



THE INFLUENCE OF INSPIRATIONAL MOTIVATION ON OPERATIONAL PERFORMANCE OF TIER TWO COMMERCIAL BANKS IN KENYA

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Article DOI: <https://doi.org/10.36713/epra25339>

DOI No: 10.36713/epra25339

ABSTRACT

This study investigated the influence of inspirational motivation on the operational performance of Tier 2 commercial banks in Kenya. Operating against a backdrop of persistent challenges, including high operational costs, slow turnaround times, and declining customer retention, the role of leadership style – specifically transformational leadership dimensions – was examined as a potential underlying factor. Inspirational motivation (IM) is defined as the leader's ability to communicate a compelling vision and encourage commitment to organizational goals. The study employed a descriptive research design, collecting quantitative data from a sample of 215 employees across Tier 2 banks. Quantitative data were analyzed using correlation and multiple regression. Descriptive findings indicated high levels of inspirational motivation behaviors among leaders. Correlation analysis revealed a strong, positive, and significant relationship between inspirational motivation and operational performance ($r = .761, p < .001$). Furthermore, regression analysis identified inspirational motivation as the strongest predictor of operational performance ($\beta = .432, p = .000$). The study concluded that inspirational motivation is the most influential driver of operational performance, greatly enhancing outcomes such as turnaround time, customer retention, cost efficiency, and internal process effectiveness.

KEY WORDS: Inspirational Motivation, Operational Performance, Transformational Leadership, Tier 2 Commercial Banks, Kenya, Financial Sector.

INTRODUCTION

Leadership is recognized globally as a critical determinant of organizational success, guiding individuals and teams toward common objectives. In dynamic and highly competitive environments, such as the Kenyan financial sector, transformational leadership has emerged as an impactful model for shaping organizational outcomes. Transformational leadership is characterized by four dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. This study focused specifically on inspirational motivation, which reflects a leader's ability to articulate a compelling vision and encourage followers to commit to higher organizational goals. Leaders demonstrating inspirational motivation often set clear goals and foster a sense of purpose that enhances team morale and cohesion.

The operational performance (OP) of financial institutions remains a central concern, measured by the organization's capacity to efficiently convert inputs into outputs that meet institutional objectives. Key indicators of operational performance in the banking sector include cost efficiency, service quality, turnaround time, internal process effectiveness, and customer retention. In Kenya, Tier 2 commercial banks occupy a strategic, mid-sized position, collectively holding around 16.29% of the market share as of 2024. These banks play a vital role, particularly in serving small and medium-sized enterprises (SMEs) and promoting financial inclusion. However, they face distinctive challenges, including intense competition from Tier 1 banks and pressures to maintain consistent digital service efficiency and low operational costs.

Although transformational leadership is acknowledged as a driver of performance, limited empirical evidence existed regarding the specific effect of its dimensions, such as inspirational motivation, on mid-sized banks in Kenya. Prior research often focused on large banks or institutions like SACCOs. This study aimed to address this contextual gap by determining the influence of inspirational motivation on operational performance in Tier 2 commercial banks in Kenya.

Supporting Theory

The study was primarily anchored on the Transformational Leadership Theory, proposed by Bass (1985). This theory explains how leaders inspire and motivate followers to surpass expectations by transforming their beliefs and objectives. Inspirational motivation is a fundamental component of this theory, alongside idealized influence, intellectual stimulation, and individualized consideration. The theory asserts that transformational leaders inspire and motivate followers through the promotion of innovation, the cultivation of commitment, and the establishment of a shared purpose. The justification for anchoring the study on this theory is that it offers a clear framework for understanding how inspirational leadership behaviors affect organizational performance, especially in the competitive and dynamic market of Kenyan Tier 2 banks.

The dependent variable, operational performance, was underpinned by the Resource-Based View (RBV). RBV posits that an organization's sustained competitive advantage stems from efficiently employing valuable, rare, inimitable, and non-



substitutable (VRIN) resources. Transformational leadership, including inspirational motivation, serves as a significant intangible asset that improves other resources like employee performance, innovation, and service delivery, all essential for superior operational performance in commercial banks.

HYPOTHESIS

The study sought to test the following null hypothesis related to inspirational motivation:

H₀: *Inspirational Motivation has no significant influence on the operational performance of Tier 2 commercial banks in Kenya.*

DATA METHODS

The study utilized a descriptive research design, which was appropriate for systematically collecting and presenting data to

clarify the relationship between transformational leadership factors and operational outcomes in Tier 2 commercial banks. The target population consisted of 463 employees across Tier 2 commercial banks in Kenya. Using the Yamane (1967) formula, a sample size of 215 was determined, which was distributed among senior management, middle management, and operational staff. A stratified random sampling technique was employed to ensure proportional representation across these management tiers.

