

A study of impact of transactional leadership on employee Productivity in non- banking financial companies of pune city

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Abstract

In an increasingly competitive business environment, effective leadership has become essential for enhancing employee performance and achieving organizational success. Transactional leadership—characterized by structured policies, reward systems, and task-oriented supervision—remains a dominant style, particularly in compliance-driven sectors. This study investigates the impact of transactional leadership on employee productivity within non-financial banking companies in Pune City. To explore this relationship, the researcher collected responses from 50 senior-level managers across various non-financial banking institutions in Pune. Drawing from an extensive literature review, six independent variables were identified to measure transactional leadership: (1) Clarity in Expectation & Reward System, (2) Active Performance Monitoring Correction, (3) Problem-based Intervention, (4) Goal & Objective Setting, (5) Recognition of Achievement, and (6) Constructive Feedback. Correspondingly, six dependent variables were defined to evaluate employee productivity: (1) Timely Task Completion, (2) High Work Quality, (3) Goal Achievement, (4) Effective Time Management, (5) Sustained Productivity under Pressure, and (6) Proactive Effort. The relationship between these variables was analyzed using canonical correlation analysis. The results indicate a significant and positive association between transactional leadership behaviors and employee productivity. These findings suggest that while transactional leadership effectively promotes structured performance outcomes, integrating complementary leadership styles may be beneficial for fostering innovation and long-term employee engagement. The study also highlights the importance of leadership adaptability in evolving organizational contexts.

Keywords: Transactional Leadership, Employee Productivity, Canonical Correlation Analysis, Organizational Performance, Leadership Styles, Non-Financial Banking Sector, Pune City, Performance Evaluation, Goal Setting, Reward Systems.

1. Introduction

In today's dynamic and competitive business environment, leadership plays a crucial role in determining organizational success and employee performance. As organizations evolve in response to market demands, the ability of leaders to manage, motivate, and guide employees

becomes increasingly significant. Among the various leadership styles, transactional leadership has gained substantial attention for its structured and results-oriented approach, particularly in sectors where consistency, compliance, and performance monitoring are vital (Bass, 1985).

Transactional leadership is based on the principle of exchanges between leaders and followers, where clear goals, defined roles, and performance-based rewards or corrective actions are central (Burns, 1978). It emphasizes routine, structure, and short-term task accomplishment, which makes it highly applicable to organizations with well-defined operational frameworks, such as banking and financial services (Avolio & Bass, 2004). Although transformational leadership has gained prominence for its motivational appeal and focus on innovation, transactional leadership remains dominant in performance-driven environments due to its clarity in expectations and efficiency in execution (Northouse, 2016).

Employee productivity, defined as the efficiency with which employees achieve assigned goals, is a critical performance metric for organizations. It includes factors such as task completion, work quality, time management, and adaptability under pressure (Robbins & Judge, 2013). In sectors like non-financial banking services—which include loan processing, insurance services, and investment facilitation—employee productivity is often directly linked to leadership effectiveness. The city of Pune, being one of India's emerging financial and service industry hubs, presents a suitable context for analyzing leadership practices in non-financial banking companies. Despite the growth of this sector, limited research has been conducted on the relationship between leadership style and employee productivity within this specific regional and sectoral context. Therefore, this study aims to investigate the impact of transactional leadership on employee productivity in non-financial banking companies operating in Pune City.

Through a structured analysis of responses collected from senior-level managers, and guided by clearly defined variables derived from literature, this study seeks to provide empirical evidence on how specific dimensions of transactional leadership influence key productivity indicators. The findings are expected to offer practical insights for organizational leaders and contribute to academic discussions on the relevance and limitations of transactional leadership in contemporary business environments.

1.1 Objective of the study

- To evaluate the presence and extent of transactional leadership practices among senior executives in non-financial companies in Pune City.
- To assess the level of employee productivity based on key performance indicators such as task completion, work quality, and time management.
- To examine the relationship between transactional leadership behaviors and employee productivity using canonical correlation analysis.
- To derive actionable insights for enhancing employee performance through effective transactional leadership strategies.

2. Literature Review

Leadership has long been recognized as a pivotal determinant of organizational effectiveness, particularly in shaping employee behavior, motivation, and productivity. Among various

leadership paradigms, transactional leadership is considered effective in structured, task-oriented settings, where clearly defined roles and reward-based performance systems prevail (Bass, 1985; Burns, 1978). This section presents a critical review of existing literature to identify key variables related to transactional leadership and employee productivity, forming the conceptual basis for this study.

