

# The Effects of Transformational and Transactional Leadership Styles and Communication Skills on Employee Job Satisfaction in the Banking Industry, Chengdu, China

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## Abstract

This study aimed to explore the impact of (independent variables) transactional leadership style, transformational leadership style, and communication skill on (dependent variable) employee job satisfaction in the Banking industry in Chengdu, China. This research was quantitative. This research survey was observed on the non-managerial level of employees from the Banking industry in Chengdu, China. The 384 respondents participated in this study. Data were collected by using a questionnaire. The data collected were analyzed using descriptive and inferential statistics. This study found that managers' transactional and transformational leadership styles and communication skills positively influence employee job satisfaction.

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This study also found that most respondents were males (53.60%) and aged between 21-30 (44.01%). The study also explored employee behavior and found that employees wanted to become experts in their fields (33.85%) and were motivated by learning new things (41.15%). Good communication (29.95%), career opportunities (38.80%), and job facilities (29.43%) were identified as the most effective ways to improve teamwork, benefit employees, and support better work performance.

In conclusion, the study suggests that transactional and transformational leadership styles and communication skills are essential in improving employee job satisfaction in the banking industry in Chengdu, China.

**Keywords:** Transactional, transformational leadership styles, communication skills, employee job satisfaction, banking industry.

## Introduction

The development of a country's financial sector significantly impacts its industrial structure, but the specific channels through which this relationship appears remain under-researched, especially in developing countries. The Chinese banking system has a complex history of nationalization, consolidation, and modification to adapt to changing policies and conditions. The banking system was centralized under the Ministry of Finance in the early years but was later expanded and diversified to meet the needs of the reform program in the 1980s. By 1987, the banking system included several institutions, including the People's

Bank of China, the Agricultural Bank of China, and the China Industrial and Commercial Bank.

The People's Bank of China served as the country's central bank, responsible for issuing currency, controlling the money supply, and acting as the primary source of credit for economic units. The Bank of China handled all foreign exchange dealings, including allocating foreign exchange reserves, setting exchange rates, and carrying out financial transactions with foreign firms and individuals. The Agricultural Bank provided financial support to agricultural units and directed the operations of rural credit cooperatives, while the People's Construction Bank managed state appropriations and loans for capital construction. The 1980s saw significant expansion and diversification of the banking system to meet the needs of the reform program, and banking activity grew sharply during this period. The banking system included the People's Bank of China, Agricultural Bank of China, Bank of China, China Investment Bank, China Industrial and Commercial Bank, People's Construction Bank, Communications Bank, People's Insurance Company of China, rural credit cooperatives, and urban credit cooperatives.

The government has historically tightly controlled China's banking system, with all financial transactions conducted through banks. The government encouraged personal savings accounts and rural credit cooperatives, while savings banks were in urban areas. In 1995, the Chinese government introduced the Commercial Bank Law to commercialize the operations of the four state-owned banks, including

the Industrial and Commercial Bank of China (ICBC), the largest bank in China. ICBC used to be a significant supplier of funds to China's urban areas and manufacturing sector and has distinguished itself in foreign exchange and RMB clearing businesses.

In 2012, China was considering introducing a deposit insurance system as part of its projected reform of the general banking system. The introduction of deposit insurance aimed to wean banks from their close relationship with state-owned enterprises, which they strongly preferred to lend to, leaving the private sector starved for credit. Large banks, such as China's Big Four, which would not be permitted to fail in any event, would pay hefty premiums based on the volume of deposits. This would subsidize smaller banks.

In 2020, China's banking sector saw a steady expansion in total assets, with improved asset quality. The total assets of China's banking institutions climbed 10.1 percent year-on-year to RMB319.7 trillion. Their nonperforming loans ratio stood at 1.84 percent. The banking sector provided substantial financial support to the national policy goals of stabilizing the economy and guaranteeing six priorities: jobs, livelihoods, and food security. RMB loans increased by RMB19.6 trillion throughout the year, with inclusive loans to small and micro companies growing by 30.9 percent year-on-year. To guard against systematic financial risks, the banking institutions strengthened their risk defense ability by disposing of non-performing assets and setting aside a loan loss provision.

