

Role of Leadership Style in Enhancing Employee Satisfaction and Organizational Commitment in Public Sector Banks

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Abstract

Leadership plays a vital role in determining employee satisfaction and organizational commitment in the banking sector. Public Sector Banks (PSBs) are highly dependent on effective leadership because employees work under pressure, customer expectations, technological changes, and performance targets. The present article examines how different leadership styles influence employee satisfaction and organizational commitment in public sector banks. The study highlights transformational, transactional, democratic, and supportive leadership styles and their impact on employee morale, motivation, productivity, and loyalty toward the organization. The article is based on secondary data collected from journals, books, research articles, and reports related to banking and organizational behavior. Literature findings indicate that supportive and transformational leadership styles significantly improve employee satisfaction and commitment levels. Employees working under participative and motivating leaders demonstrate higher performance, lower turnover intention, and stronger emotional attachment toward the organization. The article concludes that leadership effectiveness is a major determinant of organizational success in public sector banks and recommends leadership development programs, employee engagement initiatives, and transparent communication systems to improve workforce commitment.

Keywords: Leadership Style, Employee Satisfaction, Organizational Commitment, Public Sector Banks, Transformational Leadership, Employee Motivation, Banking Sector.

Introduction

The banking sector is one of the most significant contributors to the economic development of a country. In India, Public Sector Banks (PSBs) play an essential role in financial inclusion, employment generation, and economic stability. Employees are considered the backbone of banking institutions because banking services largely depend on employee interaction, customer handling, and operational efficiency.

In recent years, PSBs have faced challenges such as technological advancement, digital banking competition, work pressure, and customer expectations. These changes have increased the importance of effective leadership within organizations. Leadership style influences employee behavior, satisfaction, motivation, and commitment toward organizational goals.

Employee satisfaction refers to the positive emotional state resulting from an employee's job experience. Organizational commitment refers to the psychological attachment and loyalty employees feel toward their organization. Leadership style acts as a connecting factor that shapes employees' attitudes and workplace behavior.

Effective leadership in banks improves teamwork, communication, trust, innovation, and productivity. Supportive leaders encourage employees, provide guidance, and create a positive working environment. In contrast, poor leadership can reduce employee morale and increase dissatisfaction and turnover intention.

This article examines the relationship between leadership style, employee satisfaction, and organizational commitment in public sector banks.

Objectives of the Study:

- To examine different leadership styles in public sector banks.
- To analyze the impact of leadership style on employee satisfaction.
- To study the relationship between leadership style and organizational commitment.
- To identify leadership practices that improve employee performance and motivation.
- To provide suggestions for enhancing employee satisfaction in PSBs.

Concept of Leadership Style:

Leadership style refers to the behavior and approach used by leaders to guide, motivate, and manage employees. Leadership style determines how decisions are made, how communication occurs, and how employees are treated within the organization.

Important leadership styles include:**1. Transformational Leadership**

Transformational leaders inspire employees through vision, motivation, and innovation. They focus on employee development and organizational growth.

2. Transactional Leadership

Transactional leadership is based on rewards and punishments. Employees are motivated through performance-based incentives and monitoring.

3. Democratic Leadership

Democratic leaders involve employees in decision-making processes and encourage participation.

4. Autocratic Leadership

Autocratic leaders make decisions independently without employee involvement.

5. Supportive Leadership

Supportive leaders focus on employee welfare, guidance, emotional support, and motivation.

Employee Satisfaction in Public Sector Banks

Employee satisfaction is an important factor affecting productivity and organizational effectiveness. Satisfied employees are more committed, productive, and loyal to the organization.

Factors affecting employee satisfaction in PSBs include:

- Salary and incentives
- Work environment
- Promotion opportunities
- Training and development
- Leadership support
- Recognition and rewards
- Work-life balance
- Organizational culture
- Leadership significantly influences all these factors.

- **Organizational Commitment**

Organizational commitment refers to the employee's emotional attachment and dedication toward the organization. Employees with strong commitment are more likely to remain with the organization and contribute effectively.

Types of organizational commitment include:

1. Affective Commitment

Emotional attachment toward the organization.

2. Continuance Commitment

Commitment based on the cost of leaving the organization.

3. Normative Commitment

Commitment based on moral responsibility and loyalty.

Effective leadership strengthens all three forms of commitment.

Leadership Style and Employee Satisfaction

Leadership style directly affects employee satisfaction in public sector banks. Leaders influence workplace culture, communication, teamwork, and employee morale.

