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FINANCE AND ACCOUNTING

LEADERSHIP STYLE, FINANCIAL INNOVATION AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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ABSTRACT

The study aimed at establishing the influence of leadership style and financial innovation on the financial performance of commercial banks in Kenya. Positivist philosophy as well as correlational and cross-sectional research designs were adopted with the target population comprising of commercial banks' management staff. Out of the 10,395 management staff, 385 respondents were selected. Structured questionnaires were used to collect primary data with descriptive and inferential statistics being used for data analysis. Study hypothesis and significance tests were conducted using parametric test statistics with a 95% level of significance and 5% confidence interval being adopted. The results indicated that transformational leadership had a positive and significant partial impact while democratic leadership had a positive and significant partial effect on financial performance of commercial banks in Kenya. On the other hand, autocratic leadership had a positive and significant partial effect on financial while Laissez-Faire leadership had a negative and significant partial effect on financial performance of commercial banks in Kenya. The findings also indicates that financial innovation has a partial mediation effect on the relationship between leadership style and financial performance of commercial banks. The study recommends that that top managers of the commercial banks need to take up effective transformational and democratic leadership style in their management programs. This can be achieved through staff training and development using both in-house and open training programs as well as continuing development programs. Banks should join hands with training and educational institutions in regard to development of leadership modules under

their training programs. Bank management and the Central Bank of Kenya should also join hands in promoting innovation as well as rewarding innovative behavior.

Keywords: *Financial Performance, Financial Innovation, Leadership Style, Transformational Leadership, Democratic Leadership, Laissez Faire Leadership, Autocratic Leadership*

1.1 BACKGROUND OF THE STUDY

Commercial banks play the critical role of financial intermediation whereby they facilitate flow of funds between persons with financial surplus, mainly savers and those with financial deficit mainly borrowers and investors (Manasseh *et al*., 2021). They aggregate funds on behalf of the borrowers and investors while also facilitating settlement of business transactions. They also facilitate transformation of risks and maturities between savers and borrowers (Hull, 2018). In addition, through borrower due diligence, banks eliminate information asymmetry that exists between borrowers and investors on one hand and savers on the other as well as help in reduction of transaction costs related to lending (Abdelhafid & Buheji, 2019). Since banks, as financial intermediaries play a critical role in the economic stability and development of every country, their ability to function effectively can therefore be considered to be of interest to businesses, policy makers and the public. Each bank's ability to function effectively can be established through an assessment of the probability of continuity of its operations, which can best be evaluated through its financial performance indicators such as profitability, capital adequacy, liquidity and asset quality (Dzhamalovna *et al*., 2020).

Financial performance refers to a subjective assessment of how well a firm utilizes assets from its core activities or primary business operations in revenue generation while financial evaluation aims at establishing a clear picture of a company's financial position (Easwaran *et al*. 2021). It can also be expressed as assessment of the overall health of the financial position of an institution or the effectiveness of its policies and operations in monetary terms over a specified period of time (Wood, 2018). Data on financial performance is recorded in the annual, quarterly or monthly financial statements of an institution namely the income statement, balance sheet which and cash flow statement (Weygandt et al., 2018). Financial performance can be measured in absolute figures such as profitability, total cash generated, sales turnover, capitalization amongst others. It can also be measured in financial ratios which can be classified into market value, liquidity, performance, cash flow, profitability and debt ratios (Procházka, 2017).

In Kenya, the Central Bank of Kenya (2013), has issued a prudential guideline relating to preparation and publication of financial statements to commercial banks. The guideline requires that banks publish annual audited financial statements by end of the third month following the conclusion of the financial year with the financial year ending on 31st of December every year as well as publication of quarterly unaudited financial statements by the end of the month following the end of a financial quarter. The Central Bank of Kenya summarizes and analyzes the banks' financial statements and publishes performance ratios such as return on equity, liquidity ratio, return on assets, growth in profitability, growth in assets and capital adequacy amongst other disclosures. Bank financial performance is influenced by both internal bank specific and external macro-economic factors (Gautam 2018). Internal factors refer decisions by management and boards of directors while external factors relate to dynamics in the operating environment that management teams and board of directors have no influence over. This study sought to examine

the influence of one internal factor namely leadership style since it relates to how persons in authority influence and relate with employees and hence impact financial performance.

1.2 STATEMENT OF THE PROBLEM

Central Bank of Kenya (2021) published summarized financial statements that revealed disparities in financial performance amongst banks with similar characteristics. For example, KCB ranks first in profitability but 5th in return on equity while Co-operative Bank ranks 4th and 8th in profitability and return on assets respectively. The same trend was evident in 2017 where only Barclays Bank ranks 5th on all the parameters since all others are ranked differently on all parameters. In addition, Equity Bank's profit was over KES 41 billion compared to Family Bank's KES 1.3 Billion, in addition to, Family Bank's average return on equity between 2017 and 2021 at 6.72% compared to Equity Bank's 33.3%. Diamond Trust Bank and Stanbic Bank had huge difference in profitability in 2021 with Diamond Trust reporting KES 4.4 billion in profitability while Stanbic Bank reported KES 9.5 billion in profits. These disparities in financial performance in 2020 and 2017 raises questions about whether it could be due to something that the management teams in the different banks do or fail to do, a result of good/bad luck or chance or any other reasons. While either of the foregoing or a combination of two or more of the factors could offer an explanation, reasons behind the disparities could be of interest to banks' management, policy maker or regulators. This study, therefore investigated leadership style and financial innovation influence on financial performance, specifically assessing the mediating role of financial innovation.

Studies on the effect of leadership style on the financial performance of commercial banks and other financial institutions have been conducted and mixed results have been reported with both significant and insignificant findings (Maina and Waithaka, 2018; Kasuni, Mandere & Njeru, 2022; Walela & Okwemba, 2015). The effect of financial innovation on financial performance have also provided mixed results with scholars such as Schaubroeck et al (2007) reporting improved financial performance by banks in the USA and Hong Kong while Cherotich et al (2015) reporting positive but insignificant findings. The foregoing findings were however based on either non-bank financial institutions or banks operating within a small region in Kenya and also failed to account for the mediating role of financial innovation thereby exhibiting contextual and methodological gaps. This is also despite evidence that financial innovation is by far a leadership decision output and thus could conceptually play a mediating role. There are also study findings indicating that leadership and innovation has had negative impact on financial performance both in banking and other sectors (Collins, 2009; Collins and Hansen, 2011; Tian, 2017). These findings however were not based on a Kenyan context and therefore may or may not be applicable to banks operating in Kenya. The findings pointed both conceptual and contextual gaps in knowledge. The contradictory research findings in this area justifies the need to further investigate the nature of the relationship between leadership style and financial performance of commercial banks in Kenya.