China's banking sector made significant strides in 2021 despite challenging circumstances. The total assets of commercial banks increased by 8.6%, and the non-performing loan ratio decreased by 0.11 percentage points from the previous year. The quality of credit assets remained stable, and loans effectively supported the recovery and development of the real economy. Key risks were under control, with the macro leverage ratio dropping by about eight percentage points. However, China's economic growth faces triple pressure from a demand contraction, supply shocks, and weakening expectations. Technological advancements and regulatory policy changes continue to reshape financial development and market competition, exposing the banking sector to new challenges.

To address these challenges, the banking sector must adhere to the development direction of serving the real economy, preventing and controlling financial risks, and deepening financial reform. It should explore new profit drivers in business model transformation and properly manage the relationship between asset size and quality. The sector must also attach great importance to risk prevention and controls to be fully prepared for possible worst-case scenarios. Additionally, incorporating environmental, social, and governance (ESG) requirements into every aspect of operations and management, deepening digital transformation, and investing continually in talent will be critical to achieving robust, sustainable growth.

As the COVID-19 pandemic is expected to be contained by the end of 2022, the banking sector will need to provide substantial financial

support to achieve the dual carbon goals and address climate risks. While China's banking industry benefits from favorable external factors, significant uncertainties remain in the global environment, and the sector will need to remain vigilant and adaptable to seize opportunities and address risks and challenges. The upcoming 20th National Congress of the Communist Party of China will have a far-reaching impact on the country's future economic and social development, and the banking sector will need to be prepared to navigate the changes that may result. The industry must also fulfill its corporate responsibilities and incorporate environmental, social, and governance (“ESG”) requirements into every aspect of operations and management, continue to deepen digital transformation, take advantage of digital technologies to improve the quality and efficiency of development and invest continually in talent to improve leadership and professional skills. (Deloitte, 2022)

Park and Kim (2009) suggested that managers should focus on job satisfaction, organizational commitment, and job characteristics to improve employee attitudes. In the fierce competition situation, saving costs for each organization is indispensable. It is one of the most essential methods that could enhance the organization's success. Therefore, job characteristics, job satisfaction, and organizational commitment are worth to managers to pay attention to and strive to improve. Promoting employees' positive emotions would be an effective method for managers who want to predict and control the employees' negative attitudes in the banking industry of Chengdu, China, in a timely manner.

Employee surveys, which some corporations are already accompanying, are a way to assess employee job satisfaction. However, significantly, managers ought to communicate with employees. Leaders across the organization ought to engage with employees to know their feelings and objectives and how employees' objectives can support the organization's goals, rather than assume that the organization's objectives are often transferred to workers top-down.

The HR survey has highlighted that organizations have to be compelled to make an effort much more to support challenging and fascinating work, promote the development of an excellent operating culture (e.g., through engaging workplace area, events, leadership skills), and self-growth and career opportunities (e.g., through training supported individual desires, employee career planning). For a second time, all of this could be supported by a deep understanding of what individual employees actually need.

The researcher would like to know that all factors that were studied could be applied to employee job satisfaction in the Banking industry in Chengdu, China. That means the researcher would like to comprehend how leadership behaviors can increase employee job satisfaction in the banking industry in Chengdu, China.

## Research Objectives

1. To study the relationship between transformational leadership style and employee job satisfaction in the Banking industry in Chengdu, China.
2. To study the relationship between transactional leadership style and employee job satisfaction in the Banking industry in Chengdu, China.
3. To study the relationship between managers' communication skills and employee job satisfaction in the Banking industry in Chengdu, China.

### Conceptual Framework

This article's conceptual framework portrays the relationship between the independent variables (Transactional & Transformational leadership and Communication skills) and the dependent variable (employee job satisfaction).

Previous studies mentioned that employee job satisfaction considerably depends on leadership styles. Prior research has concluded that transformational leaders can increase employee motivation and satisfaction.

