

Transactional Versus Transformational Leadership: Contrasting Their Impact on Employee Psychological Well-Being, Job Satisfaction, and Work-Life Balance in the Private Sector

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ABSTRACT

Leadership is the practice whereby an individual pursues influence over others and empowers, stimulates, and supervises their tasks to help accomplish organizational or group goals. In private organizations such as banks, transactional and transformational leadership styles are frequently employed. Although they are used in these sectors, their impact on employee well-being is not known. Hence this study aimed contrasting impacts of transformational and transactional leadership on employee well-being. This research adopts a mixed-methods approach, combining quantitative surveys with qualitative interviews to offer a comprehensive perspective. The findings show that transformational leadership is generally more effective in promoting positive employee wellbeing compared to transactional leadership. Transformational leadership, characterized by the leader's ability to inspire and motivate employees, provide emotional support, and foster a shared vision, was found to enhance job satisfaction and work-life balance significantly. Conversely, transactional leadership, which emphasizes structure, clear expectations, and rewards and punishments for specific performance outcomes, presented a more nuanced impact on employee well-being and job satisfaction and its focus on performance targets and extrinsic rewards was associated with increased stress among employees. However, the study also highlights some limitations of transformational leadership, particularly regarding consistent emotional support suggesting areas for improvement. The study underscores combining transformational leadership with selected transactional elements could optimize employee well-being hence banks should prioritize transformational leadership training to develop a more engaged workforce, while selectively incorporating transactional elements such as clear communication and structured rewards to enhance job satisfaction and employee well-being. Future research might explore the long-term effects of blended leadership styles across various sectors to further support these findings. This study ultimately adds to the broader understanding of leadership's role in shaping employee outcomes whilst emphasizing the importance of a balanced approach that enhances employee well-being.

Keywords: Transformational Leadership, Transactional Leadership, Psychological Wellbeing, Job Satisfaction, Work-Life balance

INTRODUCTION

Leadership is the practice whereby an individual pursues influence over others and empowers, stimulates, and supervises their tasks to help accomplish organizational or group goals. An individual who possesses such authority is referred to as a leader (Jones & George, 2016). Leadership style in an organization is one of the factors that play a significant role in enhancing or retarding the interest and commitment of the individuals in the organization (Page & Brodrick, 2009). In the private sector, where competition and the need for excellence are crucial, the well-being of employees is vital for sustaining efficiency, commitment and cultivating a favorable workplace atmosphere hence leadership plays a crucial role in this regard.

Private banks, as part of the private sector, play a crucial role in the economies of most societies and are often seen as the driving force behind national economic progress. They facilitate financial intermediation between investors, savers, businesses, and consumers, with a focus on deposit growth, security, and providing access to

capital and credit. Research by Jamaludin (2011) highlighted that transactional and transformational leadership styles are frequently employed within the banking sector. Moreover, Lawson (2012) emphasizes that strong leadership in this sector is essential for banks to endure global economic challenges while continuing to serve their customers and expand their business operations.

Transactional leadership style is mainly known for its use of rewards and punishments, emphasizing structured processes, immediate goals, and results. Leaders who employ this method typically supervise staff closely, giving clear guidance and constructive criticism to ensure goals are achieved (Judge & Piccolo, 2004). On the other hand, transformational leadership style aims to inspire and motivate staff by sharing a vision, promoting a sense of purpose, and supporting personal and professional growth. Transformational leaders are frequently recognized for their capacity to inspire confidence, encourage mental involvement, and cater to the specific requirements of their staff members (Avolio, 2011).

Although both leadership styles are well-documented, their impact on employee well-being in terms of its impact on employee psychological well-being, job satisfaction, and work-life balance in the banking sector has not been thoroughly compared. Comprehending the impacts of these leadership styles on employee well-being in the banking sector is essential for cultivating a strong, committed and driven workforce. Furthermore, while these leadership styles are theoretically different, there is not much empirical data on how they specifically impact employee well-being in the banking sector. Hence, this study aimed assessing the impact of transactional and transformational leadership styles on employee well-being with focus on psychological well-being, job satisfaction, and work-life balance in the private sector particularly the banking sector in Malawi

MATERIALS AND METHODS

Research Approach

The mixed-methods study design was used. chosen for this study to gain a well-rounded and comprehensive understanding of how transactional and transformational leadership styles impact employee wellbeing in the banking sector.