1.3 OBJECTIVE OF THE STUDY

The objective of the study was to examine the intervening effect of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya.

Research Hypotheses

The hypothesis for this study was:

H_{02}**:** Leadership style has no significant effect on financial performance of commercial banks in Kenya.

H_{02}**:** Financial innovation has no significant mediating effect on the relationship between leadership style and financial performance of commercial banks in Kenya.

2.1 LITERATURE REVIEW

Behavioral theory of leadership

Behavioral theory of leadership evolved from trait theories of leadership with its proponents asserting that leadership can be learnt (Pearce and Conger, 2003). In this regard, the proponents of the theory argue that leaders are made and not born (Denison, Hooijberg & Quinn, 1995). The theory therefore largely ignores the situation and environment of the leader as well as the leader's traits (Northouse, 2015). Leadership behaviours are largely classified into task-oriented, relationship oriented, change oriented and passive behaviours (Derue et al, 2011). Task oriented behaviours include initiating structure, contingent reward and active management by exception. Initiating structure includes definition of task roles and role relationship, group member coordination, determination of performance standards as well as enforcement of performance standards. Through the foregoing, task oriented leaders ensure that they clarify performance expectations, follow-up to ensure that performance expectations are met, reward performance and punish non-performance.

Relational-oriented behaviors relate to leaders' tendency to demonstrate concern and respect for group members, be friendly, approachable, treat team members equally and be open to input and contribution from all members (Bass, 1990). Relationship oriented leaders also tend to encourage group member participation (Kahai, Sosik, & Avolio, 1997) and democratic (Gastil, 1994). Change-oriented behaviors refer to conduct geared towards facilitating and driving change within groups and organizations and include development and communication of a vision for change, encouraging innovation and risk taking as exhibited by transformational leaders (Yukl, Gordon & Taber, 2002). Change oriented behaviors also include intellectual stimulation achieved through communication of a compelling vision for the future and intellectual stimulation through seeking different perspectives from group members, challenging assumptions and risk taking (Derue et al, 2011). Passive leadership behaviors refer to inclination towards inaction, inertia or unresponsiveness such as when leaders only engage followers only upon emergence of task-related challenges or problems or challenges (Bass, 1990). These leaders, also referred to as laissez-faire do not actively engage followers and may be referred to as ones exhibiting an absence of leadership behaviors (Avolio, Bass, & Jung, 1999).

Transactional leadership style where leaders employ both rewards and punishments to ensure compliance and motivate followers (Webber, 1947) has been integrated into behavioural theory of leadership. Compliance equates to task or production focus while motivation equates to relationship or employee focus. Behavioral leadership theory also integrates the work of Burns (1978) who conceptualized transformational leadership style which involves a process by which leaders and followers promote each other to higher levels of motivation and morality. Transformational leaders utilize idealized influence as the emotional or relational component inspirational motivation as a task oriented behaviour where leaders communicate high expectations to followers (Chebon, Aruasa and Chirchir, 2019; Susilo, 2018) intellectual stimulation as a task behaviour under where they inspire followers' creativity and innovation (Agyemang, Boateng, and Dzandu, 2017; Mokhber, Khairuzzaman and Vakilbashi, 2018) as

well as individualized consideration as a relationship aspect where they create an organizational climate where followers' individual needs are addressed (Bass, 1985).

Autocratic, Democratic laissez-faire and bureaucratic leadership styles (Lewin, 1939) have also been classified under behavioural theory of leadership. Autocratic leaders give clear and concise instructions, maintain a clear distance with followers and make decisions with minimal or no input from group members (Chukwusa, 2018). Democratic leaders on the other hand prefer participating in team activities, giving guidance to team members and seek member input (Yukl, 2013). Laissez-faire leaders on the other hand are considered as laid back and as preferring offering minimal or no guidance to group members. Consequently, decision making is largely left to members (Northouse, 2015).

Behavioural theory of leadership has been hailed for shifting studies on leadership from a focus on leaders' personal characteristics to their behaviours. In addition, the theory focussed leaders on the fact that their leadership must strive to balance both task and relationship factors and that leadership can also be learnt. The theory is however criticized for not showing how leadership style relate to group performance (Bryman, 1992; Yukl, 1994; Northouse, 2015), a question this study will endeavour to answer through evaluation of how leadership behaviour influences financial performance. The theory is also faulted for a failure to establish a consistent link between task or relationship behaviours and staff morale, job satisfaction, and productivity. The theory has also failed to find a style that can be universally applied in all situations.

Diffusion of Innovation Theory

Rogers (1962) conceptualized the diffusion of innovation theory and defined an innovation as a new idea, behaviour, product or message. Innovation applies to anything that is new to a person, community or institution regardless of its history with other people (Rogers, 2003). Diffusion refers to the process through which innovations are communicated over time to members of a social system using certain media or channels with the four main elements of the theory being the innovation, communication channels, time and the social system (Sahin, 2006). Newness of an innovation can be broken down into three components namely knowledge referring to the time when a person learns about the innovation, persuasion which refers to refers to the process through which an individual forms a positive or negative opinion about an innovation and decision which refers to the stage at which a person makes a passive or active decision to accept the innovation (Dearing & Cox, 2018).

The diffusion of Innovation theory is applicable to this study because banks in Kenya have witnessed ongoing innovation initiatives for several decades starting with introduction of automation of processes in the 1990s all the way to emergence of the latest digital channels such as agent banking in the 2010s. Its however clear that banks are at different levels of adoption of innovations especially in regard to banking channels for example with only twenty-two out of thirty-eight banks establishing agents and 3 banks yet to issue card and internet based channels. There is also the possibility that innovation levels within banks may have been influenced by personal experiences of their staff members. For example, a bank that experiences fraud or financial losses under digitization may not be as enthusiastic with digital channels as one that experiences improved financial performance. With Central Bank of Kenya (2020) stating that banks in Kenya have been innovating with a view to enhancing revenue generation, reduce costs and meet customer needs, it is imperative that a study be conducted to establish how financial innovation or level of innovation impacts financial performance of commercial banks.

