.

The main variables (factors), autocratic leadership behavior, Laissez-faire leadership behavior, transactional leadership behavior and regulatory governance, were explored and confirmed through exploratory and confirmatory factor analysis (see table in appendix section). Six hypotheses were developed and tested using multiple linear regression in the study. This comprised three direct effect models and three moderating effect models.

The study found a positive and significant relationship between autocratic leadership behavior and loan default management. The first hypothesis was supported in the study. Laissez-Faire leadership behavior was found to have a negative and non-significant impact on loan default management in the study. This did not lead to support for the second hypothesis in the study. A similar result was found for the relationship between transactional leadership and loan default management: a positive and non-significant relationship was established in the study. Hypothesis 4 was not supported in this study since the study did not find a positive and significant moderating effect of the moderating role of regulatory policies on the relationship between autocratic and loan default management.

A positive and significant moderating effect was found between Laissez-faire leadership behavior and loan default management. Therefore, hypothesis 5 was supported. However, regulatory governance has a positive but non-significant moderating effect on the relationship between transactional leadership behavior and loan default management. Therefore, hypothesis 6 was not supported in the study.

Conclusions and Practical Relevance

The study's main objective is to develop a theoretical framework for resolving the problem of loan default management in the banking sector of Ghana. The study's specific objectives are: to investigate the impact of leadership behavior on loan default management in the banking sector of Ghana and; to investigate the extent to which regulatory governance moderates the relationship between leadership behavior and loan default management. The investigation of the impact of leadership behavior on loan default management is significant in several ways. First, loan portfolio management is essential in managing a bank's interest income. This means that studies investigating the effective management of loan default may significantly contribute to practitioners safeguarding banks' interest income over time. An improvement in the firm's loan portfolio may positively affect the firm's financial performance. As Ntiamoah et al. (2014, p.68) posits, while monetary establishments have confronted challenges over the years for a large number of reasons, the significant reason for genuine financial issues keeps on being straightforwardly identified with relaxed credit guidelines for borrowers and counterparties, poor portfolio risk management, or an absence of regard for changes in monetary or different conditions that can prompt a disintegration in the credit standing of a bank's counterparties. This study seeks to suggest leadership behaviors needed for the effective management of loans for low default in the banking sector of Ghana.

Second, this study seeks to provide useful information for banks to be able to undertake effective credit risk management. Since it lies in the goals of a bank's credit risk management framework to "maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters," it is prudent to understand the leadership behavior that drives loan default management. The study will also reveal the moderating conditions under which regulatory governance will influence the relationship between leadership behavior and loan default management. Third, the maintenance of sound leadership behaviors among staff in the credit cycle is anticipated to establish a suitable credit risk environment. It is also anticipated that the finding of this study will support the "operating of sound credit granting process, maintenance of an appropriate credit administration, measurement and monitoring process and the assurance of adequate controls over credit risk."

METHODS

This study uses the sequential explanatory research design that helps triangulate. The sequential exploratory strategy involves two phases. It enables us to commence with the collection and analysis of quantitative data in the first phase and the collection and analysis of qualitative data in the second phase (Palinkas et al., 2015). The strategy allows significance to be given to either or both data sets (Terrell, 2012, p.264). In this study, the first phase involved collecting and analyzing data questionnaires from all officers in the credit cycle like recovery officers, credit officers and risk officers in all 23 tier 1 commercial banks. In contrast, the qualitative involves the use of selected members of the respondents from the administered questionnaires. The case study was conducted mainly to understand the view of key informants using a structured understanding of contextual issues on the influence of leadership behavior on loan default management in this study.

Systemic sampling is used in selecting respondents on a regular interval compared to complete randomization of each member of a population. Mohd Ishak and Abu Bakar (2014) posit that systemic sampling "...can also be used when you don't have a complete list of the population". In this study, the list of employees of all officers in the credit cycle of the 23 commercial banks is not available; thus, complete randomization of each member of the population will be difficult to complete. This makes systemic sampling the most appropriate probability sampling approach for this study. The total sample size to be obtained is 313. The data is analyzed using Statistical Package for the Social Sciences (SPSS) version 25 software and Analysis of Moment Structures (AMOS) software version 21. Detailed information about the measures and instrumentation used in this study is provided in the appendix section. The regulatory governance within the banking sector is same across all banks in Ghana. What varies is the degree to which individual firms implement these policies within the banking sector of Ghana. Therefore, individual respondents were asked to share their views on the extent to which banks efficiently manage their resources, formulate, execute and enforce sound regulations and policies.