Study Site

The study was conducted at NBS Bank PLC's branches within Lilongwe. As the capital city, Lilongwe hosts three major branches of NBS Bank PLC which makes it an ideal setting to analyze how these leadership styles that are practiced with in the bank influence employee well-being (Kokemuller, 2017).

Population

A study population is a set of cases, objects or events of interest to the researcher from which he or she wants to draw a sample and to which the research findings would be generalisable (Creswell & Clark, 2018). The target population of this study included all 100 Bank tellers employed at NBS Bank PLC in Lilongwe, Malawi.

Sampling design and Sample Size

Purposive sampling was applied to choose bank branches within Lilongwe, with bank tellers from these branches as the participants. Purposive sampling is commonly used to select individuals who have direct experience with the primary phenomenon being studied. The study was intended to include 100 bank tellers as participants. However, based on respondent availability, on the day of data collection, the researcher managed to gather data from 60 participants representing 60 percent of the targeted study size.

Data collection Tools

Data collection involved semi-structured interviews and focus group discussions, chosen for their flexibility in exploring key research objectives while generating detailed qualitative insights. The interviews aim to capture participants' views on the strengths and weaknesses of their leader's leadership style in terms of the aspects of well-being and also provide recommendations on the practices they think could be improved in leadership to

better support employee psychological well-being, job satisfaction and work-life balance and how leadership practices at NBS Bank PLC be adjusted to enhance their psychological well-being, job satisfaction and work-life balance

Data Analysis

Quantitative data were analysed using the Scientific Package for Social Sciences (SPSS) software version 21. This was for the purpose of generating simple descriptive statistics in the form of frequencies, tables and graphs.

On the other hand, qualitative data that was obtained through interviews and focus group recordings was analysed thematically using colour coding. All interview and focus group recordings were transcribed verbatim to fully capture participants' responses. The researcher then reviewed the transcripts multiple times to become familiar with the content and identify emerging patterns.

Validity and Reliability

Validity was enhanced by aligning interview questions with the research objectives and using triangulation to compare data from both interviews and focus groups. Reliability was supported by maintaining consistent approaches in the interview process and data analysis, along with detailed documentation of the data collection and thematic analysis procedures to support replicability

Ethical Consideration

Ethical approval was obtained from the University of Zambia Biomedical Research Ethics Committee (UNZABREC), and informed consent was secured from all participants. Collected data were treated with strict confidentiality, used solely for the purposes of this study.

STUDY RESULTS

Demographic profile of Respondents

Table 1 shows the demographics of the respondents. Males were 53.3% as compared to female respondents who were constituting 46.7%. The demographic analysis reveals a balanced gender representation among respondents indicating no significant gender-based difference in responses (p=0.699). The average age of respondents was 30.42 years (SD=6.49), and their mean experience was 6.27 years (SD=4.89), suggesting a relatively young and moderately experienced workforce. This profile could have influenced perceptions and responsiveness to different leadership styles within the organization.

Table 1: Demographics of Respondents

Variable			P-value
Gender no (%)	Male	32(53.3)	0.699
	Female	28 (46.7)	
Age in years (mean ± SD)		30.42±6.49	0.000
Experience in years (mean ±SD)		6.27±4.89	0.000

Influence of Transformational Leadership on psychological well-being

Table 2 shows the results presenting the impact of transformational leadership on psychological well-being. The findings revealed notable differences in how leadership inspiration and motivation are perceived. 36.7% of

respondents indicated that their leader sometimes provides inspiration and motivation, and 28.3% said this occurs consistently. A p-value of 0.001 confirms that these results are statistically significant.

In terms of leaders encouraging new approaches to work challenges, 36.7% of participants reported experiencing this sometimes, and 30.0% said it happens always, with a highly significant value of 0.000.

On the other hand, on the aspect of their leaders' support for managing stress or emotional demands, responses were more balanced, with 25.0% each reporting rare or frequent support. 15.0 of the respondents indicated either never or always. The p-value of 0.558 suggests that these findings are not statistically significant, indicating no major differences in perceptions for this aspect.

In summary, while transformation leadership leads to inspiration and the encouragement of innovative work approaches show significant variation in perceptions among respondents, the support for stress management does not show significant differences and is perceived more uniformly among the respondents.

