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Leadership Styles and Organizational Performance of Mortgage Finance Companies in Kenya

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Abstract
Leadership is critical to organizational effectiveness in dynamic and highly regulated financial markets. However, sector-specific evidence on the relationship between leadership styles and organizational performance among mortgage finance companies in Kenya remains limited. This study examined the relationship between transformational and transactional leadership styles and organizational performance among mortgage finance companies in Kenya. Guided by transformational and transactional leadership theories and a positivist philosophy, the study adopted cross-sectional research design. Structured questionnaires were administered to 195 senior managers from 39 mortgage finance companies licensed by the Central Bank of Kenya. A total of 157 usable questionnaires were returned, representing a response rate of 80.5%. Data were analysed using descriptive statistics, Pearson correlation and regression analysis. Transformational leadership was positively and significantly associated with organizational performance when examined independently, explaining 48.4% of its variance (R^2 = .484, $p < .001$). Transactional leadership also demonstrated a positive and significant relationship, explaining 54.6% of the variance (R^2 = .546, $p < .001$). In the combined model, the two leadership styles explained 54.9% of the variance in organizational performance (R^2 = .549, $p < .001$). Transactional leadership remained positive and statistically significant predictor (β = .937, $p < .001$), while transformational leadership did not make a statistically significant contribution (β = -0.206, p = .303). The study concludes that transactional leadership had the stronger independent predictive contribution in the combined model. The findings highlight the importance of clear expectations, transparent rewards and performance monitoring, while recognising the potential value of transformational leadership in supporting employee motivation and development.

Introduction
Leadership remains a central topic in organizational research owing to its recognised role in shaping strategic direction, employee behaviour, innovation, and organizational performance (Den Hartog, 2019; Yukl, 2008). Despite extensive research, scholarly debate persists regarding the nature and magnitude of the relationship between leadership and organizational performance (Blanchette, 2023). Understanding this relationship is particularly important within the financial services sector, where organizations operate in increasingly dynamic, competitive, and regulated environments.

In Kenya, mortgage finance companies play a critical role in supporting housing finance and economic development. These institutions operate under unique conditions characterised by long-term financing commitments, exposure to property market dynamics, regulatory oversight, and mortgage-specific risks (Central Bank of Kenya, 2024; Kenya Mortgage Refinance Company [KMRC], 2024). Consequently, organizational performance is crucial to their sustainability, competitiveness, and ability to fulfil their economic role. Leadership practices adopted by senior managers may influence strategic decision-making, resource allocation, employee coordination, and ultimately organizational outcomes within these institutions.

Previous studies have reported significant associations between leadership styles and organizational performance in various organizational settings, including commercial banks, public institutions, and state corporations (Murabula, 2020; Mwangi et al., 2022; Kiplagat et al., 2024). However, limited empirical attention has been directed toward mortgage finance institutions, despite their distinct operational and regulatory characteristics. As such, the applicability of findings derived from other sectors remains uncertain.

Transformational and transactional leadership have emerged as two of the most widely studied leadership approaches. Transformational leadership enhances organizational outcomes by inspiring employees, fostering innovation, and aligning individual and organizational goals, whereas transactional leadership emphasises performance monitoring, accountability, and reward-based exchanges (Bass, 1985; Burns, 1978). Empirical evidence generally supports the positive contribution of both leadership styles to organizational outcomes. For example, Praneeth & Pradeep (2024) concluded that organizations achieve superior productivity and teamwork when transformational and transactional leadership practices are appropriately combined. Similarly, Mekonnen & Bayissa (2023) found that both leadership styles significantly enhanced organizational readiness for change among healthcare professionals in Ethiopia, while Febrian et al. (2023) reported that transactional leadership positively influences performance through clear expectations and reward systems. In Kenya, Kiplagat et al. (2024) established a positive relationship between transformational leadership and organizational performance in state corporations.

Despite these findings, existing evidence remains inconclusive regarding the relative effectiveness of transformational and transactional leadership. While some studies identify transformational leadership as the stronger predictor of organizational outcomes, others report greater effectiveness for transactional leadership. Furthermore, most empirical studies have been conducted in healthcare organizations, commercial banks, public institutions, state corporations, and small and medium-sized enterprises, limiting their applicability to mortgage finance institutions. Consequently, there remains limited sector-specific evidence on how transformational and transactional leadership styles relate to organizational performance within Kenya's mortgage finance sector.

This study addresses this empirical and contextual gap by examining the relationship between transformational leadership, transactional leadership, and organizational performance among mortgage finance companies in Kenya. Specifically, the study sought to examine the relationship between transformational leadership and organizational performance, determine the relationship between transactional leadership and organizational performance, and assess the joint relationship between transformational and transactional leadership styles and organizational performance among mortgage finance companies in Kenya.

Theoretical review

The study was anchored on the transformational and transactional Leadership theories.