BODY OF PAPER

Practical Problem

Financial institutions stand as a major contributor to the development of many countries. In many emerging economies, financial institutions support people in the formal and informal economies. Although banks provide a lot of benefits, they are faced with various risks. These risks can be classified into three main groups. First financial risk has credit risk components. Credit risk can be defined as the potential for a bank borrower or counterparty to neglect to meet its commitments per concurred terms. Second, operational risks and, finally, strategic risks. Operational risks refer to "the risk of losses caused by flawed or failed processes, policies, systems or events that disrupt business operations," while strategic risks are "those that arise from the fundamental decisions that directors take concerning an organization's objectives." Credit risk has been revealed to be one of the most critical risks faced by banks. This risk in banking operations is a great worry to most financial specialists and banking controllers. Loan default, for instance, has been revealed to be one of the significant risks that can easily prompt bank failure.

Banks are largely into lending, and the issues of default in loans are bound to occur. *Loan default* can be defined as the inability of loan borrowers to fulfill their loan obligations to financial institutions when the time is due. The management of loan default involves using an organized way to manage uncertainties through the appraisal of hazard, creating procedures to oversee it, and moderating risk by utilizing administrative assets.

The role of leadership may be considered critical to effectively managing loan default. This is because leadership plays a role in transferring credit to clients after some level of due diligence has been undertaken. Leadership may also be relevant in avoiding or reducing risk in the loan delivery process. Leadership may be critical in not only loan default management but for banks' overall financial management. Effective loan default management in banks may depend on employees' effective management of the firm's traded financial instruments. This may help in the overall reduction of banks' credit risks and better bank performance. The execution of leadership roles mentioned are usually embedded in individual leadership behaviors.

In this study, the researcher focuses on loan default as the most significant credit risk faced by financial institutions. This is because the default in loans from creditors over an extended period has been revealed to negatively impact financial institutions' credit worthiness in their pursuit to continue business operations over time. Managing firms' credit risks may involve individual decision-making based on their leadership behavior at every stage of the risk management process. Since the execution of banks' credit risk management systems is largely based on an individual's appraisal of financial risks and the execution of capable risk management systems, this study proposes leadership behavior to influence the effective management of loan default in the banking sector.

For instance, Wallace et al. (2011) study revealed that effective leadership could help influence employees' adoption of bank values relative to situations with poor leadership. There are internal and external value systems that firms subscribe to. Regulatory governance is firms' external values systems that may influence firms' internal values. Regulatory governance refers to the ability of regulatory agencies to efficiently manage firms' resources, formulate, execute, and enforce sound regulations and policies—to be seen as the duty to meet the delegated objectives. The principal concern of this thesis is to ascertain to what extent leadership behavior can influence loan default management and what role regulatory governance play in the relationship between leadership behavior and loan default management using the leadership contingency model and McGregor Theory X and Y theories.

Literature Review

Theory X and Y are used in the study to explain the antecedents of loan default management in the banking sector of Ghana. This theory explains the motivational factors that influence employee behavior (Kopelman et al., 2008). In this study, employees are seen to undertake leadership in managing loan default. Therefore, there is the need to investigate the specific factors that inform employees' behavior in credit management to effectively manage loan default within the given context. Douglas McGregor developed theories X and Y in the 1960s to explain a system of interactions that takes place to attain certain outcomes (Gregor, 1960). This theory has been used to provide direction as to which management styles and techniques are efficient in attaining the firm's specific outcomes.