Table 2: Influence of transformational leadership on psychological well-being

Variable		Frequency	Percentage	p-value
Inspiration and motivational from the leader	Never	4	6.7	0.001
	Rarely	6	10.0	
	Sometimes	22	36.7	
	Often	11	18.3	
	Always	17	28.3	
Encouragement to find new approaches to work challenges from the leader	Never	2	3.3	0.000
	Rarely	8	13.3	
	Sometimes	22	36.7	
	Often	10	16.7	
	Always	18	30.0	
Supportive in management of stress or emotional demands by the leader	Never	9	15.0	0.558
	Rarely	15	25.0	
	Sometimes	12	20.0	
	Often	15	25.0	
	Always	9	15.0	

The Effect of Transformational Leadership on Job satisfaction

Table 3 shows the results presenting the impact of transformational leadership on job satisfaction. The findings revealed varied perceptions regarding leaders' genuine interest in employees' personal and professional growth, with 30.0% of respondents indicating "Sometimes" and 25.0% selecting "Often."

Conversely, the perception of feeling valued by the leader at work showed more pronounced differences, with 40.0% of respondents stating they "Sometimes" feel valued and 26.7% saying "Always." This aspect had a highly significant p-value of 0.000, showing significant differences.

Regarding job satisfaction related to the leader’s support in achieving full potential, responses were spread, with 28.3% choosing "Often" and 26.7% choosing "Sometimes." The p-value of 0.105 indicates that this distribution is not statistically significant, suggesting no major variations in how this support is perceived.

Overall, the findings indicate that while there are significant differences in how employees perceive being valued by their leaders and there is less variation in perceptions of leaders’ genuine interest in growth and job satisfaction related to leader support. The significant P- value for feeling valued implies that this aspect is an important area of perception, while the non-significant p-value for job satisfaction suggests that perceptions are more evenly distributed.

Table 3: Effect of transformational leadership on job satisfaction

Variable		Frequency	Percentage	P-value
Leader showing genuine interest in personal and professional growth of respondents	Never	6	10.0	0.127
	Rarely	11	18.3	
	Sometimes	18	30.0	
	Often	15	25.0	
	Always	10	16.7	
Feeling valued by the leader at the workplace	Never	3	5.0	0.000
	Rarely	4	6.7	
	Sometimes	24	40.0	
	Often	13	21.7	
	Always	16	26.7	
Job satisfaction knowing the leader helps respondent to achieve full potential	Never	7	11.7	0.105
	Rarely	7	11.7	
	Sometimes	16	26.7	
	Often	17	28.3	
	Always	13	21.7	

Effect of transformational leadership on work-life balance

Table 4 presents the impact of transformational leadership on work-life balance, the results indicate that employees generally experience some level of support from their leaders regarding work-life balance, consideration of personal needs, and encouragement to take breaks, although the degree of support varies.

The highest frequencies are in the "sometimes" category, indicating that while supportive behaviors are present, they may not be consistent across the board. The statistically significant P-values confirm that this leadership behavior has a real, measurable impact on employees' work -life balance.

Specifically, 35.0% of the respondents reported that leaders "sometimes" promote a balance between work and personal life, and 35.0% feel their personal needs are not considered during allocation of task assignments.

Similarly, 38.5% said they "sometimes" feel encouraged by leaders to take breaks. The statistically significant P-values 0.005, 0.040, and 0.003 suggest that these leadership behaviors have a meaningful impact on employees' experiences regarding work-life balance, task management, and encouragement to rest.

Table 4: The effect of transformational leadership on work-life balance

Variable		Frequency	Percentage	P-value
Leader promoting a healthy balance between work and personal life	Never	3	5.0	0.005
	Rarely	14	23.3	
	Sometimes	21	35.0	
	Often	13	21.7	
	Always	9	15.0	
Leader considering your personal needs when assigning tasks or setting deadlines	Never	7	11.7	0.040
	Rarely	9	15.0	
	Sometimes	21	35.0	
	Often	10	16.7	
	Always	13	21.7	
Feeling encouraged by the leader to take breaks or time off when needed	Never	4	6.7	0.003
	Rarely	12	20.0	
	Sometimes	23	38.5	
	Often	10	16.7	
	Always	11	18.3	