Diffusion of innovation is influenced by communication, time and complexity. Communication refers to transmission of messages about innovation while communication channels refers to the means through which the message or information is transmitted from one unit of adoption to another (Rogers, 2003; Sahin, 2006). Each communication has a source and is transmitted through a channel. A source refers to an institution, individual or group of persons responsible for origination of the message while a channel refers to the means by which a message is transmitted from the source to the receiver. Diffusion of an innovation is therefore a special kind of communication that that includes the innovation, at least two individuals or institutions and a communication channel (Wisdom et al. 2013). Time refers to the period taken by a unit of adoption to accept the innovation (Rogers, 2003) and covers the process by which an individual or other unit of adoption passes through from first knowledge about an innovation through to adoption or rejection. Complexity relates to how difficult to understand or use an innovation is perceived to be which could emanate from technical features as well as how well instructions on usage are given.

Adopters of innovation are classified into innovators, early majority, late majority and laggards (Barnett and Vishwanath, 2017). Innovators, who comprise approximately 2.5% of the population are people who are keen on trying out new things and will almost always be the ones to test a new innovation. They are considered as having a high appetite for risk and interested in new ideas (LaJeunesse et al. 2019). The early majority comprise 34% of the population and rarely lead in innovation, idea generation or change but will often adopt new ideas before the average person (Schwabe et al., 2021). Their appetite for risk is moderate and they usually seek more information and evidence from the early adopters. The late majority also comprise 34% of the population and consist of persons who are with low appetite for risk and are skeptical about change, and usually adopt an innovation after it has been tried and tested by the majority. Laggards, comprising 16% of the population refers to people who have the lowest risk appetite, are bound by tradition, very conservative and prefer the status quo (Wenslaw, 2019).

Innovations and the diffusion of innovations theory are applicable in banking and financial services in areas such as mortgage securitization (Fligstein, 2021; Fligstein, 2021), innovative trading in bonds and other capital market instruments (Quinn, 2019), digitization of processes and procedures (Kitsios, Giatsidis and Kamariotou, 2021) as well as launch of new products, modification of existing products, new market entry, application of new methods, and introduction of new organizational structures in the sector (Zaleska & Kondraciuk, 2019). This study therefore sought to establish the extent to which financial innovation has influenced financial performance of commercial banks in Kenya as exhibited through growth in assets, growth in profitability, return on equity and return on assets. Innovation was conceptualized as a mediating variable since it is driven by leadership decision making and may have either a positive or negative influence on financial performance.

Supporters of the theory point out that its emphasis on communication about innovations helps marketers in targeting their communication as well as select persons and groups to use for initial pilot testing (Makovhololo et al., 2021). They also point out that the indicators of the theory are positively and significantly related with adoption of new banking products and services (Iluba & Phiri, 2021). Critics of the theory point out that it is not a single theory but a paradigm, framework or filled with information that supports other theories persuasions, interpersonal communication, social learning and influence, utilization of knowledge and social change (Dearing & Singhal, 2020; Balas & Chapman, 2018). Others point out that the theory describes

organizations as social systems, it fails to explain how departments in organizations, as social systems in their own right, affect diffusion of innovation within the organization especially since intra organizational boundaries affect information flow (Dearing & Cox, 2018; Singhal & Svenkerud, 2019).

2.2 EMPIRICAL LITERATURE REVIEW

Financial innovations can involve entirely new solutions or adjustments to existing solutions, can involve substitutes of existing products and services, and may not always be easily assigned to one market segment (Zaleska & Kondraciuk, 2019). The level of financial innovation in a country's financial system is greatly influenced by both regulation and liberalization (Moshirian, Tian, Zang & Zang, 2021). Banking regulators influence innovations through their policies and restrictions on new products, channels as well as communication while the higher the level of liberalization, the more intense the communication and consequently the pressure to be creative. Leaders on the other hand influence innovation through staff motivation, team cohesion and creativity and environment that encourages creativity and innovation (Ruzger, 2018)

Financial innovation has been greatly influenced by technology and is a critical factor in commercial banks' financial performance (Huang, Li & Chang, 2021). Motwani and Vora 2021), found out that private and public sector banks in India who adopt technology and technology based products are more profitable, more operationally efficient, had higher asset quality, are better at managing costs compared to those that were lagging behind in technology adoption. Mabrouk and Mamoghli (2010) on the other hand found out that in Tunisia, first mover innovation amongst banks was positively correlated with improved profitability while imitators were both less profitable and less efficient than first mover innovators. These findings are of great relevance to this study since they are both based on commercial banks and technological innovations. However, this study will add to both since it is based on a different market context while also treating innovation as a mediating variable instead of the independent variable as was the case in the foregoing studies.

Akani and Obiosa (2020) established mixed results about the relationship between financial innovation and financial performance of banks in Nigeria. They Fouad out that growth in electronic funds transfers had a negative but insignificant impact on the banks' return on equity. There was however a positive but still insignificant relationship between internet banking and return on equity but a positive and significant relationship between investment in information and communication technology and return on assets. These findings partly agree with Gundogdu and Taskin (2017) who asserted that growth in credit card usage had a positive and significant relationship with return on assets, return on equity and net interest margin amongst banks in Turkey while automated teller machines and internet banking had a positive but insignificant relationship with the said ratios. The significant impact of credit card usage was attributed to higher interest charged on the cards compared to other lending products.

Muiruri and Ngari (2014) established that commercial banks in Kenya used financial innovations such as electronic funds transfers, automation in clearing, debit cards, credit cards and cheque truncation amongst others with the primary motive of increasing revenue through cost reduction and efficiency. This finding is collaborated by Otieno and Muia (2020) who established a strong and positive correlation between growth in value and volume of electronic funds transfers and Real Time Gross Settlement transactions and the return on assets at Equity Bank. In addition to reviewing a different time period, this study will treat innovation as a mediating variable and not

as an independent variable, thereby adding value to the body of research about the impact of innovation in banking.

Mugane and Odingo (2016) found out that product innovations such as introduction of new products and enhancement of existing ones had a negative and significant relationship with the return on assets of commercial banks in Kenya. Hillowle and Warui (2021) partly supports these finding when they assert that growth in real time gross settlement payments and electronic funds transfer transactions, investment in mobile banking systems had a positive influence on the bank working capital and cash ratios. These findings were partly contradicted by Mwiti (2021) who established that despite a predominant belief amongst bank employees that financial innovations improved bank performance, its impact was not significant.

