Cultivating Job Satisfaction: Influence of Transactional Leadership in Nepali Commercial Banks

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ABSTRACT
The transactional leadership style is a result-oriented approach to providing job satisfaction inside an organization while ensuring productivity. The present study aims to determine the dimensions of transactional leadership styles and the relationship between transactional leadership style and job satisfaction in the context of Nepali commercial banks. This research used a survey design to gather data from one hundred fifteen employees from Nepali commercial banks. The study utilized simple random sampling techniques, and data was collected using a questionnaire that required respondents to rate their level of job satisfaction with dimensions of transactional leadership styles using a five-point Likert scale. The study shows a significant relationship between dimensions of transactional leadership style and job satisfaction in Nepali commercial banks. This study concludes that transactional leadership is the most influencing leadership style for job satisfaction and suggests the exercise of transactional leadership style in Nepali commercial banks.

1. INTRODUCTION
Organizations worldwide are concerned about the need for thoughtful, reflective, and adaptable leadership. Regardless of the type of organization, leadership has been recognized as a crucial factor in establishing an effective and successful organizational structure. In today's ever-evolving and complex environment, leaders face greater challenges compared to the past. As we look back at history, it becomes evident that leaders must be able to initiate and implement changes in response to the demands imposed by the environment. Effective leaders must prioritize the needs of their followers, both within and outside the organization, to ensure continuous progress.

Additionally, a key quality of a leader is the ability to "anticipate" prospects and devise alternative strategies to meet challenges. These traits have been observed in historical leaders and are considered essential. The sense of anticipation is often believed to be an innate quality and not something managers can develop (Sakiru et al., 2013). Leadership involves accomplishing a goal by guiding and directing a team of individuals/assistants. Leadership significantly influences employees' attitudes toward their work in an organization. The role of
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leadership in modern corporate entities has undergone significant transformation (Karki & Maharjan, 2022). Research studies on leadership mostly emphasize transformational leadership, but others also emphasize transactional leadership. Therefore, leadership styles may be considered as important factors that may affect employee's satisfaction regarding their job (Saleem, 2015).

Job satisfaction is one of the major issues of understanding in Nepali organizations. The reason is to create optimal organizational efficiency and productivity. Leadership styles affect employee productivity along with turnover rates. The impact of turnover is widely acknowledged as both costly and difficult to address for organizations worldwide (Chalise, 2019). In today’s business landscape, numerous organizations are grappling with challenges such as employee turnover, absenteeism, and other workforce-related issues. Examining these trends to comprehend employee behavior and job satisfaction has become crucial.

Consequently, management should prioritize factors influencing employees' job satisfaction to foster organizational growth and enhance productivity (Prajapati & Khuju, 2022). Hence, the organization must establish job satisfaction to retain employees and attain superior organizational effectiveness and productivity. Cultivating the right form of leadership in the organization is essential to tackling the mentioned issues (Chalise, 2019). The two forms of leadership, namely transformational leadership and transactional leadership, have been a core element of discussion among researchers in organizational behavior and human resource development. This study examined the elements of transactional leadership and its impact on job satisfaction in organizations.

2. REVIEW OF LITERATURE AND HYPOTHESIS DEVELOPMENT

Effective leadership is essential for achieving organizational success. The style of leadership employed can differ across industries and organizations. Additionally, leadership styles can vary depending on the specific circumstances and situations at hand. The importance of job satisfaction within an organization cannot be understated. A contented employee is more likely to have lower absenteeism rates, contribute positively to the company, and show a desire to remain with the organization. Conversely, a dissatisfied worker exhibits negative attitudes, frequent absences, dissatisfaction with supervisors, a willingness to leave when other opportunities arise, and increased stress levels (Poudel, 2021). The degree of job satisfaction among employees significantly impacts the overall productivity, efficiency, quality of work, employee relationships, and regularity inside the organization. Past studies have also been heavily studious towards examining employees' attitudes and behaviors to evaluate the impact on employee job satisfaction within an organizational setting. Many leaders adapt their leadership approach based on their organization's unique demands and work environment. There are two leadership styles to be looked upon in the study.