Transformational Leadership Theory

Transformational leadership theory was first proposed by Burns (1978) and later extended by Bass (1985). The theory explains how leaders inspire and motivate followers to transcend personal interests and work towards collective organizational goals through four key dimensions: idealised influence, intellectual stimulation, individualised consideration and inspirational motivation (Bass, 1985; Khan et al. 2020). Transformational leaders serve as ethical role models, articulate inspiring visions, challenge existing assumptions, encourage innovation and creativity and provide individualised support to followers. The central premise of the theory is that leaders can transform followers' attitudes, values and aspirations in ways that align individual interest with organizational objectives, hence improving organizational effectiveness (Bass, 1985).

The theory is relevant for the present study because transformational leadership formed one of the independent variables. The transformational leadership dimensions of idealised influence, inspirational motivation, intellectual stimulation and individualised consideration provided the basis for measuring transformational leadership among senior managers of mortgage finance companies in Kenya. The theory further provides an appropriate framework for explaining how leaders can influence organizational outcomes by motivating employees, enhancing commitment, fostering innovation and aligning individual efforts with organizational goals (Yukl, 2008).

Transactional Leadership Theory

Transactional leadership theory was first proposed by Burns (1978) and later extended by Bass (1985). The theory explains leadership as a process of exchange between leaders and followers, whereby employees are motivated through clearly defined expectations, performance monitoring, rewards and corrective actions. Its central premise is that organizational effectiveness is achieved when leaders align employee behaviour with organizational objectives through structured systems of supervision, accountability and performance management (Bass ,1985). Consequently, transactional leaders establish performance standards, clarify employee roles, monitor task accomplishment, reward desired performance and intervene when performance falls below expectations.

Bass (1985) identified three principal dimensions of transactional leadership: contingent reward, active-management-by-exception and passive-management-by-exception. Contingent reward is an exchange relationship in which employees become motivated to attain organizational goals because effort is directly linked to tangible rewards and recognition (Khairy et al., 2023). Existing research suggests that contingent reward enhances employee commitment, accountability and performance by clarifying the path to goal attainment and reducing uncertainty regarding expected outcomes (Layek & Koodamara, 2024).

Management-by-exception involves corrective intervention when deviations from established standards occur (Gemeda & Lee, 2020). In its active form, leaders continuously monitor performance, identify potential problems and take corrective action before deviations become serious. Passive Management-by-exception, conversely, is characterised by intervention only after problems have occurred or performance deficiencies become evident (Hasija *et al.,* 2019).

The theory is relevant to the present study because it provides a framework for understanding how leadership behaviours centred on performance monitoring, accountability, corrective action and reward systems influence organizational performance. Additionally, it complements transformational leadership theory by highlighting the role of formal exchange relationship and performance management mechanisms in attaining organizational objectives. This perspective is applicable to mortgage finance companies because they operate in highly regulated environments characterised by stringent compliance requirements, performance targets, risk management obligations and

accountability standards. Accordingly, contingent reward and management-by-exception provide useful measures for explaining transactional leadership in this study.

Empirical review

Empirical evidence generally suggests that both transformational and transactional leadership contribute positively to organizational outcomes, although findings vary across contexts and sectors (Abbas & Ali, 2023). Existing studies have examined the independent and joint effects of these leadership styles on various organizational outcomes, including performance, change readiness, employee satisfaction, and productivity.

At the global level, Praneeth and Pradeep (2024) reviewed studies on leadership styles and organizational performance and found that transactional leadership enhances performance through monitoring, compliance, and reward systems, whereas transformational leadership promotes innovation, employee commitment, and adaptability. The review concluded that organizations achieve superior outcomes when both leadership styles are applied complementarily. However, the study was conceptual rather than empirical and therefore lacked industry-specific evidence, limiting its applicability to mortgage finance institutions.

Similarly, Febrian et al. (2023**)** conducted a literature-based review and reported that transactional leadership improves employee and organizational performance through clear expectations, performance monitoring, and contingent rewards. While the study highlighted the importance of transactional leadership, its conceptual nature limits conclusions regarding actual organizational settings and underscores the need for empirical validation within specialised sectors.

At the continental level, Mekonnen & Bayissa (2023) examined the effects of transformational and transactional leadership on organizational readiness for change among 212 healthcare professionals in Ethiopia. The findings revealed that both leadership styles significantly enhanced organizational readiness for change, although transformational leadership exerted a stronger effect ($\beta = 0.39$) than transactional leadership ($\beta = 0.15$). Despite its contribution, the study focused on healthcare organizations and change readiness rather than organizational performance, thereby limiting the generalizability of its findings to mortgage finance institutions operating in different regulatory and strategic environments.