2.1 Transactional Leadership Variables

Transactional leadership is built on the premise of exchanges between leaders and subordinates, where compliance is achieved through rewards, punishments, and adherence to predefined standards (Bass & Avolio, 1994). Based on a thorough literature review, six variables were identified to measure transactional leadership:

1. **Clarity in Expectation & Reward System** - Clearly defined goals, expectations, and outcomes form the foundation of transactional leadership. Leaders ensure that employees understand their responsibilities and the associated rewards or penalties (Bass, 1990). Clarity helps reduce ambiguity and aligns efforts with organizational objectives.
2. **Active Performance Monitoring & Correction** - Transactional leaders actively monitor employee performance and intervene when standards are not met. According to Howell and Avolio (1993), this element of "management-by-exception" ensures quality control and adherence to organizational policies.
3. **Problem-Based Intervention** - Effective transactional leaders are responsive to performance issues and take corrective action when necessary. This behavior contributes to organizational discipline and immediate problem resolution (Podsakoff et al., 2006).
4. **Goal & Objective Setting** - Establishing specific, measurable goals is essential to transactional leadership. Leaders outline short-term objectives, creating a framework for task execution and performance evaluation (Northouse, 2016).
5. **Recognition of Achievement** - Recognition, particularly in the form of contingent rewards, is a critical motivator in transactional leadership. It reinforces desired behaviors and strengthens the leader-follower relationship (Judge & Piccolo, 2004).
6. **Constructive Feedback** - Feedback under transactional leadership focuses on performance outcomes and improvement areas. It enables employees to correct their approach and enhance efficiency (Antonakis et al., 2003)

2.2 Employee Productivity Variables

Employee productivity refers to the ability of employees to achieve organizational objectives efficiently and effectively. It is influenced by individual motivation, job clarity, time management, and leadership (Robbins & Judge, 2013). Six dependent variables were identified from literature to measure employee productivity:

1. **Timely Task Completion** - The ability to complete assigned tasks within deadlines is a primary measure of productivity (Bakker & Demerouti, 2007).
2. **High Work Quality** - Consistent output quality reflects employee competence, attention to detail, and alignment with performance standards (Sonnentag, 2003).
3. **Goal Achievement** - The extent to which employees meet their performance targets directly indicates productivity levels (Campbell, 1990).

4. **Effective Time Management** - Efficient allocation of time and resources enhances overall performance and supports multitasking (Macan, 1994).
5. **Sustained Productivity under Pressure** - Employees who maintain output levels despite high stress or workload demonstrate resilience and effectiveness (LePine et al., 2005).
6. **Proactive Effort** - Initiative-taking and problem anticipation contribute to team efficiency and long-term organizational success (Parker et al., 2006).

2.3 Research Gap

While several studies have explored the impact of transactional leadership on employee performance, most are either conducted in traditional banking, manufacturing, or public sector institutions (Kirkbride, 2006; Wang et al., 2005). Limited research has examined non-financial banking companies, such as insurance, mutual funds, and loan processing services—particularly in the Indian context and in rapidly growing cities like Pune.

Moreover, existing research often focuses on either broad leadership constructs or aggregated performance indicators. There is a lack of empirical studies that operationalize transactional leadership and employee productivity through specific, measurable dimensions, as outlined above. This gap highlights the need for a focused study using a detailed variable framework and a robust statistical method such as canonical correlation analysis, which captures the relationship between two sets of multivariate data.

3. Research Methodology

This study adopts a quantitative research approach with a descriptive and correlational research design to investigate the impact of transactional leadership on employee productivity in non-financial banking companies located in Pune City. The objective is to identify and analyze the relationship between specific dimensions of transactional leadership and key indicators of employee productivity using canonical correlation analysis.

The target population of this study comprises senior-level executives and managers working in non-financial banking companies in Pune City, including sectors such as insurance, mutual funds, loan processing, and investment services. A total of 51 valid responses were collected through purposive sampling. Respondents were selected based on their experience in leadership roles and their ability to assess both leadership practices and employee performance within their organizations.

Primary data was collected through a structured questionnaire distributed directly to the participants. The questionnaire was divided into three main sections:

- **Section A:** Demographic information (age group, gender, educational qualification, and number of years of experience in the non-financial banking sector).
- **Section B:** Seven statements designed to evaluate the existence and degree of transactional leadership practices based on identified dimensions such as clarity in expectations, monitoring, feedback, and goal setting.
- **Section C:** Six statements aimed at assessing employee productivity, focusing on timely task completion, quality of work, goal achievement, and time management.