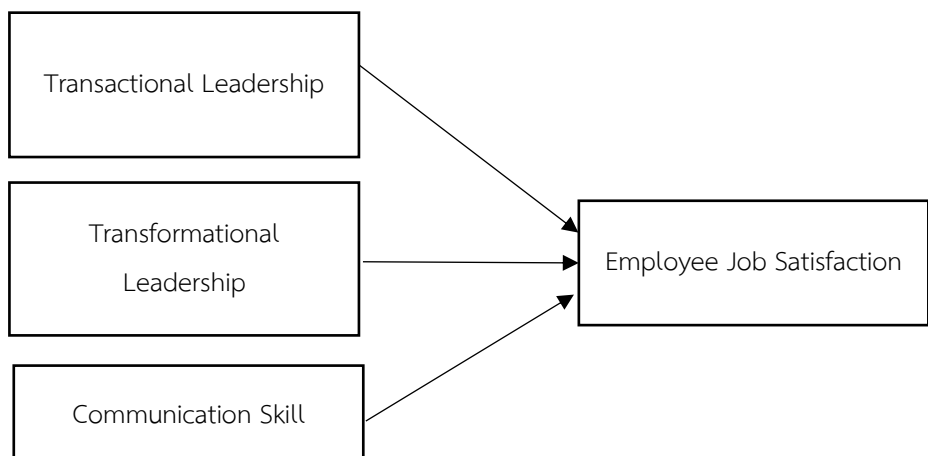


Figure1: The independent variables effect on employee job satisfaction

## Research Methods

The target population in this study was focused on employees of state-owned commercial banks with headquarters in Chengdu, China, which were quickly developing and provided many jobs in the banking industry of Chengdu, China. It included the Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), Bank of China (BOC), Agricultural Bank of China (ABC), and Postal Savings Bank of China (PSBC) in Chengdu. Therefore, the target sample was drawn from these employees.

The population could not be identified, for the sample group size in this study was computed by the sample size formula of Cochran (1977). The accepted standard is significant at a confidence level of 95% or a significance of 0.05. Hence, the size of the sample group is calculated as follows: the sample size is 384.16, based on the confidence level of 95%. Therefore, the sample group size set in 384 samples is an extraction from the population.

The researcher will design a questionnaire as the research instrument, including demographic data, employee behavior, independent variables (transactional leadership style, transformational

leadership style, and communication skill), and dependent variables (employee job satisfaction). The questions will be on nominal, ordinal, and interval scales, and the Likert scale will be used.

The study ensured the content validity of the questionnaire by submitting it to an independent study advisor and five experts in the related field. The questions were chosen and adapted based on the assessment results to ensure a consistency index value of more than 0.5 for each question. The reliability analysis aims to measure the amount of random error in the test scores and how much of it can be fixed in the scores. A high score indicates high reliability and accuracy. The reliability coefficients, which range from 0.00 (much error) to 1.00 (no error), are commonly used to specify the amount of error in the scores. According to Olorunniwo et al. (2006), the acceptable alpha value should be about 0.70. The overall Cronbach's alpha coefficient value from this questionnaire is all higher than the value of 0.70; therefore, the quality and accuracy of the questionnaire are high in reliability level, and the desirability level is excellent (Cronbach, 1951; Olorunniwo et al., 2006).

The statistical analysis involves descriptive and inferential statistics. Descriptive statistics will be used to analyze the demographic data and measure the relationship between independent and dependent variables using mean and standard deviation. Inferential statistics will test the research hypothesis using regression analysis to investigate the relationship between independent variables (Transactional and transformational leadership styles and communication skills) and

dependent variables (Employee Job Satisfaction). The acceptable p-value is set to a maximum statistical significance of 5%.

## Research Results

### Demographic of respondents

In this study, 384 employees participated. Most of the respondents were male employees 53.60 percent (N=202), aged between 21 and 30 years old 44.01 percent (N= 169), with income level less than and equal to 3000RMB by 36.46 percent (N= 140), holding a bachelor's degree by 58.07 percent (n= 223) and employment for a period is 3 to 5 years by 33.33 percent (n=128).