Wanalo, Mande and Ng'ang'a (2020) also partly contradicted majority of other findings by stating that agency banking had a positive but non-significant relationship with financial performance and that automated teller machines had a positive, minimal and significant relationship with financial performance. Financial performance was measured in terms of return on assets and profitability. They concluded that the aforementioned electronic banking channels improved financial performance due to the fact that they improve service delivery and customer experience as well as reducing operating costs. Tahir et. al (2018) also supports the view that financial innovation does not have a significant influence on commercial banks' financial performance when they stated that growth in use of automated teller machines, internet and mobile banking had an insignificant impact on the efficiency rations of commercial banks in Pakistan.

Banks have incurred financial loses as they innovate especially due to increased cybercrime. For example, the Banking sector has been a victim of cybercrimes ranging from phishing, denial of service attacks, identity theft, hacking and web jacking with global annual losses estimated as USD 114 billion while the cost of combating cybercrime within global banking sector estimated at USD 274 billion (Raghavan & Parthiban, 2020). Other forms of cybercrime include virus attacks using spam E-mails, inflation of account balances followed by transfer of the amounts, programming of automated teller machines to dispense cash and hacking resulting in unauthorized electronic transfer of funds (Hasham, Joshi, & Mikkelsen, 2019). Cybercime has resulted in fraud, money laundering, compromise on data integrity, regulatory fines, customer refunds, loss of revenue as well as other direct and indirect costs amounting in excess of USD 525 billion globally every year (Hasham et, al, 2019). Cybercrime targeting financial institutions has increased since the emergence of COVID-19 especially due to work from home arrangements - a form of process innovation, - increased use of digital banking channels and general increase in use of internet (Aldasoro, Frost, Gambacorta & Whyte, 2021).

The findings of the scholars on financial innovation are consistent with those of writers in other fields such as Collins (2001) who asserted that to ensure success, use of technology needed to be aligned with a company's core ideology. Collins (2009) on the other hand discovered that successful companies that abandoned their core ideology in pursuit of innovation deteriorated financially in the long term, an assertion supported by Collins and Hansen (2011) who asserted that creativity without disciplined adherence to a company's core values was a recipe for financial failure. Financial innovation could therefore have a positive or negative effect on the financial performance of a commercial bank or any other enterprise. It has also been established that financial innovation can have both significant and insignificant impact as well as cause direct losses through cybercrime. This study therefore sought to establish the impact financial

innovation, as a mediating variable, has on the financial performance of commercial banks in Kenya with an emphasis on mobile banking, agent banking, internet banking and credit cards.

3.1 RESERCH METHODOLOGY

Research Design

This study used both cross-sectional and correlational research designs. Correlational design was suitable for this study since it would help in establishing the nature and strength of relationship between the variables. In addition, since the researcher did not intend to manipulate the variables and conducted regression analysis, correlational design was deemed suitable. Cross sectional survey design was used since it is suitable for estimating prevalence of behavior in a population, information is obtained once from each respondent and helps avoid biased responses brought about by respondent familiarity with a study or research tools (Sedgwick, 2014). It was appropriate for this study because the study sought to establish prevalence of leadership style and explain relationships between different variables over a specified period of time namely 2017 to 2021.

Target Population and Respondent Selection

The target population in this study comprised of all the 38 commercial banks operating in Kenya as at 31st December 2017. Banks under receivership or liquidation and those taken over by other entities during the period of the study were excluded due to unavailability of financial statements. Study unit of analysis was the commercial banks with management cadre staff as the respondents There were a total of 10, 396 management staff in Commercial Banks operating in Kenya (Central Bank of Kenya, 2021).

385 respondents are required in order to ensure representativeness for populations exceeding 10,000 persons based on prevalence of 5 per cent, desired precision of 5 percent and 95 percent confidence interval is (Mugenda & Mugenda, 2009). In addition, Taherdoost (2017) assert that a sample size of 370 is required for a population above 10,000 where a precision level of 5% and a confidence interval of 95% while Adam (2020) asserts that a sample size of 377 is required for the same size of population, precision level and confidence. Consequently, this study took 385 respondents to be sufficient.

The banks were not sampled. However, since data collected from a representative part of the population is considered representative (Oribhabor & Anyanwu, 2020; Allen, 2017)), probability, stratified, proportional, purposive and multi-level methods were used to identify the respondents. To ensure that the respondents had an equal opportunity of being surveyed, probability method was used. Stratified and random methods were used to ensure that all management staff were represented amongst respondents.

Chief Executives and Heads of Departments were identified using purposive sampling where Head of Human Resources were approached and requested to introduce the researcher to the Chief Executive and departmental heads. Where number of respondents required exceeded the Chief Executive and departmental heads, Branch Managers were identified using stratified random methods.

The bank management staff were stratified into branch and head office management. The number of respondents was distributed proportionately according to the number of employees per bank based on each bank's 2021 composite market share index. Stratification ensured that

the sample consists of the characteristics of the larger total population while random selection of branches ensured that each branch manager has an equal chance of being selected (Abdul, 2021).

4.1 RESULTS AND FINDINGS

Response Rate

The response rate was analyzed with a view to showing the representativeness of the selected respondents. The study administered 385 questionaries' to the respondents and the results were as shown in Table 1.

Table 1: Response Rate

Category	Number of Questionnaires	Response Rate
Retuned	294	76.36%
Not returned	91	23.64%
Total	385	100%

Correlation Analysis

Correlation analysis was carried out to determine the association between the variables, leadership style, financial innovation, banking regulation and financial performance. The mean score for each of the independent variables was calculated and the Pearson's correlation obtained using SPSS. The correlations were done at 0.05 significance level with one asterisk (*) or a 0.01 significance level with two asterisks (**). To determine whether the correlation between variables is significant, one needs to compare the p-value to the significance level used. A significance level, denoted as α or alpha, of 0.05 works well. An alpha of 0.05 indicates that the risk of concluding that a correlation exists when, actually, no correlation exists is 5%. The p-value indicate whether the correlation coefficient is significantly different from 0 or not. When the p-value is less than or equal to 0.05 the correlation is statistically significant. However, if the p-value is greater than 0.05 or the significant level then correlation is not statistically significant (Statistics Solution, 2018). The correlation results are presented in Table 2.