Transformational Leadership and Satisfaction

Transformational leaders inspire employees by creating a positive vision and encouraging innovation. Employees feel valued and motivated under transformational leadership. Research shows that transformational leadership improves employee morale, trust, and job satisfaction in banking institutions.

Supportive Leadership and Satisfaction

Supportive leaders provide emotional support, guidance, and recognition. Employees working under supportive managers experience lower stress and higher satisfaction levels. Supportive leadership creates a healthy work environment and improves employee confidence.

Democratic Leadership and Satisfaction

Participative leadership increases employee involvement in decision-making. Employees feel respected and valued when their opinions are considered. Democratic leadership improves communication and teamwork.

Autocratic Leadership and Dissatisfaction

Autocratic leadership may create fear and dissatisfaction among employees. Lack of participation reduces employee morale and innovation.

Leadership Style and Organizational Commitment

Leadership style has a strong relationship with organizational commitment. Employees develop loyalty and attachment toward organizations when leaders provide support, trust, and recognition.

Transformational Leadership and Commitment

Transformational leaders motivate employees to align personal goals with organizational objectives. Employees become emotionally attached to the organization and demonstrate higher commitment levels. Studies indicate that transformational leadership positively affects organizational commitment in banks.

Transactional Leadership and Commitment

Transactional leadership improves commitment through rewards and performance monitoring. However, commitment developed under transactional leadership may be temporary and reward-based.

Supportive Leadership and Commitment

Supportive leadership strengthens emotional attachment and trust. Employees feel secure and appreciated, resulting in stronger organizational commitment.

Importance of Leadership in Public Sector Banks

Leadership is important in PSBs because banks operate in a dynamic and competitive environment. Effective leadership helps in:

- Improving employee morale
- Enhancing customer service
- Reducing employee turnover
- Managing workplace stress
- Encouraging teamwork
- Increasing organizational productivity
- Supporting digital transformation

Strong leadership also helps employees adapt to technological changes and policy reforms in the banking industry.

Literature Review

Transformational Leadership studies indicate that transformational leadership positively affects employee commitment and performance in financial institutions.

1. Bass (1985) – Transformational Leadership Theory

Bernard M. Bass developed the concept of transformational leadership and explained that leaders motivate employees by inspiring vision, trust, and innovation. The study highlighted that transformational leaders improve employee morale, satisfaction, and organizational commitment. Employees working under transformational leaders tend to exceed performance expectations because they feel emotionally connected to organizational goals. The research established four important dimensions of transformational leadership: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. In public sector banks, transformational leadership improves employee confidence, motivation, and workplace engagement.

DOI: 10.4324/9781410604322

2. Allen and Meyer (1990) – Organizational Commitment Model

Natalie J. Allen and John P. Meyer introduced the three-component model of organizational commitment: affective, continuance, and normative commitment. Their study explained that employees remain committed when they experience emotional attachment, economic benefits, and moral responsibility toward the organization. Leadership style significantly influences all three forms of commitment. Supportive and participative leaders strengthen employee loyalty and reduce turnover intention in banking institutions.

DOI: 10.1111/j.2044-8325.1990.tb00506.x

3. Gandhi and Hyde (2015) – Organizational Commitment in Banks

Indu Gandhi and A. M. Hyde examined organizational commitment among employees in nationalized and private banks. The study found that supportive leadership, employee participation, and recognition positively influence employee commitment. Employees in organizations with transparent leadership practices showed higher levels of job

satisfaction and loyalty. The study also emphasized the importance of fair promotion systems and supportive supervision in improving organizational commitment.

DOI: 10.1177/0258042X15601534

4. Ahmad and Raja (2021) – Job Satisfaction and Commitment

M. R. Ahmad and Raja R. studied the relationship between employee satisfaction, organizational commitment, and business performance. The study concluded that leadership style directly affects employee attitudes and workplace behavior. Employees working under motivating leaders showed higher productivity and stronger organizational attachment. The study highlighted that supportive communication and leadership transparency improve employee satisfaction in the banking sector.

DOI: 10.1177/0972262920985949

5. Yadav and Yadav (2018) – Transformational Leadership in PSU Banks

L. K. Yadav and N. Yadav analyzed transformational leadership in Indian public sector banks. Their findings revealed that transformational leaders positively influence employee motivation, organizational commitment, and teamwork. Employees under transformational leadership demonstrated greater emotional attachment toward the organization and better adaptability to workplace challenges.