In East Africa, Mwakajila & Nyello (2021) investigated the relationship between leadership styles and financial performance among small and medium-sized enterprises (SMEs) in Tanzania. Their findings indicated that transformational leadership and the combined application of transformational and transactional leadership positively influenced financial performance, whereas transactional leadership alone exerted a negative effect. However, the study was conducted in SMEs rather than regulated financial institutions, suggesting that its findings may not adequately reflect leadership dynamics within mortgage finance organizations characterised by different governance, compliance, and performance requirements.

Within Kenya, Murabula (2020) examined the influence of transformational, transactional, and laissez-faire leadership styles on employee job satisfaction and performance at Family Bank of Kenya. The study found that transformational leadership exerted the strongest positive influence on employee outcomes, followed by transactional leadership, while laissez-faire leadership had negative effects. Nevertheless, the study focused on a single commercial bank and emphasised employee-level outcomes rather than organizational performance, thereby limiting the generalizability of the findings to the wider mortgage finance sector.

Overall, the reviewed studies provide substantial evidence that transformational and transactional leadership are associated with positive organizational outcomes. However, notable gaps remain. First,

much of the existing literature is either conceptual or concentrated in sectors such as healthcare, SMEs, public institutions, and commercial banking. Second, findings regarding the relative effectiveness of transformational and transactional leadership remain inconclusive, with some studies identifying transformational leadership as the stronger predictor of outcomes and others reporting superior effects for transactional leadership. Third, limited empirical evidence exists regarding the joint influence of these leadership styles on organizational performance within Kenya's mortgage finance sector. The present study addresses these contextual, methodological, and empirical gaps by examining the independent and combined effects of transformational and transactional leadership on organizational performance among mortgage finance companies in Kenya.

Conceptual framework

Based on the transformational and transactional leadership theories and reviewed empirical literature, the study developed the conceptual framework shown in figure 1. The framework illustrates the hypothesised influence of transformational and transactional leadership styles on organizational performance among housing mortgage finance companies in Kenya.

Figure 1 illustrates the conceptual relationship between the study variables. Transformational leadership style measured through idealised influence, inspirational motivation, intellectual stimulation and individualised consideration, and transactional leadership style measured through contingent reward constituted the independent variables. Organizational performance, measured through profitability, new product developments and market share was the dependent variable. The framework proposes that transformational leadership style (H01) and transactional leadership style (H02) individually influence organizational performance, while both leadership styles jointly influence organizational performance (H03).

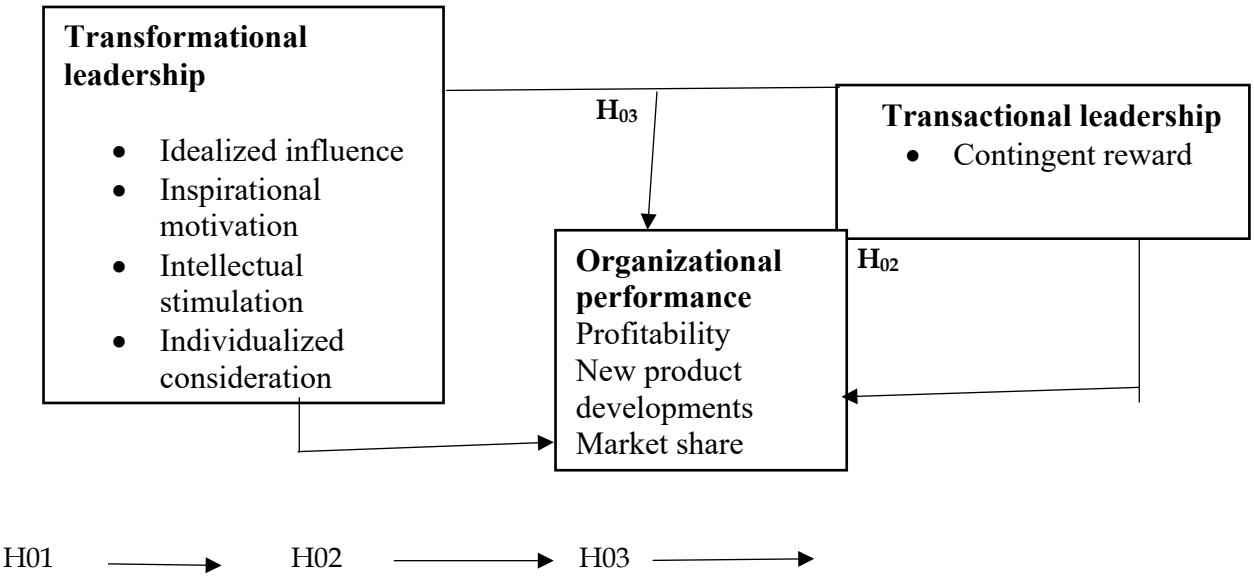

Figure 1: Study conceptual framework

Study hypotheses

H01: Transformational leadership style does not significantly influence organizational performance of mortgage finance companies in Kenya.

