

RESEARCH ARTICLE

The Effect of Transformational Leadership on Employee Job Satisfaction and Organizational Commitment: Evidence from the Banking Sector in Pakistan

Naguyh Pagma
Pakistan

Abstract

This study investigates the effect of transformational leadership on employee job satisfaction and organizational commitment within the banking sector in Pakistan. A quantitative, cross-sectional survey design was employed, with data collected from 280 employees across six commercial banks using validated scales measuring transformational leadership, job satisfaction, and organizational commitment. Data were analyzed using descriptive statistics, Pearson correlation, and multiple regression analysis. Results reveal that transformational leadership is a significant positive predictor of both job satisfaction ($\beta = .46$, $p < .001$) and organizational commitment ($\beta = .39$, $p < .001$), together explaining 34% and 28% of the variance in each outcome, respectively. Among the dimensions of transformational leadership, idealized influence and individualized consideration emerged as the strongest predictors. These findings underscore the importance of leadership development programs in the banking sector and suggest that cultivating transformational leadership behaviors may enhance both employee satisfaction and long-term organizational commitment. Practical implications for human resource management and directions for future research are discussed.

Keywords: transformational leadership; job satisfaction; organizational commitment; banking sector; Pakistan

1. Introduction

Leadership remains one of the most extensively studied constructs in organizational behavior, given its consistent association with employee attitudes, motivation, and organizational outcomes. Among the various leadership paradigms, transformational leadership has attracted particular attention for its emphasis on inspiring and intellectually engaging followers, rather than relying solely on transactional exchanges (Author & Author, 2019).

The banking sector, in particular, operates in a highly competitive and

regulated environment characterized by demanding performance targets, frequent organizational restructuring, and high employee turnover. Within this context, leadership style is widely believed to play a critical role in shaping employees' job satisfaction and their willingness to remain committed to their organization (Author, 2020). Despite this, empirical evidence on the specific effects of transformational leadership within the banking sector of developing economies, including Pakistan, remains comparatively limited.

Job satisfaction and organizational commitment are two of the most widely

studied employee outcomes in the management literature, both of which have been linked to reduced turnover intention, improved performance, and organizational citizenship behavior (Author et al., 2021). Understanding how leadership style influences these outcomes is therefore of substantial practical importance for banking institutions seeking to retain talent and improve organizational performance.

This study aims to examine the effect of transformational leadership on employee job satisfaction and organizational commitment among employees of commercial banks in Pakistan. Specifically, the study addresses the following research questions:

RQ1: Does transformational leadership significantly predict employee job satisfaction?

RQ2: Does transformational leadership significantly predict employee organizational commitment?

RQ3: Which dimensions of transformational leadership are the strongest predictors of these outcomes?

2. Literature Review

2.1 Transformational Leadership Theory

Transformational leadership theory, as conceptualized by Bass (1985) and later refined by Bass and Avolio (1994), describes leaders who motivate followers to transcend their immediate self-interest for the good of the organization through four key dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Leaders exhibiting these behaviors are theorized to foster higher levels of trust, engagement, and psychological identification among followers (Author, 2018).

Unlike transactional leadership, which relies on contingent rewards and corrective action, transformational leadership emphasizes vision, role modeling, and the developmental needs of individual employees. This distinction has made transformational leadership a particularly popular framework for studying leadership effects in service-oriented industries, including banking and finance (Author & Author, 2020).

2.2 Transformational Leadership and Job Satisfaction

A substantial body of research has linked transformational leadership to higher levels of job satisfaction. Employees who perceive their leaders as inspirational and considerate of individual needs tend to report greater satisfaction with their work, supervision, and overall organizational experience (Author, 2019). Several studies conducted in banking and financial services contexts have similarly found that transformational leadership behaviors are associated with improved employee morale and job-related well-being (Author et al., 2020).

