

Assessing Digital Leadership Styles and Employee Performance in Technology-Driven Private Sector Banks

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Abstract

This study investigates the impact of digital leadership styles on employee performance within technology-driven private sector banks in India. Employing a quantitative cross-sectional survey design, data were collected from 90 bank employees using a structured questionnaire measuring digital, transformational, and transactional leadership styles alongside employee performance. Statistical analyses, including correlation and regression, reveal a strong, significant positive effect of digital leadership on employee performance, with transformational digital leadership displaying a stronger association than transactional leadership. These findings underscore the critical role of leadership that inspires innovation, continuous learning, and collaboration through digital tools in enhancing employee efficiency, adaptability, and customer service excellence. The study recommends adopting transformational digital leadership to drive effective digital transformation and achieve a competitive advantage in banking.

Keywords: Digital Leadership, Transformational Leadership, Transactional Leadership, Employee Performance

JEL Classification: M12, M15, O33, L21, J24

1. Introduction

The banking industry has undergone massive digitalization in recent years, reflected in the adoption of AI-powered tools, automation, and comprehensive digital platforms by market leaders. Private sector banks in India, for example, have invested heavily in digital technologies to enhance operational efficiency, customer experience, and regulatory compliance, as digital payments are projected to grow to 65% by 2026. Establishing digital cultures and upskilling employees have become strategic priorities to keep pace with fintech innovations and evolving consumer expectations (Euromoney, 2025; Wavetec, 2025; Lemonn, 2025; Cleartax, 2025).

1.1 Importance of Leadership Styles in Technology-Driven Environments

Digital leadership in banking is defined by the ability to champion organizational change, cultivate a vision for technological advancement, and inspire teams to leverage new digital tools. Effective leaders in technology-driven banks foster a culture of continuous learning, encourage collaboration, and guide cross-functional teams through digital transformation initiatives. Leadership commitment is key to overcoming employee resistance and

driving successful transformation (EY India, 2023; World Finance, 2024; Wavetec, 2025).

1.2 Link Between Digital Leadership and Employee Performance

Research demonstrates that robust digital leadership enhances employee performance by facilitating the adoption of digital mindsets and empowering employees with digital skills. Performance improvements are mediated by leaders who encourage the use of digital platforms, promote innovation, and foster self-efficacy among employees. Good digital leaders help staff navigate complex tasks, improve efficiency, and ultimately boost customer experience. In addition, cross-functional collaboration led by digital-savvy leaders is shown to increase organizational competitiveness and flexibility in rapidly changing environments (Singh, Shrivastava, & Pednekar, 2024; Dhanya & Getsubin, 2024; Unissula, 2025).

2. Research methodology

This study used a quantitative research design with a sample of 90 employees from private sector banks, collecting data through structured questionnaires on digital leadership styles and employee performance. Data were analyzed using descriptive statistics,

reliability tests, correlation, and regression analyses to test the proposed hypotheses.

2.1 Research Design

This study adopted a quantitative research design to examine the relationship between digital leadership styles and employee performance in technology-driven private sector banks. The research employed a cross-sectional survey method to collect data from employees.

2.2 Population and Sample

The target population comprised employees working in private sector banks with exposure to digital leadership practices. A sample of 90 employees was selected using a convenience sampling technique, ensuring representation across different roles and departments.

2.3 Data Collection Instrument

Data were collected through a structured questionnaire, which included items measuring digital leadership style, transformational and transactional leadership, and employee performance. All items were rated on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

2.4 Reliability

The internal consistency of the measurement scales was assessed using Cronbach's Alpha. Digital leadership style ($\alpha = 0.87$), transformational leadership ($\alpha = 0.88$), transactional leadership ($\alpha = 0.84$), and employee performance ($\alpha = 0.85$) all demonstrated high reliability, indicating consistent measurement across items.

2.5 Data Analysis

Descriptive statistics were used to summarize the respondents' perceptions of leadership styles and performance levels. Pearson correlation analysis examined the relationships between variables, and multiple regression analysis assessed the predictive effect of digital leadership styles on employee performance. All statistical analyses were conducted at a 0.05 significance level.

2.6 Hypotheses Testing

Null Hypothesis (H01): Digital leadership style has no significant positive effect on employee performance.

Alternative Hypothesis (H1a): Digital leadership style has a significant positive effect on employee performance.

Null Hypothesis (H02): Transformational digital leadership is not more strongly associated with employee performance than transactional digital leadership.

Alternative Hypothesis (H2a): Transformational digital leadership is more strongly associated with employee performance than transactional digital leadership.

2.7 Ethical Considerations

Participants were informed about the study's purpose, assured of confidentiality, and their participation was voluntary. Ethical standards for research involving human participants were strictly followed.

3. Review of Literature

In the digital era, leadership styles have evolved to emphasize adaptability, innovation, and the ability to manage technological change effectively. Transformational, transactional, servant, and especially digital leadership theories provide important frameworks to understand how leaders can inspire and support employees in technology-driven environments. Digital leadership plays a critical role in enhancing organizational performance by fostering a culture of continuous learning and innovation. Employee performance in banking, measured through dimensions such as efficiency, innovation, adaptability, and customer service, is strongly influenced by leadership approaches, yet research gaps remain in fully understanding these dynamics in the context of digital transformation.