### For Employee behavior

Most of the employees would like to be experts in their related fields in the next five years 33.85 percent (N=130), and they got motivated by learning new things in an organization 41.15 percent (N= 158). Furthermore, most employees accepted good communication with each laborer is the most robust way to improve teamwork in an organization 29.95 percent (N=115), and also they appreciated career opportunities as benefits to them 38.80 percent (N=149) and job facilities can support the better task at work by 29.43 percent (N=113).

### For Hypothesis

**H1: There is a positive relationship between employees' perceived Transactional leadership style and job satisfaction.**

The findings revealed that Transactional leadership style (Beta= .246, Sig= .000 ≤ 0.05) is positively related to employee job

satisfaction. According to the result of hypothesis 1, there is a positive relationship between Transactional leadership style and employee job satisfaction.

**H2: There is a positive relationship between employees' supposed Transformational leadership style and job satisfaction.**

The findings showed that Transformational leadership style (Beta=.230, Sig=.022≤0.05) has a positive relationship with employee job satisfaction. According to hypothesis 2, a positive relationship exists between Transformational leadership style and employee job satisfaction.

**H3: Communication Skills of managers positively affect employee job satisfaction.**

The findings proposed that communication skills (Beta=.337, Sig=.039≤0.05) positively correlate with employee job satisfaction. According to hypothesis 3, employee job satisfaction positively affects managers' communication competencies.

## Research Discussion

**H1: There is a positive relationship between employees' perceived Transactional leadership style and job satisfaction.**

The findings revealed that Transactional leadership style is positively related to employee job satisfaction. According to the result of hypothesis 1, there is a positive relationship between Transactional leadership style and employee job satisfaction. **Omoankhanlen, J.A., Ajenka M. F., Oloda O. F. (2014).** I suppose that there is a positive

significant relationship between corporate culture, transactional leadership, and employee satisfaction in selected banks in River's state of Nigeria.

**H2: There is a positive relationship between employees' supposed Transformational leadership style and job satisfaction.**

The findings showed that the Transformational leadership style positively correlates with employee job satisfaction. According to hypothesis 2, a positive relationship exists between Transformational leadership style and employee job satisfaction. This finding is related to Saleem, H. (2015), who found that transformational leadership style positively impacts teacher job satisfaction in public sector universities of Lahore, Pakistan.

**H3: Communication Skills of managers positively affect employee job satisfaction.**

Those findings proposed that communication skills positively correlate with employee job satisfaction. According to hypothesis 3, employee job satisfaction positively affects managers' communication competencies. Udin U., Handayani S., Yuniawan A., and Rahardja E. (2019) showed that leadership styles and communication skills significantly affect employee satisfaction at three private Islamic universities in Semarang, Indonesia.

## **Suggestions**

### **Policy suggestions**

1. In every organization, middle- or upper-management-level persons should provide effective leadership behavior to guide subordinates toward achieving preferred goals.
2. Every organization needs efficient leaders to control and motivate employees to do a better job at the workplace.
3. Efficient Communication can give supervisors and subordinates good relations and support to achieve clear objectives and tasks.
4. Communication skills are necessary for management-level employees
5. Banking organizations and organizations that want to maintain sustainable development, beat rivals, and increase competition benefits must focus on employee job satisfaction through fair and effective leadership.

### **Practical suggestions**

1. Train managers to develop practical communication skills: The study found that managers' communication skills significantly impact employee job satisfaction. Therefore, organizations in the banking industry in Chengdu, China, need to invest in training their managers to improve their communication skills. This could include training on active listening, clear and concise communication, and conflict resolution.
2. Foster a transformational leadership culture: The study found that transformational leadership style positively relates to employee job satisfaction. Therefore, organizations should aim to foster a

transformational leadership culture, which involves inspiring and motivating employees to achieve their full potential. This can be achieved by empowering employees, providing feedback and recognition, and promoting a shared vision.

3. Provide career development opportunities: The study found that employees appreciate career opportunities and job facilities. Therefore, organizations should provide employees with opportunities for career development, such as training, mentoring, and job rotation programs. This can help to improve employee job satisfaction, as employees will feel valued and have a sense of direction in their career paths. Additionally, organizations should ensure adequate job facilities and support employees in performing their tasks effectively.

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