Transformational Leadership

Transformational leadership is characterized by leaders who serve as a source of inspiration and vision for their subordinates, driving change within an organization. Previous research indicates that this leadership style positively impacts organizational performance, motivation, and employee morale. The "Four I's" model developed by Bass and Riggio (2005) is commonly used to measure transformational leadership. The dimensions of inspirational motivation, idealized influence, intellectual stimulation, and individual consideration provide insight into the behaviors and actions of transformational leaders. They motivate and inspire employees by sharing their vision and strategies, acting as role models, stimulating intellectual growth and problem-solving skills, and demonstrating care and support for individual subordinates.

The effectiveness of a transformational leader in an organization hinges on their vision and ability to communicate and promote that vision to the employees. The leader must possess integrity, as flaws or inconsistencies can negatively impact their impression of subordinates. By
demonstrating integrity and a clear vision, the leader can earn the trust and confidence of the employees (Nazim & Mahmood, 2016).

**Transactional Leadership**

Transactional leaders use an exchange-based approach to motivate their subordinates, where those who meet job requirements are rewarded, while those who do not face punishment. Thus, the primary focus of transactional leaders is to motivate employees through rewards and punishments. Previous research has found that employees typically tolerate transactional leadership for a limited time due to the presence of the reward and punishment elements associated with this style (Chalise, 2019).

Transactional leadership is often more suitable in immediate and critical situations, furthermore, when specific tasks need to be carried out. In this leadership style, leaders identify the needs of their followers and offer rewards to fulfill those needs to receive positive performance from them. However, the effectiveness of transactional leadership is influenced by the perception of the leader by the followers (Karki & Maharjan, 2022). Transactional leadership places significant emphasis on accomplishing goals and employs a logic-based exchange system of rewards for expected/above-expected performance and punishments for below-expected performance (Okolo, 2021). This leadership style is a social exchange process where tasks are agreed upon and clarified between the leader and followers. Successful completion of tasks is expected to result in rewards, while failure may lead to punishment or negative consequences (Govender et al., 2013).

According to Naidu and Walt (2005), achieving goals is strongly emphasized, accompanied by a logical system of exchanging rewards for excellent performance and implementing punishments for below-average performance. Transactional leadership may be viewed as "a social exchange process whereby tasks are agreed to and clarified between the leader and follower on the basis that a completed task will result in a reward and avoidance of punishment." Past studies on transactional leadership have identified the following variables as the dimensions: Contingent Reward, Management by Exception-(Active), Management by Exception-(Passive)/ Laissez-Faire leadership (Munton, 2021; Govender et al., 2013; Sakiru et al., 2013).

**Transactional Leadership and Job Satisfaction**

Job satisfaction refers to how employees feel and express their level of contentment with their job and the fulfillment of their expectations from it. It is a desired outcome for employees engaged with an organization (Chalise, 2021). Given its significant relevance, job satisfaction is a widely explored research area encompassing various aspects, including its impact on overall life satisfaction. Job satisfaction pertains to fulfillment and enjoyment experienced while performing work tasks. It poses a significant challenge for supervisors to ensure that their subordinates find satisfaction in their jobs. Employees who are content with their work tend to be more productive and efficient, contributing positively to the organization's overall effectiveness (Asghar & Oino).

In line with the emphasis on the interconnectedness of organizations and individuals, we assert that leadership is inseparable from its context, just as one cannot separate a flavor from the food it belongs to. Moreover, we argue that a comprehensive leadership theory should outline the causal mechanisms underlying leadership and define the specific outcomes it predicts while specifying the conditions under which it applies (Osborn et al., 2002).

Leadership has been categorized into different styles over time. Transactional leadership focuses on clarifying job requirements and providing contingent rewards, while transformational leadership involves actively engaging with followers to fulfill their intrinsic needs. Efficient transactional leaders motivate employees through recognition and rewards for their performance and administering punishments for unmet objectives (Hasija et al., 2019). Additionally, effective leaders adapt their leadership styles according to the situation and appropriate timing.

Contrastingly, the findings of the study conducted by Khajeh (2018) indicate that leadership style significantly impacts organizational performance, with both positive and
negative effects observed. A leadership style that provides employees with opportunities, a sense of belonging, and involvement in decision-making is crucial. In light of this, it is recommended that organizations prioritize adopting transformational and democratic leadership styles to enhance overall organizational performance.

From the study of previous literature and the inception of the conceptual framework, the study has come up with a list of 3 independent variables [contingent reward, Managing by Exception (Active), and Management by Exception (Passive)] and one dependent variable (job satisfaction). In order to analyze the significance of the relationship between the independent and dependent variables (Dean, 2020), this research has come up with the following hypothesis described in the sections below.