H02: Transactional leadership style leadership style does not significantly influence organizational performance of mortgage finance companies in Kenya.

H03: Transformational and transactional leadership styles jointly do not significantly influence organizational performance of mortgage finance companies in Kenya.

Source: Adapted from Burns (1978), Bass (1985) and Rafferty & Griffin (2004)

Methodology

Research philosophy

The study was anchored by the positivist philosophy, which holds that reality is objective and can be measured empirically (Cresswell & Cresswell, 2018). Positivism was appropriate because the study sought to test hypotheses and determine statistical relationship between leadership styles and organizational performance using quantitative data collected through structured questionnaires and analysed using correlation and regression techniques.

Research design

This study adopted a cross-sectional research design. The design involved collecting quantitative data from senior managers of mortgage finance companies in Kenya at a single point in time to examine the associations between transformational leadership, transactional leadership and organizational performance (Saunders et al., 2019). The design was considered appropriate because it facilitated hypothesis testing using statistical techniques, including correlation and regression analysis, while allowing data to be collected efficiently from a relatively large population (Cresswell & Cresswell, 2018).

While, cross-sectional designs are widely used in leadership and organizational research theory testing, they do not permit definitive causal inferences because predictor and outcome variables are measured simultaneously. Consequently, the results should be interpreted as evidence of statistically significant relationships and predictive associations rather than conclusive cause-and-effect relationships (Cresswell & Cresswell, 2018).

Target population

The target population comprised 195 senior management personnel drawn from all 39 housing mortgage finance companies licensed by the Central Bank of Kenya. The study specifically targeted heads of the departments of finance, strategy, human resource, planning and research and development. These departmental heads were deemed appropriate respondents due to their strategic responsibilities and involvement in leadership, policy formulation, decision-making and organizational performance management. The study adopted a census approach, where all the 195 senior managers across the 39 licensed mortgage finance companies were included in the study. The census method was considered appropriate because the target population was relatively small and manageable, and its use enhanced the representativeness and comprehensiveness of the study findings by eliminating sampling error (Kothari, 2004). A total of 157 valid responses were obtained, representing a response rate of 80.5% that was deemed adequate for statistical analysis and generalisation of the study findings to the population of housing mortgage finance companies in Kenya.

Sampling procedure

The study adopted a census approach, where all the 195 senior managers across the 39 licensed mortgage finance companies were included in the study. The census method was considered appropriate because the target population was relatively small and manageable, and its use enhanced the representativeness and comprehensiveness of the study findings by eliminating sampling error (Kothari, 2004). A total of 157 valid responses were obtained, representing a response rate of 80.5% that was deemed adequate for statistical analysis and generalisation of the study findings to the population of housing mortgage finance companies in Kenya.

Data collection instruments and procedure

Data were collected using a structured self-administered questionnaire comprising closed-ended items measured on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The instrument captured data on transformational and transactional leadership styles and on organizational performance and was adapted from established scales in the leadership literature to suit the context of mortgage finance companies in Kenya.

Following approval from Masinde Muliro University of Science and Technology and authorisation from the National Commission for Science, Technology and Innovation (NACOSTI), questionnaires were administered to 195 senior managers drawn from the 39 mortgage finance companies licensed by the Central Bank of Kenya. The targeted respondents were heads of finance, strategy, human resource, planning and research and development departments due to their involvement in strategic decision-making and performance management. Participants were informed about the study objectives and assured of confidentiality. Through follow-up telephone calls and physical visits, 157 usable questionnaires were obtained, representing a response rate of 80.5%. The questionnaires were screened, coded and entered in SPSS Version 27.0 for analysis.

Validity of the research instrument

The validity of the research instrument was established through content validity, whereby the questionnaire was reviewed by experts in business and management studies to assess its relevance, clarity and adequacy in measuring the study variables. Their recommendations were incorporated to refine the instrument and ensure alignment with study objectives.

Reliability of the research instrument

The reliability of the research instrument was assessed using Cronbach's alpha coefficient, which measures the internal consistency of questionnaire items. A Cronbach's alpha values of 0.70 and above are deemed acceptable for establishing internal consistency in social science research (Nunnally, 1978). Table 1 on page 12 indicates the results of reliability test results, with Cronbach's alpha values ranging from 0.710 for organizational performance to 0.819 for transformational leadership. The values exceeded the recommended threshold. These findings confirmed that the instrument was reliable and suitable for analysis.

Data analysis

Completed questionnaires were checked for completeness, coded and entered into Statistical Package for Social Sciences (SPSS) Version 27.0 for analysis. Descriptive statistics including frequencies, percentages, means and standard deviations were used to summarise the characteristics of the study variables. Prior to hypothesis testing, reliability of the study constructs was assessed using Cronbach's Alpha Coefficients. Inferential analysis was conducted to examine the relationships among the study variables. Pearson Correlation was used to determine the strength and direction of the relationship between leadership styles and organizational performance. Simple linear regression analysis was conducted to establish individual effects of transactional and transformational leadership styles on organizational performance, while multiple regression analysis was used to determine their combined influence. Statistical significance was evaluated at the 5% level and the results presented in tables and narrative interpretations.