McGregor's theory X and Y suggests that there are two fundamental approaches to managing people to realize functional outcomes (Kopelman & Prottas, 2010). Theory X represents the usual approaches to leaders or managers in the firm, which has often yielded poor outcomes (Sager, 2008). Theory Y is an alternative approach that managers can use to develop other functional outcomes. The essence of theory Y is to produce better results while ensuring that employee welfare issues are managed effectively for the continual attainment of better outcomes (Neuliep, 1996). This study seeks to investigate the management of loan default issues in the banking sector of Ghana. Thus, the use of Theory X may be seen as the old approach to the management of loan default, while theory Y may be seen as a better approach to managing these outcomes (Sager, 2008). Since work is very detailed and time sensitive, a hands-on manager (Type X) is required to ensure staff stays on top of the workload.

The management of employee behavior is captured as leadership behavior in this study. That are autocratic leadership behavior, Laissez-faire leadership, and transactional leadership behavior. Again, McGregor's theories X and Y relate to the psychological contracting in modern times where there is the appreciation of theory X leadership while appraising the constructive benefits of undertaking theory Y kind of leadership for the effective attainment of firm-specific outcomes (Russ, 2013). Theory X can be considered as an authoritarian style of leading people with an emphasis on "productivity, on the concept of a fair day's work, on the evils of feather-bedding and restriction of output, on rewards for performance" (Kopelman et al., 2012, p.450). The management of loan default has been investigated from different perspectives, with little attention given to how leadership behaviors can help manage loan default cases. In this context, we can view theory X as the traditional approach’s leaders have to handle loan default cases per their leadership functions.

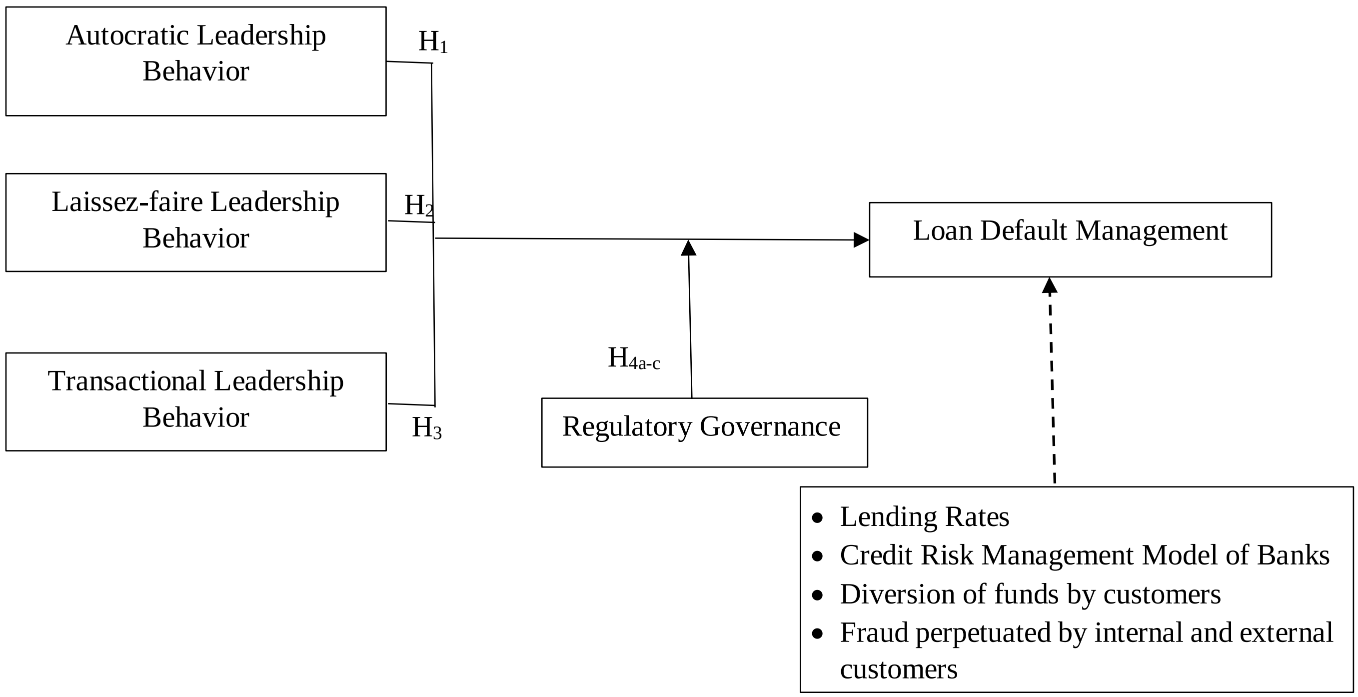
According to Theory X, employees generally tend to be reluctant by nature to fulfilling obligations to them (Russ, 2011). Employees will always find excuses for meeting firm-specific obligations; they may naturally not be willing to expend much effort on the job. In detecting attempts by employees to avoid putting off their best at the workplace, it is recommended that leaderships ensure employees' strict compliance with regulations regarding the execution of tasks (Gürbüz et al., 2014). This strict compliance with working regulations also greatly increases a firm's compliance with regulatory governance. Theory X requires that employees deliberate avoidance of work, which is a counter-productive working behavior that should be identified and dealt with in the firm (Carson, 2005). Some of these behaviors tend to sabotage the efforts of employees that may be willing to show productive working behaviors.