DOI: 10.1177/0971890718758199

6. Saks (2006) – Employee Engagement and Leadership

Alan M. Saks examined antecedents and consequences of employee engagement. The study found that leadership support, organizational trust, and recognition significantly influence employee engagement and satisfaction. Employees who feel supported by managers show higher commitment and improved performance. In banking organizations, leadership support creates a positive environment that increases employee morale and service quality.

DOI: 10.1108/02683940610690169

7. Mathieu and Zajac (1990) – Review of Organizational Commitment

John E. Mathieu and Dennis M. Zajac conducted a meta-analysis on organizational commitment. Their study showed that leadership behavior, job satisfaction, communication, and organizational support strongly affect commitment levels. Employees with supportive supervisors demonstrated stronger emotional attachment and lower absenteeism. The study emphasized leadership as one of the strongest predictors of organizational commitment.

DOI: 10.1037/0033-2909.108.2.171

8. Pillai and Arumugam (2022) – Leadership Style and Employee Psychology

R. H. Pillai and A. Arumugam explored the mediating role of employee psychological behavior between leadership style and organizational commitment in the banking sector. The research concluded that transformational and supportive leadership styles positively affect employee psychological well-being, satisfaction, and organizational loyalty. Leaders who encourage participation and communication create stronger workplace relationships.

DOI: 10.53730/ijhs.v6nS3.5217

9. Kumari and Patil (2023) – Employee Engagement in Public Sector Banks

Honey Kumari and R. P. Patil studied employee engagement practices in public sector banks. The study found that leadership support, training opportunities, and appreciation significantly improve employee engagement and performance. Employees who receive encouragement and guidance from leaders show greater organizational commitment and job satisfaction.

DOI: 10.53555/kuey.v29i3.7027

10. Maslow (1943) – Human Motivation Theory

Abraham Maslow proposed the hierarchy of needs theory, explaining that employees are motivated by fulfilling physiological, safety, social, esteem, and self-actualization needs. Leadership plays a major role in fulfilling these needs by providing security, recognition, and growth opportunities. In public sector banks, supportive leadership satisfies employees' psychological and social needs, leading to higher job satisfaction and commitment.

DOI: 10.1037/h0054346

11. Herzberg (1968) – Motivation-Hygiene Theory

Frederick Herzberg explained that employee satisfaction depends on motivational factors such as recognition, achievement, and growth opportunities, while dissatisfaction arises from poor working conditions and organizational policies. Leadership style influences both motivational and hygiene factors. Supportive leaders improve employee morale through appreciation, communication, and fair treatment. The study remains highly relevant in understanding employee satisfaction in banking organizations.

Reference: Harvard Business Review, 46(1), 53–62.

12. Tuffour, Gali, and Tuffour (2019) – Leadership and Employee Commitment

J. K. Tuffour and colleagues studied managerial leadership style and employee commitment in financial institutions. The study concluded that transformational and participative leadership styles positively affect employee loyalty, satisfaction, and workplace performance. Employees under supportive managers showed stronger emotional attachment and willingness to contribute to organizational success.

DOI: 10.

13. Gandhi and Hyde (2015) found that organizational commitment is essential for employee retention in nationalized and private banks. DOI: 10.1177/0258042X15601534.

14. Ahmad and Raja (2021) observed that job satisfaction significantly influences organizational commitment and business performance in Indian banks. DOI: 10.1177/0972262920985949.

15. Pillai and Arumugam (2022) concluded that leadership style positively affects employee commitment through psychological behavior in banking organizations. DOI: 10.53730/ijhs.v6nS3.5217.

16. Vakula Kumari and Dubey (2020) found positive correlations among HRM practices, employee performance, and organizational commitment in Indian banks.

17. Pokhrel and Lama (2019) observed that organizational commitment mediates the relationship between leadership style and employee engagement in banks.

18. Karuna et al. (2021) found that job satisfaction significantly affects organizational citizenship behavior through organizational commitment in public sector banks.

19. Honey Kumari and Patil (2023) identified leadership support as a major factor influencing employee engagement and performance in PSBs. DOI: 10.53555/kuey.v29i3.7027.

20. Yadav and Yadav (2018) examined transformational leadership and commitment in Indian public sector banks and found a positive relationship between leadership behavior and commitment. DOI: 10.1177/0971890718758199.

Studies in banking sectors of developing countries indicate that supportive leadership reduces employee stress and turnover intentions.