Table 2: Correlation Matrix

Variables	Financial Performance	Leadership Style	Financial Innovation	Banking Regulation
Financial Performance	1.000			
Leadership Style	.822**	1.000		
	0.000			
Financial Innovation	.831**	.586**	1.000	
	0.000	0.000		

**. Correlation is significant at the 0.01 level (2-tailed).

The results in Table 2 indicate that leadership is positively and significantly associated with financial performance of commercial banks in Kenya (r= 0.822**, p=0.00<0.05). Financial

Innovation is positively and significantly associated with financial performance of commercial banks in Kenya (r= 0.831**, p=0.00<0.05). Since the R-values were above 0.7, this is an indication that leadership and financial innovation portrayed a high association with financial performance of commercial banks in Kenya.

Leadership Style and Financial Performance

The first objective of the study was to establish the influence of leadership style on the financial performance of commercial banks in Kenya. A liner regression model was used to assess the interdependency between leadership style and financial performance of commercial banks. The first hypothesis stated in the null form is as follows;

H_{01}: Leadership style has no significant influence on financial performance of commercial banks in Kenya

To test the relationship between leadership style on financial performance, the following composite model was used; $Y= \beta o + \beta 1LS1+ \varepsilon$

Table 3 presents the results for the composite leadership style and financial performance of commercial banks in Kenya.

Table 3: Leadership Style Regression Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.8225a	.6764	.6753	.5810

ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	206.081	1	206.0813	610.476	.000b
Residual	98.572	293	0.3376		
Total	304.653	294			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.9141	0.1034		8.8440	0.000
	Leadership Style	0.7128	0.0289	0.8225	24.7078	0.000

As presented in the Table 3, the coefficient of determination R Square is 0.6764. The model indicates that the composite Leadership Style explains 67.64% of the variation in financial performance of commercial banks in Kenya. This implies that there exists a significant relationship between leadership style and financial performance. The Analysis of Variance (ANOVA) results indicate that F-Calculated (1, 294) = 610.476 which is greater than F-Critical (1, 294) = 3.84 at 95% confidence level. Therefore, the results confirm that the regression model of Leadership Style on financial performance is significant. The regression of coefficients

indicates that leadership style has a positive and significant relationship with financial performance of commercial banks in Kenya (β=0.7128, p<0.005). The fitted model from the result is;

Y = 0.9141 + 0.7128LS

The study first null hypothesis (H_{01}) states that Leadership style has no significant influence on financial performance of commercial banks in Kenya. Test of this hypothesis revealed a t-statistics calculated value of 42.708 higher than the t-statistics critical value of 1.96 at 95% significant level and the p value 0.000 is less than the critical value 0.05, the study failed to accept the null hypothesis and there was evidence to conclude that Leadership style has a significant influence on financial performance of commercial banks in Kenya.

In addition, the study tested the various indicators of leadership style to ascertain their impact on financial performance using the multiple regression equation 2 shown below;

Y = βo + β1TL + β2AL + β3DL + β4LF + ε

Table 4: Model Fitness for Leadership Style

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.8354[a]	.6979	.6937	.5643	2.025

a. Predictors: (Constant), Laissez Faire Leadership, Autocratic Leadership, Democratic Leadership, Transformational Leadership
b. Dependent Variable: Financial Performance

As presented in the Table 4, the coefficient of determination R Square is 0.752. The model indicates that Leadership style explains 69.79% of the variation in financial performance of commercial banks in Kenya. This implies that there exists a significant relationship between leadership style and financial performance.

Table 5: ANOVA for Leadership style

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	212.618	4	53.155	166.911	.000b
Residual	92.035	289	.318		
Total	304.653	293			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Laissez Faire Leadership, Autocratic Leadership, Democratic Leadership, Transformational Leadership

The Analysis of Variance (ANOVA) results are shown in Table 5. Analysis of Variance consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. This was conducted using SPSS by using average mean score of leadership style and financial performance. The results in Table 8 indicate that F-Calculated was 53.155 and greater than F-Critical (4, 294) = 3.84 at 95% confidence level. Therefore, the results confirm that the regression model of Leadership style on financial performance is significant.

Table 6: Regression Coefficients for Leadership Style and Financial Performance

	Unstandardized Coefficients		Standardized Coefficients		
	B	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	2.170	.249		8.729	.000
Transformational leadership	.216	.039	.264	5.606	.000
Democratic Leadership	.215	.039	.255	5.539	.000
Autocratic leadership	.134	.041	.149	3.285	.001
Laisez-Faire leadership	-.283	.041	-.317	-6.847	.000

a. Dependent Variable: Financial Performance

The fitted model from the result is;

Y = 2.170 + 0.264X1 + 0.255X2 + 0.149X3 -0.317X4

The constant of 2.17 implies the factor change on financial performance when all other variable analyzed remains constant. The regression of coefficients indicates that Transformational leadership has a positive and significant partial effect on financial performance of commercial banks in Kenya (β=0.264, $p<0.005$); Democratic Leadership has a positive and significant partial effect on financial performance of commercial banks in Kenya (β=0.255, $p<0.005$); Autocratic leadership has a positive and significant partial effect on financial performance of commercial banks in Kenya (β=0.149, $p=0.001$); and Laisez-Faire leadership has a negative and significant partial effect on financial performance of commercial banks in Kenya (β=-0.317, $p<0.005$).

Intervening Effect of Financial Innovation

The second objective of the study was to examine the intervening effect of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya. Baron and Kenny (1986) moderation was used. The second hypothesis stated in the null form is as follows:

H02: Financial innovation has no significant intervening effect on the relationship between leadership style and financial performance of commercial banks in Kenya.

The Four Step Mediation Methodology (PROCESS Model 4) was used to establish the intervening effect as proposed by Baron and Kenny (1986) and Preacher and Hayes (2004). The direct and indirect effects of leadership style (LS) were derived for two models, one estimating the mediator financial innovation (FI) from leadership style (LS) and the second estimating the financial performance from both leadership style (LS) and financial innovation (FI) as as shown in equations 3 and 4 respectively.