**Contingent Reward**

Contingent reward refers to how a leader engages in positive exchanges with followers, clearly communicating expectations and offering rewards to incentivize improved performance, thereby clarifying desired outcomes and potential rewards for followers. Contingent reward leadership operates based on both economic and emotional exchanges. It involves clearly outlining role expectations and offering rewards or praise for achieving desired outcomes (Puni et al., 2018). The research even links contingent reward as a mediator between components of transformational leadership and job satisfaction. However, in our study, we have investigated contingent reward as an element of transactional leadership. However, from the above analysis, contingent reward may be a highly important factor in achieving job satisfaction.

*H1: Contingent reward has a significant positive impact on job satisfaction.*

**Management by exception -Active (MEA)**

A leader who manages by exception-actively focuses on identifying errors, complaints, or failures and assists employees in addressing and resolving them. They continuously remind employees of mistakes to motivate them to reach a predefined standard. These leaders also adjust their actions according to the situation, taking corrective measures that may sometimes have negative consequences but are effective in the long run (Hasija et al., 2019). This aspect is recognized for being more focused on tasks rather than relations. In essence, the leader takes action when the follower's actual effort falls short of the expected effort, which is considered an exceptional case (Parthasarathy Govender et al., 2013).

*H2: Active management by exception has a significant positive impact on job satisfaction.*

**Management by Exception -Passive (MEP)**

MEP is the only element of transactional leadership that seems non-transactional. Here, the major focus of the manager is to provide autonomy to the employees under him. Under this, the leaders depend on employees to take accountability for their actions and only step in when the issues become acute (Crews et al., 2019). Furthermore, the dimension of passive management by exception implies that transactional leaders delegate authority to their employees and only intervene when necessary. As per Bass and Avolio, passive management by exception is implied for short-run solutions and acting towards putting out fires, not looking over to prevent the causes of initiation of discontent (Salter et al., 2014). Management by exception (Passive) has been discussed as negatively impacting overall job satisfaction in the long run, as it leads to employees having more pressure in the latter stage at the time of getting results (Hasija et al., 2019).

*H3: Passive management by exception significantly negatively impacts job satisfaction.*

### 3. RESEARCH METHODS

The study aimed to assess the impact of transactional leadership elements on job satisfaction by collecting data from commercial banks such as Prabhu Bank, Rastriya Baniya Bank, and Century Bank located in Kathmandu. The study involved a deductive approach of study utilizing both descriptive and inferential research designs. A sample of 200 respondents from various levels (junior, officer, managerial, and executive) was selected using stratified random sampling, and 150 questionnaires were deemed usable after their return. The primary
Data was collected through a Likert scale questionnaire with five-point anchors ranging from 1 (strongly agree) to 5 (strongly disagree). The collected data were analyzed using the Statistical Package for Social Science (SPSS) software, employing frequency and descriptive analysis. Pearson’s correlation coefficient and regression analysis were used to examine the relationship and the extent of the impact among the independent and dependent variables. Before conducting regression analysis to test the hypothesis, all the prerequisites to run the regression were considered, and the normal curve of the quantitative data was almost bell-shaped.

Data Reliability

Validity and reliability are two necessary criteria in evaluating the research data and measurement instrument. Validity in quantitative study measures the degree to which the data collection tool correctly explains the intended variable (Heale & Twycross, 2015). The second measure of the quality of the quantitative study, reliability, is the measure of the extent to which the research tool consistently explains the construct with the same results in the same situation in different environments (Heale & Twycross, 2015). Derived by Cronbach in 1951, the value of Cronbach’s alpha is one of the standard criteria for evaluating the reliability of research tools. The value of Cronbach’s alpha varies from 0 to 1. The standard threshold value suggested for Cronbach alpha is 0.7. This study of the impact of dimensions of transactional leadership styles on job satisfaction measures the reliability of variables contingent reward, active management by exception, passive management by exception, and job satisfaction gathered through the 5-point Likert type questionnaire. The results of the reliability analysis are provided in Table 1.