Analytical model

The analytical model was specified as follows:

General multiple regression model:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$

Where:

Y = Organizational performance
β_0 = Constant (intercept)
β_1 = Regression coefficient for transformational leadership
β_1 = Regression coefficient for transactional leadership
X_1 = Transformational leadership
X_2 = Transactional leadership

Specific models:

Model 1: Transformational leadership and Organizational performance

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$
Where:
Y = Organizational performance
X_1 = Transformational leadership

Model 2: Transactional leadership and Organizational performance
$Y = \beta_0 + \beta_2 X_2 + \varepsilon$
Where:
Y = Organizational performance
X_2 = Transactional leadership

Model 3: Combined effects of Transformational leadership and Transactional leadership and Organizational performance:
$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$
Where:
Y = Organizational performance
X_1 = Transformational leadership
X_2 = Transactional leadership

Hypothesis testing
The study tested the following null hypotheses:

H01: Transformational leadership style does not significantly influence organizational performance of mortgage finance companies in Kenya.

H02: Transactional leadership style leadership style does not significantly influence organizational performance of mortgage finance companies in Kenya.

H03: Transformational and transactional leadership styles jointly do not significantly influence organizational performance of mortgage finance companies in Kenya.

Ethical Considerations
The researcher observed ethical research principles throughout the study process, with permission to conduct the research being obtained from relevant authorities and participating organizations. Participation was voluntary and respondents were informed about the purpose of the study before completing the questionnaires. Confidentiality and anonymity were assured and the information collected was used solely for academic purposes.

Results
The general objective of the study was to investigate the influence of leadership styles on organizational performance of mortgage finance companies in Kenya. The specific objectives were to establish the influence of transformational leadership style on organizational performance of mortgage finance companies in Kenya, to determine the influence of transactional leadership style on

organizational performance of mortgage finance companies in Kenya and to assess the combined effect of transformational and transactional leadership styles on organizational performance of mortgage finance companies in Kenya.

Descriptive statistics, reliability and correlations results

Table 1 below presents the descriptive statistics; reliability coefficients and correlations result for the study variables. The mean scores indicate the respondents generally perceived transformational leadership (M = 4.01, SD = 0.89), transactional leadership (M = 3.65, SD = 1.06) and organizational performance (M = 3.72, SD = 0.90) positively.

Table 1: Descriptive statistics, reliability coefficients and correlations

Variable	Mean	SD*	Cronbach's alpha (α)	1	2	3
Transformational leadership	4.01	0.89	.819	-		
Transactional leadership	3.65	1.06	.744	.721**	-	
Organizational performance	3.72	0.90	.710	.696**	.739**	-

Source: Research data (2026)

Cronbach's Alpha coefficients ranged from .710 to .819, exceeding the recommended threshold of .70 (Nunnally, 1978), demonstrating satisfactory internal consistency of the measurement scales. The correlation results show that both transformational leadership ($r = .696$, $p < .01$) and transactional leadership ($r = .739$, $p < .01$) were positively and significantly associated with organizational performance. Additionally, transformational and transactional leadership were positively correlated ($r = .721$, $p < .01$), suggesting that organizations exhibiting one leadership style also tended to exhibit the other.

Influence of transformational leadership on organizational performance

The study examined the influence of transformational leadership on organizational performance among mortgage finance companies in Kenya. The findings revealed a strong relationship between transformational leadership and organizational performance ($R = .696$). Transformational leadership explained 48.4% of the variation in organizational performance ($R^2 = .484$), and the regression model was statistically significant $F(1, 155 = 145.547, p < .001)$, while the regression coefficient was statistically significant ($B = .240$, $\beta = .696$, $p < .001$).

Table 2 below presents the results of the simple linear regression model for transformational leadership and organizational performance.

The null hypothesis H01 was therefore rejected.

Table 2: Simple linear regression results for transformational leadership and organizational performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.696[a]	.484	.481	3.930	.484	145.547	1	155	.000

a. Predictors: (Constant), Transform

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2247.457	1	2247.457	145.547	.000[b]
	Residual	2393.422	155	15.441		
	Total	4640.879	156			

a. Dependent Variable: Organizational Performance

Coefficients[a]

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.100	1.533		10.506	.000
	Transform	.240	.020	.696	12.064	.000

a. Dependent Variable: Organizational Performance

Source: *Research data (2026)*

Influence of transactional leadership on organizational performance

The second objective assessed the influence of transactional leadership on organizational performance. Table 3 below presents the results of the simple linear regression model for transformational leadership and organizational performance.