The responses were recorded on a 5-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), to capture the intensity of agreement with each statement. The collected data was

analyzed using SPSS Version 29. Descriptive statistics were used to summarize the demographic data and evaluate the distribution of responses. The primary statistical technique employed for hypothesis testing was Canonical Correlation Analysis (CCA), which is suitable for examining the relationship between two sets of multiple interrelated variables—in this case, the six leadership dimensions and the six productivity indicators. Canonical correlation was used to determine the strength and nature of the relationship between transactional leadership behaviors and employee productivity outcomes. This method also allowed the identification of which leadership variables most significantly contribute to productivity levels. Based on the analysis, a conceptual model was developed to illustrate the linkage between transactional leadership dimensions and employee

productivity factors. The model was tested and verified through canonical correlation to ensure statistical significance and validity of the observed associations.

4. Data Analysis & Interpretation

Table 1: Gender and Age Group Distribution

Row Labels	Graduate	Post Graduate	Grand Total
0-5 years		3	3
10-15 years	1	4	5
15-20 years	5	16	21
5-10 years	1	1	2
Above 20 years	7	13	20
Grand Total	14	37	51

The demographic analysis of the 51 respondents, all of whom were senior executives from non-financial banking companies in Pune City, reveals that a majority (68.6%) of respondents fall within the 40–50 years age group. Only 11.8% were aged 30–40 years, while 19.6% were 50 years and above. Gender representation was significantly skewed, with 92.2% of respondents being male, 5.9% female, and one respondent preferring not to disclose.

Table 2: Educational Qualification and Experience Distribution

Gender/ Age Group	Female	Male	Prefer not to say	Grand Total
30-40 years	2	4		6
40-50 years	1	34		35
50 & Above		9	1	10
Grand Total	3	47	1	51

The educational background of the respondents reflects a highly qualified workforce, with 72.5% of participants holding postgraduate degrees and the remaining 27.5% being graduates. When examining work experience in the sector, the majority of executives (80.4%) had over 15 years of industry experience, with 39.2% having more than 20 years. Only 9.8% had less than 10 years of experience. These figures emphasize the depth of expertise and practical insights brought forward by the respondents, ensuring reliability in their evaluation of leadership and productivity constructs.

Table 3: Transactional Leadership Evaluation

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
My leader provides me with clear expectations and rewards me when I meet those expectations	1	2	3	24	21	51
My leader closely monitors my performance and takes corrective action if necessary	1	2	9	23	16	51
My leader only intervenes in my work when problems become serious		5	6	21	19	51
My leader clearly defines the goals and objectives for my work	1	2	7	24	17	51
My leader acknowledges and rewards me when I achieve my performance goals	1	3	11	18	18	51
My leader provides regular and constructive feedback on my performance	1	4	13	17	16	51
My leaders fairly evaluate my performance	1	3	10	18	19	51

To assess the presence of transactional leadership behaviors, respondents rated seven statements based on their leadership experience. The data revealed strong evidence supporting the existence of transactional leadership traits. A large majority (88.2%) agreed or strongly agreed that their leader provided clear expectations and rewards for achieving them. Similarly, 76.5% confirmed that their performance was closely monitored with corrective action when necessary, and 80.4% agreed that their goals and objectives were clearly defined. Furthermore, 70.5% agreed or strongly agreed that they received fair evaluations, and 70.6% reported that their leaders acknowledged and rewarded them upon achieving performance goals. Constructive feedback was recognized by 64.7% of respondents, and problem-based intervention was noted by 78.4%. Collectively, these findings demonstrate that the organizations under study actively apply core components of transactional leadership in practice.

Table 4: Employee Productivity Measurement

Statements	Disagree	Neutral	Agree	Strongly Agree	Grand Total
I consistently complete my tasks within the assigned deadlines	2	2	27	20	51
I feel that the quality of my work meets or exceeds expectations.	2	4	26	19	51
I regularly meet the performance targets set for my role	4	1	28	18	51
I am able to manage my time effectively to complete work tasks efficiently	4	9	24	14	51
I am able to maintain a high level of productivity even under pressure.	3	5	25	18	51
I frequently go above and beyond in my role to achieve better results	1	6	23	21	51

To understand the impact of leadership on outcomes, six statements were used to evaluate employee productivity. The findings reflect a highly productive workforce. A significant 92.2% of respondents agreed or strongly agreed that they consistently completed their tasks on time, while 88.2% believed the quality of their work met or exceeded expectations. Performance target achievement was confirmed by 90.2%, while 74.5% felt they managed their time effectively. Furthermore, 84.3% reported maintaining high levels of productivity even under pressure, and 86.3% indicated they frequently went above and beyond in their roles. These responses suggest a strong culture of accountability, resilience, and engagement—attributes often reinforced by structured leadership approaches.