Theory Y, on the other hand, assumes that individuals will naturally exercise self-direction and self-control in attaining firms' objectives to the extent that they become committed to them (Kopelman et al., 2008, p. 261). This forms the basis for selecting the Laissez-faire leadership style in this study. Theory Y proposes that employees are likely to be more productive when they are given more trust and responsibility rather than forcing employees to undertake tasks (Sager, 2008). Similarly, theory Y proposes that employees wish to perform well on the job and not slack around. The belief is that getting employment and being recognized for hard work alone is enough to drive employee motivation. In summary, leadership has a role to play in the motivation of employees to achieve desired results. This suggests that the management of loan default cases may require more the role of leaders in adopting a rigid style (like autocratic or transactional leadership style) or the development of a more relaxed style (Laissez-faire leadership style).

This study also considers the role of other theories in investigating the impact of leadership behavior on loan default management in the banking sector of Ghana. It is argued that leadership behaviors alone will not be enough to guarantee effective loan default case management in banks. The researchers of this study argue that regulatory governance has a role in influencing the relationship between leadership behavior and loan default management. This led to the adoption of the leadership contingency model theory developed by Fred Fiedler (Mitchell et al., 1970). The leadership contingency model theory proposes that situational factors can affect a leader's ability to attain firm goals (Sager, 2008).

According to the leadership contingency model theory, some situational factors that affect the leadership role in the attainment of goals in the firm are the leader's capabilities, competencies of employees and the leadership behavior or style (Kopelman & Prottas, 2010). This list is not exhaustive as external factors may influence the direct relationship between leadership behavior and firm-specific results like the effective management of loan default. In this study, we consider regulatory governance an important requirement for establishing firm-specific outcomes (Kopelman & Prottas, 2010). The leadership contingency model theory proposes that leaders adopt styles that best suit the situation. Adherence to regulatory governance principles may help deliver effective leadership in the management of defaulted loans compared to situations where there is no adherence to regulatory governance principles (Bauer et al., 2007). Regulatory governance practices and policies may help leaders set better standards for credit officers to follow in managing funds effectively relative to situations where there are no required rules and regulations to follow in managing the loan. Based on the above theoretical lenses, this study proposes and empirically tests the following conceptual model (see figure 1).

Figure 1. *Conceptual model of the study*



Findings

The demographic characteristics encompassed characteristics that were related to the respondents themselves such their gender, age, educational level, work experience and industry experience. The distribution of the demographic characteristics related to the respondent is shown in Table 1.

The distribution of the gender shows that more males' than their female counterparts were involved in the study. This represented almost sixty percent (59.7%) of the responses. Contrarily, a little over forty percent (40.3%) of the respondents were females. The distribution of the respondent's educational background revealed that the majority of the respondents that took part in the study had their bachelor's degree (46.3%), followed by respondents with master's degree (36.1%), other certificates (6.7%), HND (6.4%) with 4.5% of respondents having PhD decrees. This distribution suggests that the respondents that took part in the study were knowledgeable and had clear understanding of the objectives of the study and able to give the needed responses to questions posed to them.