Table 3: Simple linear regression results for transactional leadership and organizational performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.739[a]	.546	.543	3.688	.546	186.286	1	155	.000

a. Predictors: (Constant), TransSac

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2533.155	1	2533.155	186.286	.000[b]
	Residual	2107.724	155	13.598		
	Total	4640.879	156			

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), TransSac

Coefficients[a]

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	19.827	1.093		18.135	.000
	TransSac	.787	.058	.739	13.649	.000

a. Dependent Variable: Organizational Performance

Source: *Research data (2026)*

The model summary indicates a strong positive relationship between transactional leadership and organizational performance (R = .739). The coefficient of determination of (R^2 = .546) indicates that transactional leadership explains 54.6% of the observed variation in organizational performance. The adjusted of R^2 = .543 suggests that the model explains approximately 54.3% of the variation after adjustment for the sample size and number of predictors.

The ANOVA results show that the regression model was statistically significant, F(1, 155) = 186.286, p < .001, suggesting that transactional leadership significantly predicts organizational performance compared with a model containing only the intercept.

The results provide sufficient statistical evidence to reject the null hypothesis (H02) that transactional leadership has no statistically significant relationship with organizational performance.

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Joint influence of transformational and transactional leadership on organizational performance

The third study objective examined the combined influence of transformational and transactional leadership styles on organizational performance. Table 4 presents the results of the combined regression analysis for transformational and transactional leadership with organizational performance.

Table 4: Combined Regression analysis for Transformational and Transactional Leadership with Organizational Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change
1	.741[a]	.549	.543	3.687	.549	93.719	2	154	.000

a. Predictors: (Constant), TransSac, Transform

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2547.682	2	1273.841	93.719	.000[b]
	Residual	2093.197	154	13.592		
	Total	4640.879	156			

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), TransSac, Transform

Coefficients[a]

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	21.328	1.818		11.732	.000
	Transform	-.071	.069	-.206	-1.034	.303
	TransSac	.998	.212	.937	4.700	.000

a. Dependent Variable: Organizational Performance

Source: Field Data, (2026)

The multiple regression model was statistically significant $F(2,154) = 93.719$, $p < .001$), indicating that transformational and transactional leadership jointly explain a significant proportion of variation in organizational performance. The model yielded $R2 = .549$, implying that approximately 54.9% of the variance in organizational performance was explained by the two leadership styles.

Transactional leadership demonstrated a positive and statistically significant effect on organizational performance **($B = 0.998$, $\beta = .937$, $t = 4.700$, $p < .001$)**. This finding suggests that higher levels of transactional leadership are associated with higher levels of organizational performance after controlling for transformational leadership.

Transformational leadership, on the other hand was not a statistically significant predictor of organizational performance when transactional leadership was included in the model (**$B = -0.071$, $\beta = -.206$, $t = -1.034$, $p = .303$**). The negative coefficient, should, however, not be considered as evidence that transformational leadership negatively affects organizational performance. Being that the coefficient is not statistically significant, the result merely indicates that transformational leadership did not explain additional unique variance in organizational performance beyond that already accounted for by transactional leadership. Moreover, the substantial correlation between transformational and transactional leadership ($r = .721$) suggests that the two leadership styles share considerable variance.

Discussion of findings

This study examined the relationship between transformational leadership, transactional leadership, and organizational performance among mortgage finance companies in Kenya. The findings indicate that both leadership styles were positively associated with organizational performance when examined independently. However, considered simultaneously, transactional leadership emerged as the only significant predictor, highlighting differences in the relative explanatory power of the two leadership approaches within the mortgage finance context.

The findings demonstrated a significant positive relationship between transformational leadership and organizational performance. This result is consistent with transformational leadership theory (Bass, 1985; Burns, 1978), which posits that leaders enhance organizational effectiveness by articulating a compelling vision, fostering innovation, encouraging employee development, and aligning individual and organizational goals. The findings suggest that transformational leadership behaviours may contribute to improved organizational outcomes by promoting employee commitment, engagement, and adaptability. The results are consistent with previous studies conducted in Kenya and elsewhere that reported positive associations between transformational leadership and organizational performance (Kiplagat et al., 2024; Murabula, 2020; Mwangi et al., 2022).

The study also established a significant positive relationship between transactional leadership and organizational performance. The finding supports transactional leadership theory, which emphasises the role of performance expectations, monitoring, accountability, and contingent rewards in achieving organizational objectives (Bass, 1985). In the context of mortgage finance companies, leadership behaviours that reinforce compliance, performance standards, and operational discipline appear particularly important. The finding concurs with Febrian et al. (2023) and Abbas & Ali (2023), who found that transactional leadership contributes to organizational effectiveness through structured performance management systems and reward-based exchanges. Given the highly regulated nature of mortgage finance institutions, the effectiveness of transactional leadership may reflect the sector's emphasis on risk management, accountability, and achievement of predetermined performance targets.