Impacts of transactional leadership on the psychological wellbeing of employees

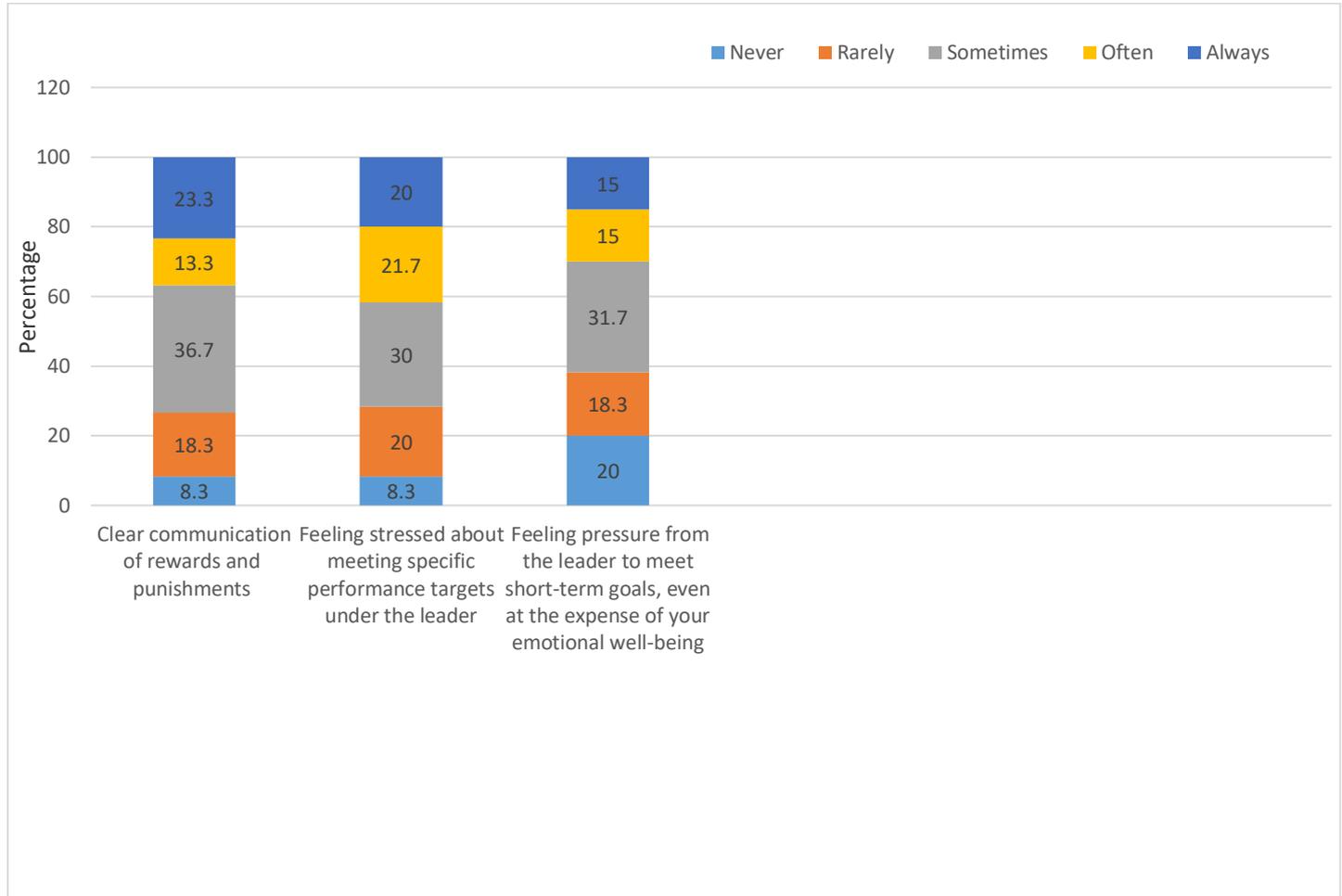
Figure 1 shows the results of the impacts of transactional leadership on employee psychological well-being. The findings pointed to varying levels of communication clarity and pressure from leadership, which contribute to workplace stress and impact employee psychological well-being.

The results highlighted mixed responses regarding leadership communication and workplace stress. For clear communication of rewards and punishments, the most common response was "Sometimes" (36.7%), with a notable portion of employees indicating "Never" (23.3%). This suggests that while clear communication occurs occasionally, many employees experience it rarely or not at all.

When it comes to stress related to meeting performance targets under the leader, 30% of respondents selected "Sometimes," with "Often" (21.7%) and "Rarely" (20%) also being common. This indicates that performance-related stress is a frequent experience but varies significantly among employees.

Regarding feeling pressured by the leader to achieve short-term goals at the expense of emotional well-being, the most frequent response was "Sometimes" (31.7%), with 20% choosing "Rarely" and 15% choosing "Always." This distribution shows that while many employees feel this pressure to some degree, the intensity varies.