The distribution of the respondent's work experience in the company revealed that the majority of the respondents had 5-10 years working experience (42.5%), followed by people with less than 5 years' experience (42.2%), 11- 15 years' experience (14.7%) and the group with the least experienced group being those with over 16 years (0.6%). This suggests that the majority of the respondents had adequate working experience to be able to respond to issues regarding the impact of leadership behavior and loan default management in the banking sector of Ghana. The age distribution of the respondents shows 20 to 40 years were the highest populated group being 67.4% followed by those with 41 to 60 years being 31.6% with the age group having the least numbers are those with over 60 years (1%). Finally, the distribution of the respondent's industry experience revealed that the majority of the respondents have 5-10 years (39%) industry experience followed by those with less than 5 years (34.8%), followed by those with 11- 15 years industry experience (21.4%) with the least industry experienced respondents having over 16 years (4.8%). Table 1 presents a summary of the demographic characteristics of the results obtained.

Table 1. *Demographic characteristics of respondents*

Variable	Characteristic	Frequency	Percent
Gender	Male	187	59.7
	Female	126	40.3
Education	PhD	14	4.5
	MPhil/MSc/MBA	113	36.1
	Bachelor's Degree	145	46.3
	HND	20	6.4
	Other	21	6.7
Experience	Less than 5	132	42.2
	5- 10	133	42.5
	11- 15	46	14.7
	Over 16 years	2	0.6
Age	20 to 40 years	211	67.4
	41 to 60 years	99	31.6
	Over 60 years	3	1
Industry Experience	Less than 5	109	34.8
	5- 10	122	39
	11- 15	67	21.4
	Over 16 years	15	4.8

Source: Authors Fieldwork (2021).

Hierarchical linear regression was used in analyzing the results of the study. The control variables, lending rate, credit risk management, diversion of funds and fraud perpetrated by customers were entered in model 1. This was followed by the inclusion of the independent variables in Model 2. The moderator was included in Model 3, while the interaction effects were entered in Model 4. The control variables explained 7.5% of the variance in loan default management in Model 1. The addition of the independent variables (autocratic leadership behavior, laissez-faire leadership behavior and transactional leadership behavior) to the control variables in Model 2 increased R^2 by 8.7% ($\Delta F = 4.134$, $p < .001$). In model 3, the addition of independent variables to the control variables, independent variables and moderator (Regulatory governance) did not increase the R^2 value ($\Delta F = 3.624$, $p < .001$). In model 4, the interaction terms were added to the study's control variables, independent variables, and moderators, increasing the R^2 by 9.9% ($\Delta F = 3.012$, $p < .001$).

The results presented in Table 2 shows that among the control variables, diversion of funds by customers has a negative and significant ($b = -0.211$, $t = -3.283$, $p < .01$) effect on loan default management. Lending rates ($b = 0.042$, $t = 0.551$, $p > .10$); credit risk management ($b = 0.014$, $t = 0.280$, $p > .10$); fraud perpetuated by customers ($b = 0.093$, $t = 1.556$, $p > .10$) had a positive effect on loan default management. However, this effect was not statistically significant. The results may suggest that diversion of funds from customers does not support the effective management of loan default in the banking sector.

The results in Table 2 showed that autocratic leadership behavior has a positive and significant impact on loan default management ($b =0.38$, $t = 2.333$, $p < .01$) while laissez-faire leadership behavior ($b = -0.008$, $t = -0.261$, $p > .10$) and transactional leadership behavior ($b = -0.015$, $t = -0.525$, $p > .10$) has a negative but non-significant impact on loan default management. The study hypothesized a positive and significant relationship between the respective leadership behaviors and loan default management. Since autocratic leadership behavior had a positive and significant effect on loan default management, the first hypothesis is supported. In contrast, hypotheses two and three are not supported in the study.