Hypothesis Testing

Ho: Transactional leadership does not significantly influence employee productivity

Ha: Transactional leadership significantly influence employee productivity

To statistically assess the relationship between transactional leadership and employee productivity, canonical correlation analysis was employed using SPSS Version 29.

Table 5 Canonical Correlations							
	Correlation	Eigenvalue	Wilks Statistic	F	Num D.F	Denom D.F.	Sig.
1	.766	1.417	.169	1.990	42.000	181.688	.001
2	.623	.634	.410	1.317	30.000	158.000	.143
3	.469	.283	.669	.859	20.000	133.615	.638
4	.334	.125	.859	.538	12.000	108.767	.886
5	.154	.024	.966	.243	6.000	84.000	.961
6	.102	.011	.990
H0 for Wilks test is that the correlations in the current and following rows are zero							

The first canonical function produced a statistically significant correlation coefficient of 0.766 ($p = .001$), suggesting a strong relationship between the two sets of variables. This led to the rejection of the null hypothesis, confirming that transactional leadership significantly influences employee productivity. Subsequent canonical functions were not statistically significant ($p > .05$), indicating that only the first function holds meaningful explanatory power.

Table 6: Set 1 Canonical Loadings						
Variable	1	2	3	4	5	6
Clarity Expectations Reward System	-.882	-.372	-.015	-.250	-.106	.005
Active Performance Monitoring Correction	-.526	-.550	-.513	-.184	-.265	.141
Problem Based Intervention	.137	-.263	.036	.060	.136	-.364
Goal and Objective Setting	-.720	.032	-.136	-.355	-.453	.244
Recognition of Achievements	-.755	-.422	.001	.286	-.345	.136
Constructive Feedback	-.507	-.456	-.092	-.282	-.659	-.048
Fair Evaluation	-.792	-.129	-.281	.035	-.339	-.401

Table 7: Set 2 Canonical Loadings						
Variable	1	2	3	4	5	6
Timely Task Completion	-.802	-.073	-.448	-.110	.320	.190
High Work Quality	-.923	-.274	.092	.013	.254	.024
Goal Achievement	-.557	-.564	-.526	.090	.010	-.295
Effective Time Management	-.564	-.296	-.152	-.437	.317	-.529

Sustained Productivity Under Pressure	-.866	-.031	-.052	-.286	-.278	-.296
Proactive Effort	-.549	-.649	-.214	-.342	-.323	-.098

Further examination of canonical loadings revealed that the most influential leadership behaviors included clarity in expectations and reward systems (−.882), fair performance evaluation (−.792), goal and objective setting (−.720), and recognition of achievement (−.755). Correspondingly, employee productivity was most strongly represented by high work quality (−.923), sustained productivity under pressure (−.866), and timely task completion (−.802). These associations indicate that when leaders provide structured goals, clear feedback, and fair recognition, employees are more likely to demonstrate quality outcomes, resilience, and timeliness.

Leadership Variables with High Loadings (Function 1):

- Clarity in Expectations & Reward System (−.882)
- Recognition of Achievements (−.755)
- Fair Evaluation (−.792)
- Goal and Objective Setting (−.720)

Productivity Variables with High Loadings (Function 1):

- High Work Quality (−.923)
- Sustained Productivity under Pressure (−.866)
- Timely Task Completion (−.802)

Leaders who set clear expectations, recognize achievements, and evaluate fairly tend to have employees who demonstrate strong work quality, resilience under pressure, and punctual task completion. This correlation supports the theoretical foundation that structured, performance-based leadership (transactional) leads to measurable productivity outcomes.