Figure 1: Impacts of transactional leadership on psychological wellbeing of employees



The influence of transactional leadership on job satisfaction

Table 5 shows the influences of transactional leadership on job satisfaction. The results indicated various employee perceptions regarding feedback, reward systems, and recognition in the workplace. Overall, these findings suggest that while feedback and recognition are present, the impact of reward systems is a significant factor in employee motivation and satisfaction.

For the provision of feedback based on predefined tasks, the responses were fairly distributed, with 30% indicating they sometimes receive feedback, and a significant 20% stating they always do, although the overall significance of this feedback is low (p-value = 0.112).

In terms of reward systems, a slight majority (53.3%) reported having access to these systems, but this was not statistically significant (p-value = 0.699). However, when asked if the reward system motivates or frustrates them, a significant 41.7% felt motivated while only 11.7% felt frustrated, yielding a notable p-value of 0.002, suggesting a strong positive correlation between rewards and motivation.

Recognition also played a crucial role, with an equal split between those who have (50%) and have not (50%) received recognition. Satisfaction levels regarding recognition were variable, with a p-value of 0.000 indicating significant differences in satisfaction levels; notably, none were satisfied, while 15% reported being very satisfied.

Table 5: The influence of transactional leadership on job satisfaction

Variable		Frequency	Percentage	P-value
Provision of feedback based on the fulfillment of predefined tasks by leader	Never	5	8.3	0.112
	Rarely	11	18.3	
	Sometimes	18	30.0	
	Often	14	23.3	
	Always	12	20.0	
Availability of reward systems at workplace	Yes	32	53.3	0.699
	No	28	46.7	
Does the reward system make you feel motivated or frustrated in your job?	Frustrated	7	11.7	0.002
	Motivated	25	41.7	
		25		
Ever received any recognition or reward at workplace	Yes	30	50	1.000
	No	30	50	
If yes, how satisfied were you with the recognition or rewards you received?	Not satisfied	0	0	0.000
	Slightly satisfied	5	8.3	
	Moderately satisfied	6	10.0	
	Fairy satisfied	10	16.7	
	Very satisfied	9	15.0	

The effect of transactional leadership on work-life balance

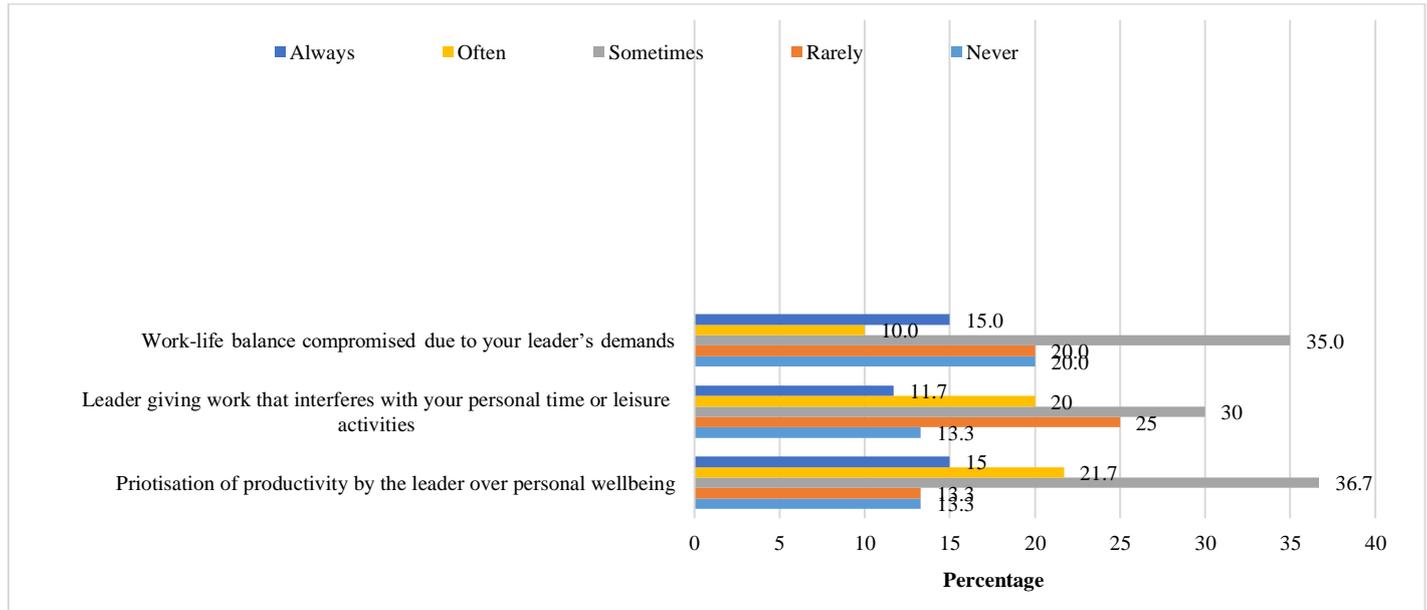
Figure 2 shows the effects of transactional leadership on work life balance. The results presented a concerning trend in the organization’s work-life balance.