The moderating role of Regulatory governance showed a positive and significant effect on the relationship between Laissez-faire leadership ($b = 0.062$, $t = 2.006$, $p < .05$) behavior and loan default management in the banking sector of Ghana. The other relationships were not supported in the study like the moderating role of Regulatory governance on the relationship between autocratic leadership (b = -0.014, t = -0.438, $p > .10$) and loan default management and; transactional leadership and loan default management (b =0.013, t = 0.393, $p > .10$).

Table 2. *Linear regression*

Values	Loan Default Management							
	Model 1		Model 2		Model 3		Model 4	
	B	**t-values**	***b***	**t-values**	***B***	**t-values**	***B***	**t-values**
Control Variables								
Constant	0.794	5.965***	0.812	6.091***	0.807	6.020***	0.822	6.112***
Lending Rate	0.040	0.533	0.046	0.608	0.045	0.593	0.042	0.551
Credit Risk Management	0.011	0.229	0.013	0.253	0.015	0.296	0.014	0.28
Diversion of Funds	-0.245	-3.963***	-0.221	-3.495**	-0.222	-3.503**	-0.211	-3.283**
Fraud Perpetuated by customers	0.083	1.443	0.085	1.455	0.086	1.471	0.093	1.556
Main Effects								
Autocratic Leadership Behavior			0.043	1.507	0.044	1.534	0.060	2.016*
Laissez-Faire Leadership Behavior			-0.019	-0.663	-0.020	-0.698	-0.008	-0.261
Transactional Leadership Behavior			-0.019	-0.68	-0.017	-0.589	-0.015	-0.525
Moderator								
Regulatory governance (RR)					-0.011	-0.372	0.021	0.238
Interaction Effects								
RR x Autocratic Leadership							-0.014	-0.438
RR x Laissez-Faire Leadership							0.062	2.006*
RR x Transactional Leadership							0.013	0.393
R^2	0.075		0.087		0.087		0.099	
ΔR^2	0.075		0.012		0.000		0.012	
F value	6.209		4.134		3.624		3.012	
Degrees of freedom	4/307		7/304		8/303		11/300	

$^{\dagger}p < .10$, $^{*}p < .05$, $^{**}p < .01$, $^{***}p < .001$ (one-tailed test)

Note: Unstandardized regression coefficients were reported with t-values for each effect

Source: Authors Fieldwork (2021).

Lessons for Practice

As a result of the findings of the study, the following lessons are recommended:

- Since autocratic leadership behavior was found to significantly impact the management of loan default cases in banks, it is recommended that the loan recovery department of financial institutions should be characterized by leaders making unilaterally with little input from subordinates who are not well vexed and experienced in loan management issues. This aligns well with the autocratic leadership style. It is important to have leaders who are well experienced in handling defaulted loans. Once such leaders are found, there should be the promotion of that leader's opinion and expert views about strategy development and its implementation. It is also recommended that individuals take full responsibility for all tasks and equally take credit for the positive outcomes of their decision within the banking sector. That way, employees will be expected to ensure more due diligence in their operations and reduce the incidence of non-performing loans within the banking sector.

- It can also be recommended that the leadership structure within the loan recovery department should ensure team members or subordinates complete critical tasks according to schedule to effectively manage loans. It is also recommended that leaders establish solid deadlines for the completion of loan applications and monitor and evaluate loans issued to customers.

- Since regulatory governance was found to positively moderate the relationship between loan Laissez-faire leadership behavior and loan default management, several strategies are recommended for banks to manage loan default cases effectively. First is the promotion of operational independence of regulators. Second, transparency in regulatory operations at the department level. Third, the consistent application of bank's rules and regulations regarding the management of loans as approved by regulatory entities.

Contributions to Theory

From the theory X and Y perspective, where theory Y is seen as an alternative approach that managers can use to develop other functional outcomes, it is anticipated that leadership behavior helps in the attainment of better loan default management outcomes within the banking sector of Ghana. The study has several theoretical studies on leadership behavior and loan default management. The investigation of the moderating role of regulatory governance has significant implications for firms within the financial sector like banks, credit unions, and savings and loans companies, among others.