Table 1
Reliability analysis of research tool

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingent Reward</td>
<td>.739</td>
</tr>
<tr>
<td>Management by exception (Active)</td>
<td>.839</td>
</tr>
<tr>
<td>Management by exception (Passive)</td>
<td>.805</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>.920</td>
</tr>
</tbody>
</table>

Source: Field Survey (2023)

4. RESULTS AND DISCUSSIONS

Demographic Analysis

The data for gender-based distribution among the sample data of 150 respondents shows that the representation of respondents is almost proportionate, with 53.3% of females and 46.7% of males involved in the study. Concerning age-based distribution, most respondents are between the ages of 25 and 40 (59.3%), which makes a lot of sense, keeping in mind the general working age of people. This may be associated with the fact that most of the respondents to the questionnaire are officer-level employees.

Regarding the designation, most of the respondents, as mentioned above, were officer-level employees (52.7%). Following them, the next highest frequency of respondents is junior level and later, managerial level and executive level employees. The final demography illustrated is the experience level of employees. Here, we can see that the majority of the respondents have experience of 5-10 years (41.3%), which may be reflected by the fact of them being officer-level employees, which is consistent with their age. From the descriptive analysis, the data seems to be consistent. The figures are presented in Table 2.

Table 2
Demographic Distribution of the Respondents

<table>
<thead>
<tr>
<th>Gender-based distribution</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>70</td>
<td>46.7</td>
</tr>
<tr>
<td>Female</td>
<td>80</td>
<td>53.3</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 2 continued …
Descriptive Analysis

The findings from Table 3 attempt to understand the perceived presence of elements of transactional leadership inside the organization and mean job satisfaction due to the variables above. From the respondent's perception, it may be agreed upon that in commercial banks, transactional leadership factors are quite evident and actively impact job satisfaction—the significance of the relations being analyzed further in correlational and regression analysis. The mean values of the contingent reward system, active management by exception, and passive management by exception 3.40, 3.32, and 3.35 indicate that most employees agree with the presence of the elements of transactional leadership in the workplace. The mean score of 3.35 in job satisfaction indicates higher than average job satisfaction of employees (Hasija et al., 2019). From the analysis, it may be concluded that there is a presence of transactional leadership variables in Nepalese commercial banks, which is subject to finding an impact on job satisfaction.

Table 3
Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>150</td>
<td>3.40</td>
<td>0.09</td>
<td>3.50</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>MEA</td>
<td>150</td>
<td>3.32</td>
<td>0.08</td>
<td>3.38</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>MEP</td>
<td>150</td>
<td>3.52</td>
<td>0.08</td>
<td>3.50</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>JS</td>
<td>150</td>
<td>3.35</td>
<td>0.07</td>
<td>3.40</td>
<td>1.00</td>
<td>5.00</td>
</tr>
</tbody>
</table>

Relationship between Transactional Leadership Styles and Job Satisfaction

In Table 4, correlation results have been presented. Pearson's correlation coefficient between contingent reward and job satisfaction found a significant positive correlation r (150) = .745, p < .001. Similarly, on computing the correlation analysis, the value of Pearson's correlation coefficient suggests a significant positive correlation between management by exception active and Job Satisfaction, r (150) = .713, p < .001. In addition, Table 4 suggests a

Table 4
Result of Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>CR</th>
<th>MEA</th>
<th>MEP</th>
<th>JS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MEA</td>
<td>.689*</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MEP</td>
<td>.537*</td>
<td>.795*</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>JS</td>
<td>.708*</td>
<td>.781*</td>
<td>.720*</td>
<td>1</td>
</tr>
</tbody>
</table>

Note. CR = contingent reward; MEA = Managing by Exception (Active); MEP = Management by Exception (Passive); JS = job satisfaction.

* means that correlation coefficients are significant at a 5 percent level.
significant positive correlation between management by exception (passive) and job satisfaction, \( r (150) = .748, p < .001 \). Now that the study finds the variables CR, MEA, and MEP to be significantly correlated with job satisfaction, the impact of the three variables on job satisfaction is calculated using multiple linear regression. The results of regression analysis have been discussed in the following section.

Regression Analysis

During the multiple regression analysis, the independent variables were assessed with the chosen explanatory variables to ascertain their importance in explaining the observed variations in job satisfaction among commercial banks in Nepal. The overall model, as well as the respective variables in the model, are analyzed to be significant, and the model explains a 71.2% change in the dependent variable. The unexplainatory reasons may be attributed to the factors of transformational leadership that were not included in the study.