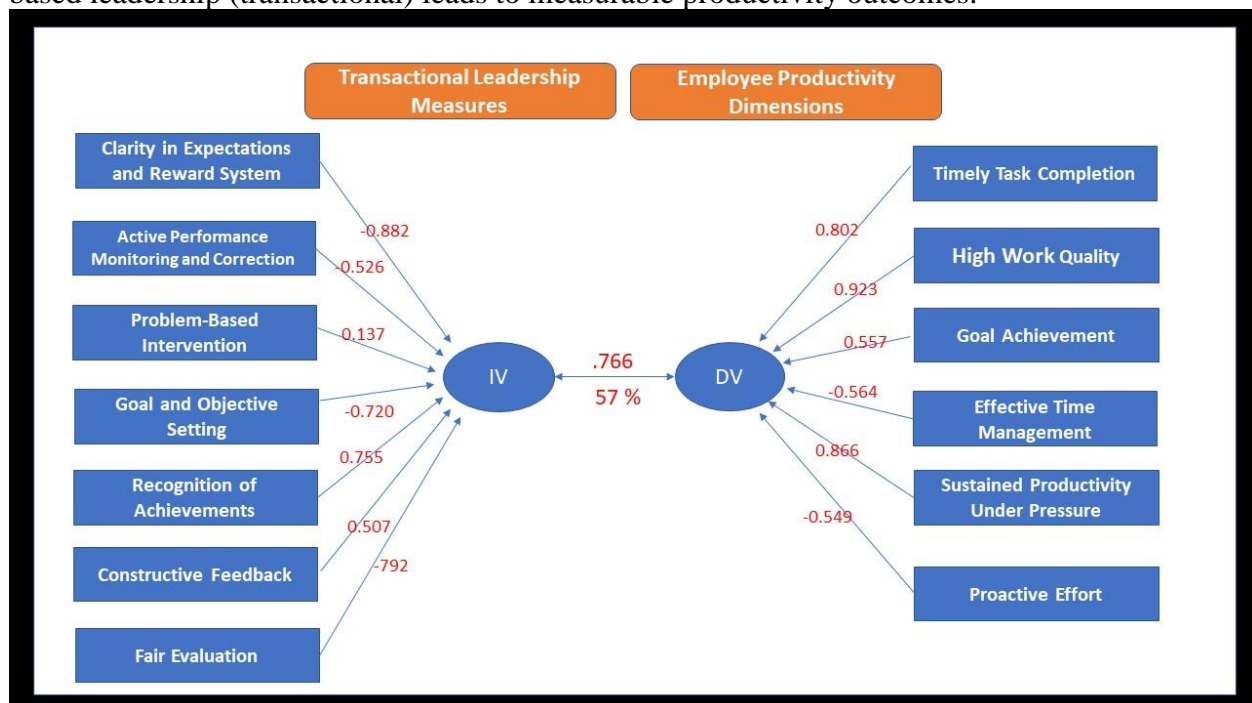


Table 8: Proportion of Variance Explained				
Canonical Variable	Set 1 by Self	Set 1 by Set 2	Set 2 by Self	Set 2 by Set 1
1	.435	.255	.529	.310
2	.130	.051	.151	.059
3	.053	.012	.093	.020
4	.055	.006	.068	.008
5	.139	.003	.075	.002
6	.056	.001	.084	.001

The proportion of variance explained by the first canonical function further reinforces these findings. The transactional leadership set accounted for 43.5% of its own variance and 25.5% of the variance in employee productivity. Conversely, the productivity variable set explained 52.9% of its own variance and 31% of the variance in leadership behaviors. These results confirm a moderate to strong interdependence between structured leadership practices and improved employee performance metrics, highlighting the practical effectiveness of transactional leadership in the context of non-financial banking firms in Pune City.

5. Conclusion

This study aimed to explore the relationship between transactional leadership practices and employee productivity among senior executives in non-financial companies in Pune City. Drawing on empirical data from 51 experienced professionals, the research offers robust evidence of the significant impact of transactional leadership on key productivity metrics.

The demographic and professional profile of the respondents—largely composed of well-educated and highly experienced individuals—adds credibility to the findings. The consistent application of transactional leadership behaviors such as setting clear expectations, providing timely rewards and feedback, and conducting fair evaluations was widely reported among participants. These practices were closely associated with enhanced employee outcomes, including timely task completion, high-quality work, achievement of performance goals, effective time management, resilience under pressure, and proactive effort.

The results of the canonical correlation analysis provided compelling statistical validation, with the first canonical function showing a strong and significant correlation between leadership practices and productivity. Variables such as clarity in expectations, recognition of achievements, and fair evaluation were found to be key drivers of productivity-related behaviors.

In conclusion, the study establishes that transactional leadership plays a critical role in fostering an environment of accountability, motivation, and consistent performance. The alignment between structured leadership behaviors and enhanced employee outcomes supports the theoretical foundation of transactional leadership and underscores its relevance in contemporary

organizational contexts. These findings offer valuable insights for leaders and HR professionals seeking to drive productivity through clearly defined roles, reward systems, and consistent performance monitoring. Further research could explore the interplay between transactional and transformational leadership styles for a more holistic understanding of leadership effectiveness.

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