A substantial proportion of respondents (35%) reported that their work-life balance is "Always" or "Often" compromised due to their leader's demands. This indicates a prevalent issue within the organization.

A considerable number of respondents (25%) indicated that their leaders "Often" or "Sometimes" give them work that disrupts their personal time or leisure activities. This suggests that their leaders do not always consider employees' personal commitments.

A significant percentage (36.7%) of respondents believed that their leaders "Often" or "Sometimes" prioritize productivity over personal wellbeing. This suggested that employees feel pressure to sacrifice their personal lives for work.

Figure 2: The effect of transactional leadership on work-life balance



Leadership Style Preferences

Table 6 reveals a clear preference for transformational leadership over transactional leadership. These findings strongly suggest that transformational leadership, characterized by qualities such as inspiration, motivation, and intellectual stimulation, has a more positive impact on psychological well-being, job satisfaction, and work-life balance than transactional leadership, which relies on rewards and punishments to motivate employees.

For psychological well-being, 86.7% of employees indicated that transformational leadership provided better support compared to just 13.3% for transactional leadership, with a statistically significant P-value of 0.000.

Similarly, 81.7% of employees associated transformational leadership with higher job satisfaction versus 18.3% for transactional, supported by the same significant P-value.

In terms of work-life balance, 88.3% favored transformational leadership, while only 11.7% preferred transactional, with a P-value of 0.000.

These preferences reinforce the notion that transformational leadership resonates more strongly with employees, particularly regarding aspects of psychological well-being, job satisfaction and

Table 6: Leadership style preference

Variable	Frequency	Percentage	P-value
Leadership style which supports psychological well-being	Transformational	52	86.7
	Transactional	8	13.3
leadership style that leads to higher job satisfaction	Transformational	49	81.7
	Transactional	11	18.3
Leadership style that contributes more positively to work-life balance	Transformational	53	88.3
	Transactional	7	11.7

Qualitative Results

Qualitative analysis was done by producing relevant themes through color coding. Results of the qualitative analysis shown below, and code book is attached as appendix.

Practices that could improve in leadership to better support employee psychological well-being, job satisfaction and work-life balance.

On practices which could be improved for psychological wellbeing, most of the respondents replied that time to rest and communication were very important. If the leaders or workplace improve on that it will be good.

“There is poor psychological well-being as the leader gives us little time to rest just focusing on productivity.”- Respondent

“Open communication and encouraging feedback.”- Respondent

On practices that could be improved to better support job satisfaction, it was revealed that rewards, communication, innovation and career development were most of the things to be improved.

“Inconsistent Feedback: A lack of constructive feedback can leave employees feeling unrecognized and uncertain about their performance, reducing job satisfaction.”-Respondent

“He rewards me when I have done a good job and when have not achieved my goals, he helps me on what I am supposed to do to get my work done.” -Respondent

“The team size enables him to provide individual coaching to us all which helps us improve our skills and knowledge and become satisfied with the shift in our skill bank.”-Respondent

On practices that could be improved for work life balance it was revealed that off duty or time to rest should not be compromised. Workers should be left to rest and respect the hours they are not supposed to work. For example, some respondents said;

“Leaders who consistently demand high performance without regard for personal time can lead to burnout and a poor work-life balance.” -Respondent

“Weakness is that when you are needed to work extra time you have to leave your personal things to work even if it was your free time.” -Respondent

Leadership practices in the organization that could be adjusted to enhance psychological well-being, job satisfaction and work-life balance