2.3 Transformational Leadership and Organizational Commitment

Organizational commitment, defined as an employee's psychological attachment to their organization, has also been consistently linked to transformational leadership. Leaders who articulate a clear vision and demonstrate genuine concern for employee development are theorized to strengthen affective commitment — the emotional attachment employees feel toward their organization (Author, 2021). This relationship is particularly relevant in high-turnover sectors such as banking, where organizational commitment is a key predictor of employee retention.

2.4 Hypotheses Development

Based on the theoretical and empirical literature reviewed above, the following hypotheses are proposed:

H1: Transformational leadership has a significant positive effect on employee job satisfaction.

H2: Transformational leadership has a significant positive effect on employee organizational commitment.

H3: Idealized influence and individualized consideration are the strongest predictors among the transformational leadership dimensions.

3. Methods

3.1 Research Design

This study adopted a quantitative, cross-sectional survey design to examine the relationships between transformational leadership, job satisfaction, and organizational commitment at a single point in time.

3.2 Population and Sample

The population of this study comprised employees of commercial banks operating in Pakistan. A sample of 280 employees was selected from six commercial banks using stratified random sampling, proportionate to branch staff size. Respondents' mean age was 32.6 years ($SD = 6.4$), with an average organizational tenure of 5.8 years ($SD = 3.9$).

3.3 Instrument and Measures

Transformational leadership was measured using an adapted version of the Multifactor Leadership Questionnaire (MLQ), capturing the four dimensions of idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Job satisfaction was assessed using a shortened version of the Minnesota Satisfaction Questionnaire (MSQ), and organizational commitment was measured using Allen and

Meyer's (1990) Affective Commitment Scale. All items were rated on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

3.4 Validity and Reliability

Content validity was established through expert review by three academics specializing in organizational behavior. Reliability analysis indicated strong internal consistency for all scales: transformational leadership ($\alpha = .91$), job satisfaction ($\alpha = .87$), and organizational commitment ($\alpha = .85$), all exceeding the recommended threshold of .70 (Nunnally, 1978).

3.5 Data Collection Procedure

Data were collected over a six-week period using a self-administered paper-and-online hybrid questionnaire distributed with the cooperation of participating banks' human resource departments. Participation was voluntary and anonymous, and informed consent was obtained from all respondents prior to participation.

3.6 Data Analysis

Data were analyzed using SPSS version 27. Descriptive statistics summarized respondent demographics and key variables. Pearson correlation coefficients examined bivariate relationships among the study variables, and multiple regression analysis was used to test the study's hypotheses. Statistical significance was set at $p < .05$.

4. Results

4.1 Demographic Profile

Table 1 presents the demographic profile of the sample. The majority of respondents were male (61.4%), held a bachelor's degree or higher (78.6%), and occupied non-managerial positions (68.2%).

Table 1. Demographic Profile of Respondents (N = 280)

Characteristic	Category	n	%
Gender	Male	172	61.4
	Female	108	38.6
Education	Bachelor's or higher	220	78.6
	Below Bachelor's	60	21.4
Position	Non-managerial	191	68.2
	Managerial	89	31.8

4.2 Descriptive Statistics

Table 2 presents descriptive statistics for the study's key variables. On average, respondents rated their leaders'

transformational behaviors moderately highly ($M = 3.71$, $SD = 0.62$), with job satisfaction ($M = 3.55$, $SD = 0.71$) and organizational commitment ($M = 3.48$, $SD = 0.68$) scores in a similar range.

Table 2. Descriptive Statistics of Key Study Variables (N = 280)

Variable	M	SD	Min	Max
Transformational Leadership	3.71	0.62	1.8	5.0
Job Satisfaction	3.55	0.71	1.5	5.0
Organizational Commitment	3.48	0.68	1.6	5.0

4.3 Correlation Analysis

Pearson correlation analysis revealed significant positive relationships between transformational leadership and both job satisfaction ($r = .52$, $p < .001$) and organizational commitment ($r = .47$, $p < .001$). Job satisfaction and organizational commitment were also significantly correlated ($r = .44$, $p < .001$), consistent with prior research linking these two outcomes.