According to Baron and Kenny (1986) a Three Steps regression analysis establish that zero-order relationship existed among the variables and situations where one or more of the relations is non–significant depicts no possibility of mediation, however if they are significant relationships from step 1 through 3, one proceeds to step 4 where mediation is supported if the effect of leadership style (LS) remains significant after controlling Financial innovation (FI). If Financial innovation (FI) is not significant when leadership style (LS) is controlled, there is full mediation,

and if both leadership style (LS) and Financial innovation (FI) significantly predict financial performance (FP) there is partial mediation. The result of PROCESS output for simple mediation analysis (Model 4) is shown in Appendix I with summary of key statistics depicted in Table 7.

Table 7: Summary of Meditation Analysis Result (PROCESS Output – Model 4)

Outcome Variable	R	R Square	MSE	P	βLS(P)	βFI(P)
FI	.5863	.3437	.8401	.0000	.5863(.0000)	-
FP	.9283	.8617	.1447	.0000	.5110(.0000)	.5313(.0000)
Total effect Model	.8225	.6764	.3376	.0000	.8225(.0000)	-

Total, Direct, and Indirect Effect of FS on FP

	Effect	se/BootSE	t	P	LLCI	ULCI
Total effect of X on Y	.7128	.0289	24.7078	.0000	.6561	.7696
Direct effect of X on Y	.4429	.0233	18.9905	.0000	.3970	.4887
Indirect effect of X on Y (FI)	.3115	.0221			.2695	.3562

Level of confidence for all confidence intervals in output: 95%

Number of bootstrap samples for percentile bootstrap confidence intervals: 10000

From Table 7, the results show coefficient of determination of outcome variable financial innovation was R^2=0.3437 implying leadership style contributes 34.37% variation on financial innovation. This variation is significant given the p-value was less than 0.005. The partial effect of leadership style on financial innovation is positive and significant (β=0.5863, p-value<0.005). Similarly, the coefficient of determination for outcome variable financial performance was R^2=0.8617 and significant at 95% significance level (p<0.005) implying leadership style and financial innovation both contributes 86.17% variation in financial performance of commercial banks in Kenya. The partial effect for leadership style and financial innovations were both positive and significant at β =0.5110 (p<0.005) and β=0.5313 (p<0.005) respectively. Result for the total effect model shows a coefficient of determination R^2=0.6764 and p<0.005 implying that leadership style alone contributes 67.64% variation in financial performance of commercial banks The partial effect results was β=0.8225 (p<0.005) suggesting leadership style has significant partial contribution to financial performance.

The study findings show that leadership style directly contributes 34.37% variation on financial innovation and 67.64% on financial performance. However, leadership style combined with financial innovation contributes 86.17% variation on financial performance implying present of mediation effect as combined variation is higher than the total effect variation. The total, direct and indirect effect of leadership style on financial performance was assessed based on asymmetric bootstrap confidence intervals using 10,000 bootstrap runs. Results shows that the total effect of leadership style on financial performance was 0.7128, significant at 95% bias-bootstrap (p<0.005) with Lower and Upper limit confidence intervals of 0.6561 and 0.7696 respectively. The direct effect of Leadership style on financial performance was 0.4429 and significant at 95% bias-bootstrap (p<0.005) with lower and upper confidence interval of 0.3970 and 0.4887 respectively. Therefore, the indirect effect of financial innovation on the relationship

between leadership style and financial performance was estimated at 0.3115 with upper and lower confidence intervals of 0.2695 and 0.3564 respectively. From the above result, it can be deduced that the total and direct effects were both positive and significant and different from zero, as evidenced by a 95% bias-bootstrap confidence interval that is entirely above zero. Similarly, the indirect effect is also positive and significant and different from zero implying presence of a partial mediation effect on the mediating role of financial innovation on the relationship between leadership style and financial performance.

4.2 DISCUSSION OF FINDINGS

Leadership Style and Financial Performance

The study rejected the first hypothesis and established that Pearson correlation result indicated that leadership style has very strong positive and significant relationship with financial performance of commercial banks in Kenya. Similarly, the regression of coefficients of leadership style also indicated a positive and significant interdependency with financial performance of commercial banks in Kenya. Further, the regression of coefficients for the various leadership style indicated that transformational leadership has a positive and significant relationship with financial performance of commercial banks in Kenya. Democratic leadership style has a positive and significant relationship with financial performance of commercial banks in Kenya while Autocratic leadership has a positive and significant relationship with financial performance of commercial banks in Kenya. On the other hand, laissez-faire leadership was found to have a negative and significant relationship with financial performance of commercial banks in Kenya

The results agree with the behavioral theory on leadership especially in regard to the impact of transformational and democratic leadership on organizational performance. For example, the results concur with the theoretical assertion that transformational leadership positively influences performance since leaders encourage innovation, challenge employees towards higher objectives as well as motivate employees through individualized consideration, an assertion also supported by Rawashdeh et al. (2021). In addition, the findings also support the theoretical assertion that democratic leaders positively impact organizational performance through promotion of teamwork, collaborative effort and innovation, an issue also supported by Chua, Basit and Hassan. (2020) and Uysal et al. (2021). Though the behavioral theory is not clear about how autocratic leaders influence organizational performance, it seems to suggest that the style could negatively impact financial performance through discouragement of innovation and ideas generation (Northouse et al., 2015). Consequently, this study seems to contradict this aspect of the theory. However, in regard to laissez faire leadership, this study agrees with the theoretical assertion that lack of direction from laid back leaders may negatively impact organizational performance.

The study also agrees with the empirical literature such as Ullah, (2019) who found that that effective leadership was responsible for General Electric's and Chrysler's turnaround from the brink of bankruptcy to being two of the most profitable companies in the world. It also supports Rowold and Heinitz (2007) who established that transformational leadership style improved on the impact of transactional leadership on performance of employees and company profitability. On the other hand, the findings partially agree with Zeb et al. (2015) who found a positive correlation between democratic, autocratic, laissez-faire and transformational leadership style and financial performance of public sector organizations in Pakistan.

The findings are consistent with Schaubroeck et al. (2007) who stated that team potency measured through power distance and collectivism as practised by transformational leaders was responsible for improved financial performance by banks in the United States of America and Hong Kong. They however contradicted Jaussi and Dionne (2003) as well as Wang and Rode (2010) who did not find any significant relationship between transformational leadership on one hand and employee creativity and organizational performance on the other as well as Obiwuru et al. (2011) who found insignificant correlation between leadership style and performance of selected small and medium enterprises in Nigeria. The findings also partially differ with Ajibade, Ajayi and Shobowale (2017) who found a positive correlation between autocratic, bureaucratic, and charismatic as well as laisez-faire leadership style and staff performance amongst staff in Nigerian Polytechnics as long as the leader applied each style in the right context.