Table 5
Result of regression analysis

<table>
<thead>
<tr>
<th></th>
<th>( \beta )</th>
<th>( t )</th>
<th>( p )-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEA</td>
<td>.767</td>
<td>3.988</td>
<td>.000</td>
</tr>
<tr>
<td>MEP</td>
<td>1.097</td>
<td>3.566</td>
<td>.000</td>
</tr>
<tr>
<td>CR</td>
<td>1.365</td>
<td>5.363</td>
<td>.000</td>
</tr>
<tr>
<td>(Constant)</td>
<td>6.209</td>
<td>4.241</td>
<td>.000</td>
</tr>
</tbody>
</table>

R Square = 0.712, \( F(3,146) = 110.109 \), \( \text{Sig}(F) < .001 \), Durbin Watson= 2.327

Note: The Cochrane-Orcutt estimation method is used.

Based on the abovementioned findings, the subsequent regression model has been constructed.: 

\[
\text{JS} = 6.209 + 1.365*X_1 + 0.767*X_2 + 1,097*X_3
\]

where, \( \text{JS} \) = Job satisfaction, \( X_1 \) = CR (contingent reward), \( X_2 \) = MEA (Managing by exception (Active)), \( X_3 \) = MEP (Managing by exception (Passive))

Impact of Contingent reward on Job satisfaction.

According to the results presented in Table 5, the variable of contingent reward within transactional leadership was found to have a highly significant impact on job satisfaction. The coefficient \( \beta_1 = 1.365 \) (p<0.001) indicates that contingent reward significantly contributes to job satisfaction in commercial banks in Nepal. As a result, Hypothesis 1 (H1) was accepted, confirming a significant relationship between contingent reward and job satisfaction.

Impact of managing by exception (Active) on job satisfaction

Regarding the second variable, managing by exception (Active) is also significant in determining job satisfaction. From Table 5, MEA was also found to significantly contribute to job satisfaction at the commercial banks of Nepal at \( \beta_2 = 0.767 \) (p<0.001), leading to H2 being accepted. Consequently, it can be inferred that a notable correlation exists between MEA and job satisfaction.

Impact of Managing by exception (Passive) on job satisfaction.

Finally, looking towards the third anchor of transactional leadership, managing by exception (Passive) was also found to impact job satisfaction significantly. Referring to Table 5, MEP demonstrated a significant contribution to job satisfaction in commercial banks in Nepal, with a coefficient of \( \beta_3 = 1.097 \) (p<0.001). As a result, Hypothesis 3 (H3) was accepted, indicating a significant relationship between MEP and job satisfaction.

The overall impact of elements of Transactional leadership on Job satisfaction

A multiple regression analysis technique was used to measure the impact of transactional leadership styles on job satisfaction. According to the theoretical framework, job satisfaction was taken as a dependent variable, while factors of transactional leadership (contingent reward, management by exception (active), and management by exception (Passive)) were taken as explanatory variables. A contingent reward system was found to have the most significant
impact on determining job satisfaction, followed by active management by exception. Passive management, by exception, influenced job satisfaction significantly but with the least impact among the three facets of transactional leadership. The findings were in cohesion with the studied literature (Karki & Maharjan, 2022; Salter et al., 2014) that predicted contingent reward as the most influential factor among transactional leadership dimensions. The results assume that transactional leaders assume actions as more suitable communication with their subordinates than verbal aggressiveness (Crews et al., 2019).

5. CONCLUSION AND IMPLICATION

The study aimed to examine the dimensions of transactional leadership styles and explore the relationship between transactional leadership style and job satisfaction in Nepali commercial banks. The research findings provide valuable insights into the leadership styles and their impact on employee satisfaction in the banking sector.

The results revealed that perceived transactional leadership styles significantly affect employees’ job satisfaction in Nepalese banks. The findings highlight the importance of transactional leadership styles as having a positive effect on an aggregate level and looking specifically, contingent reward and managing by exception (active) have a major impact on fostering job satisfaction among employees in commercial banks. To conclude, organizations should focus on implementing effective reward systems and providing supportive supervision to enhance employee satisfaction and improve organizational effectiveness.

It is important that future research further explores the factors influencing job satisfaction in the banking sector and examines the impact of other leadership styles, such as transformational leadership, on employee satisfaction. The study has been conducted using a cross-sectional research design with variables of transactional leadership solely due to a limited time frame. At this moment, longitudinal studies are proposed for future studies by the researcher to evaluate a more grounded impact of the discussed dimensions. Additionally, qualitative research methods could provide deeper insights into the experiences and perceptions of employees regarding leadership and job satisfaction in Nepali commercial banks.

REFERENCES