A notable finding emerged from the joint regression analysis. Although transformational and transactional leadership collectively explained a substantial proportion of the variation in organizational performance, only transactional leadership retained statistical significance when both variables were entered simultaneously. This suggests that transactional leadership provides greater unique explanatory power regarding organizational performance within mortgage finance companies. However, the finding should not be interpreted as evidence that transformational leadership lacks importance. Rather, the substantial positive correlation between transformational and transactional leadership indicates that the two leadership styles share considerable variance and may coexist within organizations. Consequently, some of the performance benefits associated with transformational leadership may overlap with those captured by transactional leadership in the combined model.

The finding that transactional leadership exhibited stronger explanatory power contrasts with the results of Mekonnen & Bayissa (2023), who found transformational leadership to be the stronger predictor of organizational outcomes in Ethiopian public hospitals. This divergence underscores the contextual nature of leadership effectiveness. Whereas healthcare organizations undergoing change may benefit more from vision, inspiration and empowerment, mortgage finance companies operate within environments characterised by regulatory compliance, financial accountability, performance

monitoring, and risk control. Under such conditions, leadership practices centred on goal clarity, supervision, and performance management may have a more direct relationship with organizational performance.

Overall, the findings support the view that leadership effectiveness is contingent on organizational context and environmental demands. While transformational leadership remains important for fostering employee commitment and innovation, transactional leadership appears more closely associated with organizational performance in Kenya's mortgage finance sector. The study therefore contributes to leadership literature by providing sector-specific evidence that both leadership styles are relevant, although transactional leadership demonstrates stronger explanatory power in a highly regulated financial services environment.

Implications of the study

The study findings have important implications, both for managerial practice and for theory. First, the findings of this study contribute to the growing body of leadership literature by providing empirical evidence on the applicability of transformational and transactional leadership theories within the context of mortgage finance sector in Kenya. Additionally, the study contributes to the contextualisation of leadership theory in developing economies by providing evidence from Kenya's mortgage finance sector, an area that has received limited empirical attention.

The study findings have significant implications for managers and organizational leaders within mortgage finance companies. Given that transactional leadership emerged as the strongest predictor of organizational performance, managers should place greater emphasis on leadership behaviours that promote accountability, performance monitoring, goal clarity and reward-based motivation.

The findings also have implications for policy makers, regulators and stakeholders within the financial services sector. The findings demonstrate that leadership quality significantly influences organizational performance and therefore supports the need for policies and initiatives for strengthening leadership capacity within the mortgage finance institutions.

Conclusion

The study concludes that although transformational leadership remains important in fostering innovation, employee commitment and organizational vision, transactional leadership behaviours related to accountability, performance monitoring and reward systems appear to have a stronger association with organizational performance in Kenya's mortgage finance sector. Accordingly, mortgage finance companies seeking to enhance organizational performance should emphasise leadership practices that promote clear performance expectations, effective supervision, accountability and reward-based management while simultaneously fostering employee commitment and motivation.

Based on the findings, the study recommends that mortgage finance companies should implement leadership development programmes that focus on managers' capabilities in performance management, employee supervision and accountability. Secondly, organizations should strengthen transactional leadership practices by establishing clear performance targets, transparent reward systems and effective performance monitoring mechanisms. Third, even though transactional leadership emerged as the dominant predictor of performance, organizations should not neglect transformational leadership practices. Fourth, policy makers and industry regulators may consider incorporating leadership development initiatives into sector-wide capacity-building programmes to enhance organizational effectiveness within the mortgage finance industry.

Based on the findings and limitations of this study, several areas for future research are recommended. Future researchers should investigate additional leadership approaches, including ethical leadership,

servant leadership and strategic leadership to provide broader understanding of leadership effectiveness within financial institutions.

Further studies are also encouraged to examine the moderating and mediating roles of organizational culture, organizational structure, employee engagement, organizational commitment and innovation in the relationship between leadership styles and organizational performance.

Comparative studies involving microfinance institutions, insurance firms, commercial banks may also be undertaken to establish whether leadership styles exert different influences across financial subsectors.

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APPENDIX I: QUESTIONNAIRES

SECTION A: GENERAL INFORMATION

Please mark with an X within the boxes provided indicating the category in which you fall.