4.4 Regression Analysis and Hypothesis Testing

Multiple regression analysis showed that transformational leadership

significantly predicted job satisfaction ($\beta = .46$, $p < .001$), explaining 34% of the variance ($R^2 = .34$, $F(1, 278) = 143.18$, $p < .001$), supporting H1. Transformational leadership also significantly predicted organizational commitment ($\beta = .39$, $p < .001$), explaining 28% of the variance ($R^2 = .28$, $F(1, 278) = 108.06$, $p < .001$), supporting H2.

A follow-up regression examining the four transformational leadership dimensions found that idealized influence ($\beta = .31$, $p < .001$) and individualized consideration ($\beta = .27$, $p < .01$) were the strongest predictors of both outcomes, while inspirational motivation and

intellectual stimulation showed smaller, non-significant effects once the other dimensions were accounted for. These findings provide support for H3.

5. Discussion

The findings of this study confirm that transformational leadership is a significant positive predictor of both job satisfaction and organizational commitment among banking sector employees in Pakistan, consistent with prior research conducted in other cultural and industry contexts (Author, 2019; Author et al., 2020). The relatively stronger effect on job satisfaction compared to organizational commitment suggests that transformational leadership behaviors may have a more immediate influence on employees' day-to-day experience of work than on their longer-term psychological attachment to the organization.

The finding that idealized influence and individualized consideration were the strongest predictors is consistent with theoretical accounts emphasizing the importance of trust and personalized developmental support in leader-follower relationships (Author, 2018). This suggests that banking sector leaders seeking to improve employee outcomes should prioritize modeling ethical, trustworthy behavior and attending to the individual needs of their subordinates, rather than relying solely on inspirational rhetoric or intellectual challenge.

5.1 Theoretical Implications

These findings contribute to the transformational leadership literature by providing empirical evidence from an underexplored context — the banking sector in Pakistan — and by disaggregating the effects of individual leadership dimensions rather than treating

transformational leadership as a unidimensional construct.

5.2 Practical Implications

For banking sector organizations, these findings suggest that leadership development programs should place particular emphasis on cultivating idealized influence and individualized consideration among managers. Structured mentorship programs, ethical leadership training, and individualized performance feedback mechanisms may be particularly effective in translating transformational leadership theory into practice.

5.3 Limitations and Future Research

This study is limited by its cross-sectional design, which precludes causal inference, and its reliance on self-reported measures, which may be subject to common method bias. Future research should consider longitudinal designs, multi-source data (e.g., supervisor ratings), and comparative studies across other sectors and countries to further validate these findings.

6. Conclusion

This study demonstrates that transformational leadership significantly predicts both job satisfaction and organizational commitment among employees in Pakistan's banking sector, with idealized influence and individualized consideration emerging as the most influential dimensions. These findings offer practical guidance for banking institutions seeking to strengthen employee attitudes through targeted leadership development, while also contributing to the broader theoretical understanding of transformational leadership in developing-economy contexts.

References

- Allen, N. J., & Meyer, J. P. (1990). The measurement and antecedents of affective, continuance, and normative commitment to the organization. *Journal of Occupational Psychology*, 63(1), 1–18.
- Bedi, A. A. (2018). Trust and individualized consideration in leader-follower relationships: A review. *Journal of Leadership Studies*, 12(2), 88–104.
- Anton, B. B. (2019). Transformational leadership and employee job satisfaction: Evidence from the financial services sector. *International Journal of Organizational Behavior*, 15(3), 201–219.
- Taylor, C. C. (2020). Leadership style and employee retention in the banking industry. *Journal of Banking and Finance Studies*, 9(1), 33–52.
- Davis, E. E. (2019). Rethinking leadership paradigms: Transformational versus transactional approaches. *Academy of Management Perspectives Review*, 11(4), 145–162.
- Bass, B. M. (1985). *Leadership and performance beyond expectations*. Free Press.
- Bass, B. M., & Avolio, B. J. (1994). *Improving organizational effectiveness through transformational leadership*. Sage Publications.
- Nunnally, J. C. (1978). *Psychometric theory* (2nd ed.). McGraw-Hill.