Data were collected using structured questionnaires featuring Likert-scale items (1 to 5) designed to measure inspirational motivation behaviors and various operational performance indicators. The instrument's reliability was assessed using Cronbach's alpha during a pre-test phase. Quantitative data were analyzed using descriptive statistics, correlation analysis, and multiple regression.

DESCRIPTIVE STATISTICS

Table 1: Descriptive statistics on inspirational motivation leadership behaviors.

Statement	SD (%)	F (%)	D (%)	N (%)	F (%)	A (%)	SA (%)	F	Mean	Std Dev.
1. Leaders in my bank articulate a compelling vision of the future.	4 (2.1%)	2 (1.0%)	7 (3.6%)	62 (32.1%)	118 (61.1%)			4.49	4.49	0.80
2. Bank management inspires employees to exceed expectations.	0 (0.0%)	7 (3.6%)	18 (9.3%)	147 (76.2%)	21 (10.9%)			3.94	3.94	0.59
3. Motivational communication from leadership fosters a sense of purpose in my work.	1 (0.5%)	4 (2.1%)	40 (20.7%)	88 (45.6%)	60 (31.1%)			4.05	4.05	0.81
4. Leadership encourages optimism and positivity, even during challenging times.	0 (0.0%)	5 (2.6%)	7 (3.7%)	109 (57.4%)	69 (36.3%)			4.27	4.27	0.66
5. My manager sets high standards and communicates confidence in our ability to meet them.	0 (0.0%)	0 (0.0%)	6 (8.5%)	28 (39.4%)	37 (52.1%)			4.44	4.44	0.65
6. I feel energized and driven by the strategic goals shared by our leaders.	1 (0.5%)	5 (2.6%)	9 (4.7%)	78 (40.4%)	100 (51.8%)			4.40	4.40	0.74

Source: Research, (2025)

The above descriptive statistics revealed that employees highly perceived their leaders as inspirational and effective in articulating organizational direction such as a compelling vision communication, setting high standards and goals and fostering sense of purpose.

The results showed strong endorsement (mean of 4.49) that their leaders articulated a compelling vision of the future, with 61.1% strongly agreeing and 32.1% agreeing. This implied that there was visionary leadership that was effectively communicated and this resonated with employees.

This Leadership was found to strongly encourage optimism and positivity (with mean of 4.27), with 57.4% agreeing and 36.3%

strongly agreeing, suggesting that leaders that fosters emotional resilience.

These Leaders were also perceived as effectively setting high standards and communicating confidence in employees' abilities (a mean of 4.44), with 52.1% strongly agreeing. Employees also reported feeling energized and driven by strategic goals shared by leaders (mean 4.40).

Additionally, Motivational communication from leadership generally fostered a sense of purpose (with a mean of 4.05) in employees' work.



Table 2: Descriptive statistics results for operational performance indicators

Statement	SD F (%)	D F (%)	N F (%)	A F (%)	SA F (%)	Mean	Std Dev
The bank provides customer services within an acceptable turnaround time.	0 (0.0%)	2 (1.0%)	1 (0.5%)	116 (60.1%)	74 (38.3%)	4.36	0.55
I am satisfied with the bank’s ability to retain customers over time.	0 (0.0%)	2 (1.0%)	6 (3.1%)	53 (27.5%)	132 (68.4%)	4.63	0.60
The bank has effectively reduced operational costs while maintaining service quality.	0 (0.0%)	1 (0.5%)	13 (6.7%)	114 (59.1%)	65 (33.7%)	4.26	0.60
Digital transaction volumes in the bank have significantly increased in recent years.	0 (0.0%)	1 (0.5%)	30 (15.5%)	70 (36.3%)	92 (47.7%)	4.31	0.75
The bank’s internal business processes are efficient and support smooth service delivery.	0 (0.0%)	0 (0.0%)	14 (7.3%)	13 (6.7%)	166 (86.0%)	4.79	0.56
The bank’s adoption of digital platforms has improved the speed and efficiency of transactions.	0 (0.0%)	2 (1.0%)	1 (0.5%)	73 (37.8%)	117 (60.6%)	4.58	0.56

Source: Research Data, (2025)

The descriptive results under operational performance indicated that Tier 2 commercial banks generally exhibited high levels of operational performance across measured indicators such as internal process efficiency, customer retention and service speed, digital adoption and cost management.

The highest score was recorded for the perception that the bank’s internal business processes are efficient and support smooth service delivery, resulting in a very high mean of 4.79, with 86.0% strongly agreeing.

There was strong confidence in the bank’s ability to retain customers over time (mean 4.63), and satisfaction with the timely provision of customer services within an acceptable turnaround time (mean 4.36).