A1. GENDER

Male ☐ Female ☐

A2. AGE CATEGORY

18 –25 Years ☐ 26 -40 Years ☐

41 -50 Years ☐ 51 – 60 years ☐

61-65 years ☐ above 65 Years ☐

A3. DURATION OF EMPLOYMENT IN THE ORGANIZATION

1-5 Years ☐ 6 -10 Years ☐

11 -15 Years ☐ 16 – 20 years ☐

21-25 years ☐ above 25 Years ☐

PART B: LEADERSHIP STYLE ALIGNMENT

1. **Strongly Disagree; 2- Disagree; 3- Undecided; 4- Agree; 5- Strongly agree**

Please indicate your level of agreement or disagreement, by marking with an X, on the following organizational leadership style dimensions of your organization, using the following scale i.e.:	1	2	3	4	5
Idealized Influence					
a) My supervisor promotes our organization's values and mission.					
b) My supervisor associate with staff freely, instilling a sense of pride in them.					
c) My supervisor inspires employees to adhere to organizational values.					
d) My supervisor encourages us to go beyond self-interest for the interest of the organization.					
e) My supervisor articulates well the vision of the organization.					
Inspirational Motivation					
f) My supervisor conveys hope about the future of our organization.					
g) My supervisor is always enthusiastic about what our targets are and how to achieve them.					

h)	My supervisor considers staff needs when setting departmental/organizational goals.					
i)	My supervisor expresses a clear vision for the future of our organization.					
j)	The words and actions of my supervisor make me want to go beyond my usual performance.					
Intellectual Stimulation						
k)	My supervisor seeks divergent perspectives when solving problems.					
l)	My supervisor allows employee opinions when seeking solutions to situations.					
m)	My supervisor values my input even when it differs from his own opinion.					
n)	My supervisor encourages me to explore alternative perspectives before making decisions.					
o)	My supervisor encourages me to seek continuous improvement in my role.					
Individualized Consideration						
p)	My supervisor is available for mentoring and coaching.					
q)	My supervisor shows genuine care for my personal development.					
r)	My supervisor provides support when I face challenges, both professional and personal.					
s)	My supervisor follows a delegation of task with support and encouragement.					
Contingent Rewards						
t)	My supervisor makes sure staff receive appropriate rewards for achieving performance targets.					
u)	My supervisor makes clear what staff can expect to receive, if performance meets designated standards					
v)	My supervisor communicates to me what I need to do to be rewarded for my efforts.					
w)	My supervisor always gives me positive feedback when I perform well.					
x)	My supervisor gives rewards that are fairly related to performance.					

PART F: ORGANIZATIONAL PERFORMANCE

1- Strongly Disagree; 2- Disagree; 3- Undecided; 4- Agree; 5- Strongly agree

Please indicate your level of agreement or disagreement, by marking with an X, on the following questions concerning your organization's performance, using the following scale i.e.:	1	2	3	4	5
a. Our profitability has been improving over the last five years					
b. Our market share has been improving over the last five years.					
c. Our organization consistently meets its financial targets.					
d. Our organization develops new products/services regularly.					
e. Customers are satisfied with our products/services.					

APPENDIX I SAMPLE FRAME

S/No.	ORGANIZATION	No of respondents
1.	Absa Bank Kenya Plc	5
2.	Access Bank Kenya Plc	5
3.	African Banking Corporation Limited	5
4.	Bank of Africa Kenya Limited	5
5.	Bank of Baroda (Kenya) Limited	5
6	Bank of India	5
7.	Citbank N. A. Kenya	5
8.	Consolidated Bank of Kenya Limited	5
9.	Co-operatives Bank of Kenya	5
10.	Credit Bank Limited	5
11.	Development Bank of Kenya Limited	5
12.	Diamond Trust Bank Kenya Limited	5
13.	DIB Bank Kenya Limited	5
14.	Ecobank Kenya Limited	5
15.	Equity Bank Kenya Limited	5
16.	Family Bank Limited	5
17.	First Community Bank Limited	5
18.	GuarantyTrust Bank	5
19.	Guardian Bank Limited	5
20.	Gulf African Bank Limited	5
21.	Habib Bank A. G. Zurich	5
22.	HFC Limited	5
23.	I&M Bank Limited	5
24.	KCB Bank Kenya Limited	5
25.	Kingdom Bank Limited	5
26.	Mayfair CIB Bank Limited	5
27.	Middle East Bank (K) Limited	5
28.	M-Oriental Bank Limited	5
29.	National Bank of Kenya Limited	5
30.	NCBA Bank Kenya PLC	5
31.	Paramount Bank Limited	5
32.	Prime Bank Limited	5
33.	SBM Bank Kenya Limited	5
34.	Sidian Bank Limited	5
35.	Spire Bank Ltd	5
36.	Stanbic Bank Kenya Limited	5
37.	Standard Chartered Bank Kenya Limited	5
38.	UBA Kenya Bank Limited	5
39.	Victoria Commercial Bank Limited	5
	TOTAL	195

Source: Central Bank of Kenya (2021).

*Note***:** *The five respondents on the right side of the table represents five senior managers drawn from each organization. They are heads of the departments of finance, strategy, human resource, planning and research and development. The study considers them to have the critical knowledge regarding the subject of study.*