In regard to banking and financial services, the study agrees with Schaubroeck et al., (2007) who found out that transformational leaders were responsible for improved financial performance by banks in the United States of America and Hong Kong but contradicts Jaussi and Dionne (2003) as well as Wang and Rode (2010) who did not find any significant relationship between transformational leadership and organizational performance. It is also consistent with Walela and Okwemba (2015) who found a positive correlation between democratic and transformational leadership style and the financial performance of microfinance institutions in Kenya. The results however partly contradicted, Ojokuku, Odetayo and Sajuyigbe (2012 who observed that democratic and transformational leadership had a positive significant influence on financial performance while autocratic leadership style had a positive effect though statistically insignificant effect on the financial performance of the commercial banks.

Leadership Style, Financial Innovation and Financial Performance

The study findings show that leadership style directly contributes 34.37% variation on financial innovation and 67.64% on financial performance. However, leadership style combined with financial innovation contributes 86.17% variation on financial performance implying presence of mediation effect as combined variation is higher than the total effect variation. The total, direct and indirect effect of leadership style on financial performance as assessed based on asymmetric bootstrap confidence intervals showed that the total effect of leadership style on financial performance was 0.7128, significant at 95% bias-bootstrap ($p<0.005$), the direct effect of Leadership style on financial performance was 0.4429 and significant at 95%, and the indirect effect of financial innovation on the relationship between leadership style and financial performance as 0.3115. From the results it was clear that the total and direct effects were both positive and significant and different from zero, while the indirect effect was also positive and significant and different from zero implying presence of a partial mediation effect on the mediating role of financial innovation on the relationship between leadership style and financial performance.

The findings are consistent with diffusion of innovation theory especially in regard to the assertion that reduced costs, time savings as well as profitability are some of the main factors that drive adoption of innovation (Kogabayev et al., 2017) and Central Bank of Kenya (2020). This is further supported further by secondary data on financial performance of commercial banks which indicate that the 3 banks that account for 90% of bank agents also have highly in terms of profitability, growth in assets, return on assets and return on equity. The banks occupy the top 3 positions on all parameters with only one of the banks ranking 6th on average return on assets and 5th on average return on equity. In addition, the three banks also offer merchant point

of sale terminals, a service being offered by only one other bank, which interestingly ranks amongst the top seven on all parameters. Another observation from the secondary data that supports the foregoing is that the three banks that have not established digital channels ranks in the bottom ten in regard to average return on equity, average return on assets, average growth in assets and average profitability except one bank that ranks 17th and 13th on average return on equity and average return on assets respectively. Lastly, another noteworthy statistic relates to the fact that the three banks without digital channels have reported losses during the period of this study.

Further proof that innovation is positively correlated with financial performance id provided by the fact that the banking industry also reported improvement in overall financial performance every year between 2017 and 2021 with the exception of decline in overall profitability and income by 5.68% and 3.12% respectively 2017 and decline in profitability by 29.3% in 2020. Between 2017 and 2021, Central Bank of Kenya reported an upsurge in innovation such as introduction of Pesalink payment system, a form of open innovation in 2017 and growth in mobile banking accounts to 16 million as well as mobile loans to 7 million in 2018. Other reported innovations include introduction of new fintech products by 80% of commercial banks in 2019, digitization of processes as well as introduction of at least one digital lending product by 53% of banks and new digital payments product by 20% of the banks during the first quarter of 2021. Central Bank of Kenya Bank supervision reports between 2017 and 2021 also reported that the innovations were motivated by a need to increase revenue, cut costs and improve efficiency. The Central Bank also reported that the innovations led to increased revenue, a fact supported by the banks' audited accounts as well as the findings of this study.

In regard to empirical literature, the findings are consistent with Cherotich, et al., (2015) who found out that the value of electronic payments by Kenyan banks was positively correlated with bank profitability. They were also partly consistent with Nkem and Akujinma (2017) who found out that the value of Automated Teller Machine and Point of Sale transactions amongst banks in Nigeria have a negative correlation to efficiency ratios while web, internet and mobile banking have a positive correlation. Further consistency was established with Motwani and Vora, who found out that private and public sector banks who adopt technology and technology based products in India are more profitable, more operationally efficient, had higher asset quality, are better at managing costs compared to than those that were lagging behind in technology adoption.

Within the Kenyan financial sector, this study is consistent with Otieno and Muia (2020) who established a strong and positive correlation between growth in value of cheques cleared, growth and volume and value of electronic funds transfers as well as growth in volume of Real Time Gross Settlement transactions and the return on assets at Equity Bank, Kenya between 2010 and 2013. It also agrees with Chipeta and Muthinja (2017) who observed a positive and significant relationship between branchless banking models and financial performance of commercial banks in Kenya measured in terms of return on assets and return on equity. The study however contradicts Akani and Tony – Obiosa (2020) who established that growth in electronic funds transfers had a negative but insignificant impact on the banks' return on equity and a positive but insignificant relationship between internet banking and return on equity of commercial banks. Also inconsistent with the findings of this study are those of Zouari-Hadiji (2021) however noted that the impact of financial innovation on a bank's overall financial performance depended mostly on its ability to manage and mitigate the risks inherent in the innovation.

5.1 CONCLUSION

The study concludes that Leadership style has a significant influence on financial performance of commercial banks in Kenya. Specifically, Transformational, Autocratic and Democratic leadership style have a positive and significant relationship with financial performance of commercial banks in Kenya, while on the other hand, Laisez-faire leadership has a negative and significant relationship with financial performance of commercial banks in Kenya.

The study concludes that financial innovation has a significant partial intervening effect on the relationship between leadership style and financial performance of commercial banks in Kenya. Financial innovation has come via advances over time in financial instruments and payment systems used in the lending and borrowing of funds. In the current highly commoditized transaction banking market, it is critical that innovation is used to improve accessibility of banking products and services, improve the client experience and reduce operational cost for both the corporate client and the banks. Financial innovation is considered one of the key forces for the performance of banks as it has an impact on consumers, because it has the potential to improve the efficiency and profitability of the banking industry.