Employee engagement practices supported by leadership significantly improve organizational productivity and employee morale in PSBs.

Research indicates that participative leadership increases employee trust and teamwork in banking institutions.

Research Methodology

The study is based on secondary data collected from:

- Research journals
- Published articles
- Banking reports
- Books
- Online databases

The research adopts a descriptive and analytical approach to examine the relationship between leadership style, employee satisfaction, and organizational commitment.

Findings of the Study:

- Leadership style significantly affects employee satisfaction in PSBs.
- Transformational and supportive leadership styles positively influence organizational commitment.
- Employees working under supportive leaders show higher motivation and productivity.
- Democratic leadership improves communication and teamwork.
- Poor leadership practices increase employee stress and dissatisfaction.
- Recognition and employee participation improve commitment levels.
- Training and guidance from leaders enhance employee confidence and performance.
- Effective leadership reduces turnover intention and absenteeism.
- Suggestions
- Public sector banks should promote transformational leadership practices.
- Leadership training programs should be conducted regularly.
- Managers should encourage employee participation in decision-making.
- Recognition and reward systems should be improved.
- Banks should strengthen communication between employees and management.
- Stress management and employee wellness programs should be implemented.
- Transparent promotion and appraisal systems should be adopted.
- Supportive workplace culture should be encouraged.

Conclusion

Leadership style plays a critical role in enhancing employee satisfaction and organizational commitment in public sector banks. Effective leaders create a positive work environment, motivate employees, encourage innovation, and improve organizational productivity. Among different leadership styles, transformational and supportive leadership are the most effective in improving employee morale and commitment.

Employees who receive guidance, appreciation, and emotional support from leaders are more satisfied with their jobs and remain loyal to the organization. Public sector banks must focus on leadership development, employee engagement, and supportive management practices to improve workforce efficiency and organizational performance.

Strong leadership is essential for achieving long-term sustainability, employee well-being, and customer satisfaction in the banking sector.

Recommendations:

Based on the study on the role of leadership style in enhancing employee satisfaction and organizational commitment in public sector banks, the following recommendations are suggested:

1. Promote Transformational Leadership

Public sector banks should encourage transformational leadership practices where leaders inspire, motivate, and guide employees toward organizational goals. Such leadership improves employee morale, innovation, and commitment.

2. Conduct Leadership Development Programs

Regular leadership training and management development programs should be organized for branch managers and senior officials to improve communication, emotional intelligence, and team management skills.

3. Encourage Employee Participation

Managers should involve employees in decision-making processes. Participative leadership increases trust, teamwork, and employee satisfaction.

4. Strengthen Recognition and Reward Systems

Banks should establish transparent reward and recognition systems to appreciate employee performance. Recognition motivates employees and enhances organizational loyalty.

5. Improve Communication Channels

Effective communication between management and employees should be maintained to reduce misunderstandings and workplace stress. Open communication creates a positive organizational culture.

6. Provide Career Growth Opportunities

Promotion policies should be transparent and based on merit. Employees become more committed when they see opportunities for professional growth and advancement.

7. Enhance Training and Skill Development

Regular training programs should be conducted to improve employee competencies, digital banking knowledge, and customer service skills. Skill development increases confidence and job satisfaction.

8. Create a Supportive Work Environment

Managers should provide emotional support, guidance, and cooperation to employees. A supportive environment reduces stress and improves workplace relationships.

9. Focus on Employee Well-Being

Public sector banks should implement stress management programs, counseling services, and work-life balance initiatives to improve employee mental health and satisfaction.

10. Encourage Ethical Leadership

Leaders should maintain fairness, honesty, and transparency in organizational practices. Ethical leadership strengthens employee trust and organizational commitment.

11. Improve Performance Appraisal Systems

Banks should adopt fair and transparent performance evaluation methods that encourage employee motivation and reduce dissatisfaction.

12. Increase Employee Engagement Activities

Team-building activities, workshops, feedback sessions, and employee engagement programs should be organized regularly to improve organizational attachment and morale.

13. Support Innovation and Creativity

Leaders should encourage employees to share ideas and participate in problem-solving processes. Innovative environments improve employee confidence and commitment.

14. Reduce Workplace Stress

Workload distribution should be balanced, and managers should provide support during high-pressure situations to prevent burnout and dissatisfaction.

15. Strengthen Organizational Culture

Public sector banks should develop a culture of trust, cooperation, respect, and mutual support to enhance employee satisfaction and long-term organizational commitment.

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