First, autocratic leadership behavior was found to have a positive and significant influence on loan default management. This may suggest that when leaders in the industry are bossy and order team members around, it may be effective in managing loan default issues. Additionally, when leaders in the industry believe that only one person can be the leader, most employees must follow the procedures and instructions to meet the leader's expectations. This can be considered useful in managing loan default issues within the banking sector of Ghana. Autocratic leaders sometimes make employees feel uneasy while doing their jobs. However, the study's results suggest that this helps in effectively managing loan default cases in the banking sector of Ghana. Per the past experiences of the collapse of banks in Ghana, when employees are always punished if they make mistakes on loan assessment and evaluation because the leaders want to achieve their goals, there will be effective management of loan default issues in the banking sector. Other times, when leaders rule with an iron hand and stick to old ways of processing and approving loans, the study reveals this has a positive influence on loan default management. This provides useful contribution to the advancement of the Theory X and Y where autocratic leadership (a theory X factor) is being used in the advancement of loan default management in the study.

Second, an unsupported relationship between Laissez-faire leadership behavior and loan default management in this study indicates that banks and financial institutions should not focus on practicing this kind of leadership behavior, as it may not be effective in managing loans. The results of the study imply that when leaders' delays responding to urgent questions about loan defaults has an ultimately negative impact on the management of loan default. Similarly, the study's results suggest that when leaders avoid involving themselves in tasks that are important for employees and their work, it does not contribute to the effective management of loan default issues. When leaders are always absent, and their help is always needed, it may affect the management of loan default issues. Similarly, when leaders delay responding to questions that need urgent answers, it affects employee effectiveness in managing loans. Finally, when leaders are absent from work posts or inaccessible to their employees, it affects their ability to coordinate and work efficiently.

This study makes extra suggestions for research in the selection of bank-specific factors that can be controlled for in the study. These factors are: more aggressive versus conservative lenders; the time period lag between leader action and result or bank specific regional footprint which may have higher/lower loan defaults due to local economic environment; leader specific demographics like experience, gender and educational level. It is also suggested that this study can be replicated in other types of cultures such as authoritarian and individualistic cultures. Although the study found no issues of multicollinearity based on the inspection of the results of the correlation test with all items having a benchmark falling below the 0.8 level as recommended by Gujarati (2010) care has to be taken in future studies so the issues of multicollinearity does not affect the results obtained for the study. There appear to be several opportunities for future research on this topic, including the role of employee competence/experience in moderating the relationship between leadership style and loan default management.

Key Words: Autocratic leadership, Laissez-faire leadership, Transactional leadership, Regulatory governance, Loan Default.

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APPENDIX ON MEHTOD

Instrumentation for the Quantitative Study

Respondents were asked the question, "*how often does your leader engage in the following?* with options of choosing from on a 5-point Likert scale, where 1- never to 5= very often or always. This was used to measure autocratic leadership behavior.

For Laissez-Faire leadership behavior, respondents were asked the question, "*how often does your leader engage in the following?* with options of choosing from on a 5-point Likert scale, where 1- never to 5= very often or always.

For Transactional leadership behavior, respondents were asked the question, "*how often does your leader engage in the following?* with options of choosing from on a 5 point Likert scale, where 1- never to 5= very often or always.

For regulatory governance, respondents were asked the question, "*To what extent do you agree or disagree to the following statements*" with options of choosing whether or not they agreed to the statement on a 5-point Likert scale, where 1- strongly disagree to and 5= strongly agree.

Kindly select of the options provided as a response to each question.

Lending Rate: What is your perception about Bank lending rates in the banking sector of Ghana?