6.1 RECOMMENDATIONS FOR PRACTICE

This research recommends commercial banks in the country need to incorporate effective transformational and democratic leadership style as well as financial innovation and compliance in their management development programs. This will be done through staff training and development using both in-house and open training programs as well as continuing development programs. Banks should join hands with training institutions such as Kenya Institute of Bankers and Kenya School of Monetary Studies amongst others in regard to development of leadership, financial innovation and compliance modules under their training programs. This could be undertaken under a joint initiative akin to an open innovation. The foregoing will promote high levels of creativity, flexibility and innovation in major operations of the banks. Additionally, transformational leadership style will allow the management to include employee involvement in major decision-making process in the bank leading to low resistance to changes in major operations. The banks' top management shall be trained on how to adopt transformational and democratic leadership styles to improve the bank performance. This is because transformational leadership strategies allow the managers not only to motivate but also to inspire their employees leading to high staff motivation as well as productivity increase in the bank.

In order to cope with the ongoing and upcoming changes in the banking industry as well as the wider financial sector, bank managers, directors and other leaders should prepare in advance by giving additional emphasis and focus on financial innovation related research and development. They will also need to ensure that the working environment within the banks is suitable for creativity and innovation through appreciation and entertaining of different ideas arising from individual or group of employees. They will also need to establish programs and initiatives that offer both intrinsic and extrinsic reward and recognition for innovation. On the other hand, the leaders are encouraged to offer guidance during the innovation process especially in regard to ensuring that all innovation initiatives are compliant with relevant laws and regulations. They must also pay attention to their leadership style especially in regard to ensuring that their leadership style contributes to improvement of the performance of employee and then bank as a whole. In this regard, this study recommends regular evaluation of impact of leadership style on employee productivity and morale.

This study recommends establishment of research and innovation hubs within the banks that are yet to establish innovation hubs with a view to promoting creativity and innovation. Alternatively, a shared innovation hub could be established under Kenya Bankers Association to serve banks that may not have the resources to establish in-house innovation hubs. This will ensure that bank leadership recognize that financial innovation generates value for all stakeholders as well as contributes to the success of the firm. Moreover, this initiative will lead to financial innovation is conducted in a n empirical manner with inherent risks being properly evaluated and mitigated. Bank leadership should also work on the development of new financial tools and methods to keep abreast of the social, economic and technological developments that affected the financial performance of banks. Bank leadership should also deliberately conduct regular market intelligence and also ensure quick responses to the same especially with regard to innovation and review of performance of new products as well as impact of new systems and processes. It is also critical that the bank leadership identifies persons of influence who can champion and promote adoption of innovations with a view to increasing speed of adoption which in turn improves performance.

6.2 RECOMMENDATIONS ON POLICY

This study shows that there is a link between the leadership style and the establishment of a performance culture within commercial banks in Kenya. The validity of this study is upheld by the consistency with which qualities of transformational leadership and democratic leadership match the requirements of enhancing financial performance. Transformational leaders involve followers in distributive leadership through which they learn how to learn, adapt and lead change while Democratic allow for a holistic and integrated regulatory policy approach. Stakeholders within the banking industry should consider leading the sector into a non-traditional direction through an emphasis on understanding leadership behavior and its impact on results. Since leadership style can be learnt stakeholders within the banking industry should consider offering training programs to managers and directors on leadership style as a means to enhancing organizational performance. The stakeholders should also consider holding national conferences on innovative leadership models as a way of supporting creativity and innovation within the banking industry. The seminars should be geared towards open innovations as well as guiding leaders on how to apply leadership style, models and behavior as a catalyst for change, creativity and innovation.

At the policy level, Central Bank of Kenya and The National Treasury should lead government efforts geared towards ensuring that the regulatory framework is supportive of financial innovations, development of appropriate leadership skills while at the same time ensuring that the safety and soundness of the banking sector is safeguarded. Central Bank of Kenya should consider reviewing the prudential guideline on corporate governance as well as the fit and proper requirements in order to include aspects of democratic and transformational leadership. In addition, the prudential guideline on new product development could be reviewed to include a requirement for post product launch market survey with the results being shared with Central Bank. Post product launch market survey results could be used to offer insight into real impact of innovation which could be of help to both scholars and bankers.

The government should also, through deregulation, encourage linkages between commercial banks, mobile phone companies and other digital financial services firms with a view to that encouraging them to not only share infrastructure but engage in open innovation initiatives. The government should also provide incentives for research and development to researchers who

would continuously invest time and skills in generation of ideas regarding financial innovation which can cut across the banking, financial technology and communication sectors. Commercial banks should adopt the use of financial innovation to increase their financial performance. In addition, this study recommends that Central Bank of Kenya publishes more detailed statistics about the performance of various digital banking products. This may include product uptake per banks as well as growth of various products by bank. For example, while Central Bank discloses in its 2021 bank supervision report that three banks account for 90% of all agents and proceeds to disclose the number of agents for each of the 3 banks, the same report fails to disclose the other nineteen banks that have implemented agent banking as well as the number of agents for each of the banks. Publishing of detailed information will aid verification of primary data collected by researchers as well as help banks in benchmarking with competition.

6.3 SUGGESTIONS FOR FUTURE RESEARCH

The study focused on all the commercial banks in Kenya. A study on the impact of leadership style on financial performance should be conducted in other sectors of the economy settings with similar market environments for comparison of findings such as insurance companies and microfinance institutions and Sacco's. Future research can also focus on other leadership style such as ethical and servant leadership as well as other leadership theories such as leader member exchange and theory X and theory Y leadership amongst others. In addition, future research needs to look at other financial performance outcomes like organizational learning as the dependent variable. Future researchers may also consider using different constructs of financial innovation as the mediating variable to test if the findings points to a mediation effect as in the current study.

Further research can also be undertaken on the topic using a different research design like longitudinal. This study provides results for comparison. Future researchers should consider using an interview to gather data so that the emotions, behaviors and feelings of the respondents are identified. This helps identify if there is any bias in the responses that are provided in the current research.

The study was only conducted in the commercial banks yet leadership style applies across all sectors of the economy. The concept of leadership style has attracted considerable attention both nationally and internationally hence the need to expand the scope of research in this field. Carrying out the research in a different sector which has different structures of leadership style and policies may have yielded different results due to their mode of operations.

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