On psychological well-being, many respondents highlighted the importance of resting and recuperating. The study proved that the focus on productivity at the expense of mental breaks of the employees was seen as unfavorable to psychological well-being. Additionally, respondents stressed the need for open communication and others suggested encouragement of feedback. They believed these two could significantly improve their mental health. Some respondents also suggested that the banking sector should provide mental health therapy and team-building activities to foster team spirit. For example, some respondents replied that;

“Regular acknowledgment of employees’ efforts can boost morale and reinforce a positive self-image.”- Respondent

“Provide for in house therapist for staff to open up to about issues affecting their work or general well-being.” -Respondent

“Frequent team checkup sessions, team building sessions.” -Respondent

On how leadership practices in the banking sector could be adjusted to enhance job satisfaction, respondents indicated that inconsistent feedback and lack of recognition were seen as primary obstacles to job satisfaction. They highlighted the importance of recognizing employees' achievements and offering constructive feedback on job satisfaction. Furthermore, respondents stated that opportunities for skill development through individual coaching contribute greatly to job satisfaction. Furthermore, respondents also revealed that a less pressured work environment is essential for enhancing job satisfaction. For instance, respondents said that;

“They should award employees they have done a good job in order to motivate them when doing their work and for them to be able to achieve goals.” -Respondent

“Foster open communication by conducting regular check ins.” -Respondent

“Offer employees a work environment where there don't feel too much pressure to meet the target.” -Respondent

On how leadership practices in the banking sector could be adjusted to enhance work life balance, the results showed that a lack of respect for employees' off-duty hours was a recurring issue within the organization. Many respondents mentioned that being required to work during personal time, even when it was supposed to be their free time, was detrimental to their work-life balance. Additionally, some respondents suggested for the introduction of more flexibility in work schedules to allow a healthier balance between work and personal life. Some of the respondents said;

“Respect boundaries and avoid sending tasks off working hours.” -Respondent

“Introduce flexible work schedules to staff.” -Respondent

DISCUSSION OF RESULTS

Transformational Leadership and Employee well being

Transformational leadership has consistently been shown to positively impact employee outcomes, particularly in environments that value innovation and adaptability. Transformational leaders inspire their followers through vision, motivation, and personalized support, which aligns well with the needs of employees in competitive, fast-paced sectors such as banking.

Studies by Li et al. (2019) and Alrowwad et al. (2020) indicate that transformational leadership is particularly effective in fostering a culture of trust and open communication, which is critical for employee engagement and job satisfaction. The current study's findings echo these results, showing that employees under transformational leaders, report feeling valued and encouraged to innovate. For instance, a substantial proportion of participants indicated that they receive regular encouragement from their leaders to seek new solutions to workplace challenges, highlighting the role of transformational leadership in cultivating creativity.

Moreover, transformational leadership has been linked to increased organizational commitment, where employees are more likely to align their personal goals with those of the organization (Emon et al., 2023). This alignment is particularly beneficial in the banking industry, where strategic changes can rapidly alter work demands. The data from this study shows that transformational leadership significantly enhances job satisfaction, as employees under transformational leaders reported feeling valued, motivated, and connected to the organization's objectives. A key driver of this satisfaction appears to be the leaders' ability to foster personal and professional growth, as well as their focus on developing a positive work-life balance.

However, while transformational leaders are adept at inspiring their teams, this study also reveals some limitations in their ability to provide consistent emotional support. Although previous research by Abouraia & Othman (2017) notes that transformational leaders can often mitigate workplace stress, this study shows that emotional support from transformational leaders may vary. Only a portion of respondents indicated that their leaders always supported them in managing stress, suggesting that while transformational leadership is

impactful, its effectiveness may depend on the leaders' capacity to consistently provide emotional support across diverse teams.

Transactional Leadership and Employee well being

Transactional leadership, on the other hand, is traditionally characterized by a focus on structure, rewards, and task completion. This leadership style often thrives in environments that demand high levels of accountability and adherence to established standards.

In the banking sector, where compliance and precision are paramount, transactional leadership can help ensure operational efficiency and regulatory alignment. For instance, Sunarsi et al. (2021) and De Roeck & Farooq (2018) both argue that transactional leadership is particularly suited to industries where risk management and regulatory compliance are critical. This aligns with the findings of this study, where employees under transactional leaders reported clarity in expectations and felt that tasks were well-defined. The study found that most respondents acknowledge clear communication from their leaders regarding rewards and expectations, which aligns with transactional leadership's effectiveness in setting performance targets and delineating roles.

