

**THE ROLE OF TRANSFORMATIONAL LEADERSHIP IN EFFECTIVE  
ORGANIZATIONAL PERFORMANCE IN STATE-OWNED  
BANKS IN RIFT VALLEY, KENYA**

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**ABSTRACT**

The banking industry has undergone a series of changes in relation to its mode of management as a way of coping with competition. Since the liberalization of the Kenyan banking industry in 1984, many players have joined the industry with very many new incentive packages to clients. State-owned banks are those banks wholly owned by the government of Kenya or those where the government owns majority stake. In today's turbulent environment, change has become synonymous with standard business practices. On the other hand, organizational performance is determined by how well leadership handles changes. The government of Kenya has initiated several programs on reforms and restructuring of public institutions including state owned organization. However, limited research has been conducted regarding Transformative leadership and organizational performance in Public institutions. Therefore the main objective of the study was to establish the role of transformative leadership on effective organizational performance. The study was conducted in all the 22 branches of Post Bank and National Banks within the Rift Valley, Kenya. The study used both primary and secondary means of collecting data by employing both qualitative and quantitative approaches with a target population of 137 employees. A questionnaire was used as instrument for data collection. Analysis involved both descriptive and inferential statistics. A regression analysis was carried out and the  $r^2$  value of 0.6374 implied that 63.7% of the variations in the effective organizational performance in state-owned banks can be explained by the variations in independent variables. Further, by quick standard error tests, the individual coefficients of the regression function were found to be significant in influencing effective organizational performance.

**KEYWORDS:** Idealized Influence, Inspirational Motivation & Organizational Performance