Respondents reported that the adoption of digital platforms enhanced transaction speed and efficiency (mean 4.58). Furthermore, the banks were perceived to have effectively reduced operational costs while maintaining service quality (mean 4.26), and digital transaction volumes had significantly increased (mean 4.31).

Data Analysis

The data analysis process began with cleaning and coding, utilizing the IBM Statistical Package for the Social Sciences (SPSS). The overall response rate achieved was 89.77%, which is considered highly satisfactory and minimizes non-response bias, thereby enhancing the dependability of the collected data.

Variables	Pearson Correlation (r)	Sig. (2-tailed)
Inspirational Motivation and Operational Performance	0.761	0.000

The Pearson coefficient of $r = .761$ ($p < .001$) suggests that higher levels of inspirational motivation behaviors, such as clear goal communication and morale-building, are strongly associated with superior operational outcomes. This strong correlation implies that inspirational motivation contributes meaningfully to improved employee performance and service delivery in Tier 2 commercial banks.

Reliability Testing: The measurement instrument for Inspirational Motivation achieved a high Cronbach’s Alpha value of 0.846, indicating strong internal consistency and confirming that the items assessing motivational communication, encouragement, and shared vision were reliable for statistical analysis.

Diagnostic Tests: Before regression analysis, diagnostic tests confirmed the model’s suitability. The Durbin–Watson statistic (1.443) fell within the acceptable range of 1.0 to 3.0, suggesting the absence of serial correlation and that the residuals were independent. Multicollinearity diagnostics showed that the Variance Inflation Factor (VIF) for all independent variables, including inspirational motivation, fell below the conventional threshold of 10, indicating acceptable levels of shared variance among the predictors. Additionally, the Normal P–P Plot of standardized residuals confirmed that the residuals approximated a normal distribution, ensuring the reliability of the regression estimates.

Correlation Analysis

Correlation analysis was conducted to examine the linear relationship between inspirational motivation and operational performance. The results demonstrated a strong positive and statistically significant correlation between inspirational motivation and operational performance.

Regression Analysis and Hypothesis Testing

Multiple linear regression analysis was used to assess the specific contribution of inspirational motivation to operational performance, alongside the other transformational leadership dimensions.



The overall regression model was statistically significant ($F = 182.200$, $p = .000$) and highly predictive, explaining 79.5% of the variance in operational performance ($R\text{ Square} = .795$).

Regression Coefficients for Inspirational Motivation:

Model	Unstandardized Coefficients (B)	Standardized Coefficients (Beta)	t	Sig. (p)
Inspirational Motivation	0.432	0.400	7.275	0.000

Hypothesis Testing

The regression results showed that inspirational motivation had a high t-value (7.275) and a p-value of .000. Since the p-value (.000) is far below the significance threshold of .05, the study led to the rejection of the null hypothesis (H_0 : Inspirational Motivation has no significant influence on the operational performance of Tier 2 commercial banks in Kenya). Inspirational motivation was found to be the strongest predictor in the model, indicated by the highest standardized beta coefficient ($\beta = .400$). The unstandardized coefficient ($B = .432$) suggests that a one-unit increase in inspirational motivation leads to a 0.432 increase in operational performance, holding all other factors constant. This significant influence confirms that leaders who inspire, communicate clear goals, and foster optimism greatly enhance employee engagement and performance outcomes in banking operations.

SUMMARY OF FINDINGS

Descriptive analysis showed that bank leaders strongly articulate a compelling vision (Mean = 4.49) and inspire employees to exceed expectations (Mean = 3.94), reflecting a leadership climate that promotes enthusiasm and shared purpose. The strong positive correlation ($r = .761$) established a robust link between motivational leadership and favorable operational outcomes. Most critically, regression analysis confirmed that inspirational motivation was the most substantial driver among all transformational leadership dimensions, providing the largest unique contribution to the prediction of operational performance ($\beta = .400$). This strong predictive power implies that inspirational motivation is essential for improving workflow coordination, customer satisfaction, and operational reliability in Tier 2 banks. Overall, the study established that inspirational motivation greatly enhances operational outcomes through employee enthusiasm, shared purpose, and heightened commitment.

CONCLUSION

The study concludes that inspirational motivation is the most influential dimension of transformational leadership driving operational performance in Tier 2 commercial banks in Kenya. Leaders who articulate a compelling vision, inspire commitment, and encourage optimism significantly improve operational efficiency and service delivery. The findings empirically support the conclusion that inspiring leadership energizes employees, strengthens teamwork, and enhances responsiveness to customer and operational demands. Therefore, cultivating inspirational leadership is vital for achieving high operational standards and competitive advantage in this competitive segment of the banking sector.

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