However, the transactional approach's focus on predefined goals and rewards may inadvertently lead to increased stress and reduced psychological well-being, as shown in this study's findings. Patton & McMahon (2014) suggests that while transactional leadership can improve task performance, it often does so at the expense of intrinsic motivation, as employees may feel more pressure to meet external expectations than to engage with their work meaningfully. In this study, many respondents indicated that they experienced stress when trying to meet performance targets under transactional leadership. This aligns with findings by Hasan et al. (2023), which suggest that transactional leadership can lead to burnout when employees perceive performance expectations as excessively demanding or unsupportive of their broader well-being.

Furthermore, the emphasis on task-oriented goals in transactional leadership can create challenges for employees seeking a work-life balance. Studies by Alrowwad et al. (2020) and Emon et al. (2023) suggest that transactional leaders are often less effective at promoting work-life balance compared to transformational leaders. This study corroborates these findings, showing that employees under transactional leadership reported higher instances of compromising personal time for work and feeling pressured to prioritize productivity over well-being. As such, while transactional leadership may facilitate high performance in the short term, it may also contribute to job dissatisfaction if employees perceive a lack of support for their holistic well-being.

Preference for Transformational Leadership over Transactional Leadership

The preference for transformational leadership over transactional leadership is strongly evident in the findings, with most respondents indicating that transformational leadership supports psychological well-being, job satisfaction, and work-life balance more effectively.

This preference is supported by the work of Sunarsi et al. (2021), who found that transformational leadership styles are more positively correlated with employee engagement and organizational citizenship behaviors than transactional styles. In this study, transformational leadership is preferred because it fosters an environment where employees feel supported, motivated, and valued, which are all critical factors for long-term job satisfaction and organizational commitment.

Additionally, research by Emon et al. (2023) and Abouraia & Othman (2017) highlights that transformational leadership enhances employee empowerment, leading to greater innovation and proactive behavior. This is particularly valuable in the banking sector, where continuous change and adaptability are necessary for competitiveness. By fostering a culture of empowerment and autonomy, transformational leaders can cultivate a resilient workforce capable of navigating complex challenges. The preference for transformational leadership in this study aligns with these findings, as employees reported feeling a stronger sense of purpose and alignment with organizational goals under transformational leaders.

Improving Psychological Well-being

The need for better rest periods and improved communication is clear. Lambert et al., (2012) mentioned that leaders must prioritize employees' mental health by ensuring breaks are not only allowed but encouraged. Furthermore, studies have shown that open communication and feedback systems can help reduce stress and build trust within teams hence improving employees psychological well – being. According to De Simone, (2014), providing access to mental health professionals, as well as regular team-building activities, could help mitigate mental strain and create a more supportive work environment.

Boosting Job Satisfaction

As observed by Morgeson et al., (2005), rewards and recognition are crucial factors in boosting employee motivation and satisfaction. Locke (2001), further states that leaders should implement consistent feedback mechanisms and celebrate employees' achievements to foster a positive work culture. Additionally, creating pathways for career growth through coaching and development opportunities will empower employees and increase their job satisfaction. Research indicates that when employees feel supported and valued, they are more likely to experience higher levels of job satisfaction and commitment (Kalliath & Brough, 2008).

Enhancing Work-Life Balance

Research has revealed that the importance of respecting boundaries and allowing employees to rest during off-duty hours and introduction of flexible work schedules could also alleviate the stress of balancing personal life with work responsibilities (Kossek et al., 2011). Leaders who respect these boundaries contribute significantly to reducing burnout and increasing overall employee satisfaction (Kalliath & Brough, 2008). Furthermore, studies have shown that employees who experience better work-life balance are less likely to experience burnout and are more productive in the long run.

CONCLUSION

The study underscores the significant role leadership styles play in shaping employee well-being within the banking sector. Transformational leadership emerges as a preferred approach due to its strong association with enhanced psychological well-being, job satisfaction, and work-life balance. By fostering innovation, personal growth, and open communication, transformational leaders create environments where employees feel valued and motivated to contribute meaningfully to organizational goals. In contrast, transactional leadership, while effective in ensuring compliance and task completion, is associated with higher stress levels and reduced holistic well-being among employees. The findings suggest that reliance on transactional leadership alone may limit employee satisfaction and organizational commitment. The study suggests that, future research should explore hybrid leadership models that combine the strengths of transformational and transactional approaches while considering diversity and inclusion's role in leadership effectiveness. These insights can guide organizations toward developing leadership practices that support both employee well-being and organizational success

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