[ ] High [ ] Low

Credit Risk Management: Do you think credit risk management model by banks are effective or ineffective? [ ] Effective [ ] Non-effective

Diversion of Funds by Customers: Do you perceive customers engage in the diversion of funds and not using it for the intended purpose after taking loans from banks? [ ] Yes [ ] No

Fraud Perpetuated by Customers: What is your perception about fraud perpetuated by internal and external customers? [ ] High [ ] Low

Table 3. *Operationalization of constructs*

Construct	Items / Variables	Source
Autocratic Leadership Behavior	Leaders in this industry are bossy and orders team members around Leaders in this industry believe that, in reality, only one person can be the leader. Employees feel uneasy while doing their jobs Employees are always threatened or punished if they make mistakes because the leaders want to achieve their goals Leaders rule with an iron hand Leaders often do not accept new ideas	Bhatti et al. (2012)
Laissez-Faire Leadership Behavior	My leader delays responding to urgent questions My leader avoids involving him/herself in tasks that are important for me and my work My leader is absent when I need him/her My leader avoids making decisions that are important for me and my work My leader delays responding to questions that I need urgent answers to. My leader has not been present when it was needed	Nielsen et al. (2019)
Transactional Leadership Behavior	My leader rewards the employees' performance when they live up to the leader's requirements My leader rewards the employees' dependent on how well they perform their jobs My leader points out what employees will receive if they do what is required My leader lets employees' effort determine received rewards My leader gives negative consequences to the employees if they perform worse than their colleagues My leader makes sure that it has consequences for the employees if they do not consistently perform as required My leader takes steps to deal with poor performers who do not improve My leader gives negative consequences to his or her employees if they do not perform as the leader requires	Jensen et al. (2019)
Regulatory Policies	Regulators have operational independence There is regulatory policy transparency in this industry There is transparency of regulatory operations in this industry Rules and regulations apply in a consistent manner to all regulated entities. There is established code of conduct regulating financial affairs and conflict of interest There is published accountability within this industry There are established financial accountability in this industry	Quintyn and Chenard (2004)

ADDITIONAL APPENDIX

Table 4. *Confirmatory Factor Analysis of measures in main variables*

Variables	Operational Measures of Construct **Model Fit Indexes: χ^2 =341.755; d.f. = 129; χ^2/d.f.= 2.649; RMSEA = 0.053; GFI = 0.828; CFI = 0.951; NFI = 0.831; IFI = 0.901; TLI = 0.978; SRMR = 0.054**	Λ	t-values	α	CR
Item Labels					
	Laissez-Faire Leadership behavior (Nielsen et al., 2019)			0.915	0.919
LF1	My leader delays responding to urgent questions	0.844	15.883		
LF2	My leader avoids involving him/herself in tasks that are important for me and my work	0.964	19.375		
LF3	My leader is always absent when I need him/her	0.901	17.838		
LF4	My leader avoids making decisions that are important for me and my work	0.987	18.601		
LF5	My leader delays responding to questions that I need urgent answers to	0.955	17.862		
LF6	My leader has not been present when it was needed	0.785	12.673		
	Autocratic Leadership Behavior (Bhatti et al., 2012)			0.878	0.879
AL1	Leaders in this industry are bossy and orders team members around	0.899	14.854		
AL2	Leaders in this industry believe that in reality, only one person can be the leader	0.831	14.108		
AL3	Employees feel uneasy while doing their jobs	0.892	16.159		
AL4	Employees are always threatened or punished if they make mistakes because the leaders want to achieve their goals	0.927	15.369		
AL5	Leaders rule with an iron hand	0.959	16.552		
	Transactional Leadership behavior (Jensen *et al*., 2019)			0.855	0.858
TL1	My leader rewards the employees' performance when they live up to expectations	0.902	14.887		
TL2	My leader rewards the employees' dependent on how well they perform their jobs	0.918	17.177		
TL3	My leader points out what employees will receive if they do what is required	0.828	15.756		
TL4	My leader let's employees' effort determine received rewards	0.807	13.553		
	Regulatory governance (Quintyn & Chenard, 2004)			0.848	0.831
RG4	They're established code of conduct regulating financial affairs and conflict of interest	0.708	14.229		
RG5	There are published accountability within this industry	0.909	19.884		
RG6	There are established financial accountability in this industry	0.716	14.601		

Source: Authors Fieldwork (2021).

Note: All items were measured on five-point scales anchored by 1 = "strongly disagree" and 5 = "strongly agree", except employee performance.
λ = Standardized Factor Loadings, **CR** = Composite Reliability