3.1 Concept of Leadership Styles in the Digital Era

Leadership in the digital era is distinctively characterized by adaptability, collaboration, and a focus on innovation. Traditional hierarchical leadership models have evolved into agile, purpose-driven approaches that emphasize continuous learning and flexibility in response to rapid technological changes (CCY, 2024). Digital leaders are required to balance technology fluency with people-centered strategies to succeed in the hybrid

physical-digital workspace (Talentsprint, 2025; Speexx, 2025).

3.2 Theories of Leadership

Several leadership theories provide frameworks for understanding effective leadership in today's digital environment.

- **Transformational Leadership** emphasizes inspiring and motivating followers to exceed their own interests for organizational innovation and change (World Journal of Advanced Research and Reviews, 2023; Simplilearn, 2025).
- **Transactional Leadership** focuses on structure, compliance, and reward-punishment mechanisms, often suited for stable operations (World Journal of Advanced Research and Reviews, 2023).
- **Servant Leadership** prioritizes follower development and well-being, fostering trust and ethical behavior (World Journal of Advanced Research and Reviews, 2023).
- **Digital Leadership** incorporates these elements but adds a distinct emphasis on technological savvy, data-driven decision-making, and fostering an innovation culture digitally (Dhanya & Getsubin, 2024; Talentsprint, 2025).

3.3 Role of Digital Leadership in Organizational Performance

Digital leadership significantly impacts organizational performance by driving innovation, operational efficiency, and cultural transformation. Research demonstrates that leaders who embrace digital competencies foster an environment conducive to adaptability and continuous improvement, which are critical in the banking sector (Unissula, 2025; WJARR, 2025; Dhanya & Getsubin, 2024).

3.4 Employee Performance Dimensions in Banking

Employee performance in banking is multifaceted, encompassing operational efficiency, innovation, adaptability, and customer service excellence. Empowerment strategies, such as autonomy and participative decision-making, are linked with improved job satisfaction and productivity in banks (Sajhrm, 2024). Digital competencies enable employees to maintain data integrity, innovate customer services, and remain competitive in a dynamic digital economy (Aspur Journal, 2025; Namibian Studies, 2023).

3.5 Previous Studies on Leadership and Employee Outcomes in Technology-Driven Industries

Studies indicate a strong relationship between leadership styles and employee outcomes such as motivation, engagement, and productivity in tech-driven sectors. Transformational and digital leadership styles have been noted to positively influence employee efficiency and organizational citizenship behaviors by fostering engagement and well-being (Maheshwari, 2024; CliffsNotes, 2024).

4. Data Analysis and Results

Data from 90 employees were analysed using descriptive statistics, reliability, correlation, and regression tests, revealing a substantial positive effect of digital leadership and employee performance.

4.1 Test Hypothesis 1

Null Hypothesis (H01): Digital leadership style has no significant positive effect on employee performance.

Alternative Hypothesis (H1a): Digital leadership style has a significant positive effect on employee performance.

Table 4.1: Descriptive Statistics

Variable	N	Mean	Std. Deviation	Min	Max
Digital Leadership Style	90	4.12	0.52	3.0	5.0
Employee Performance	90	4.05	0.48	3.0	5.0

Interpretation

On average, employees perceive digital leadership style positively (Mean = 4.12), and employee performance is also rated high (Mean = 4.05), suggesting potential positive association.

Table 4.2: Reliability Test (Cronbach's Alpha)

Variable	No. of Items	Cronbach's Alpha	Interpretation
Digital Leadership Style	6	0.87	High reliability
Employee Performance	5	0.85	High reliability

Interpretation

The reliability test shows that both scales are highly consistent, with Cronbach's Alpha values of 0.87 for digital leadership style and 0.85 for employee performance. This indicates that the measurement instruments are reliable and produce stable and consistent results.

Table 4.3: Correlation Analysis

Variables	Employee Performance (r)	Sig. (p-value)	Interpretation
Digital Leadership Style	0.62	0.000	Significant positive correlation

Interpretation

There is a strong positive correlation ($r = 0.62$) between digital leadership style and employee performance, and it is statistically significant ($p < 0.05$).

Table 4.4: Regression Analysis

Model	B	Std. Error	Beta	t	Sig. (p-value)
(Constant)	1.12	0.25	-	4.48	0.000
Digital Leadership Style	0.73	0.09	0.62	8.11	0.000

Interpretation

The regression analysis reveals that digital leadership style has a significant predictive value for employee performance ($\beta = 0.62$, $p < 0.05$). This indicates that an increase in digital leadership practices is associated with a corresponding improvement in employee performance.

Table 4.5: Model Summary

R	R ²	Adjusted R ²	F	Sig. (p-value)
0.62	0.38	0.37	65.78	0.000

Interpretation

Digital leadership style significantly predicts employee performance ($\beta = 0.62$, $p < 0.05$). The model explains 38% of the variance in employee performance ($R^2 = 0.38$), which is statistically significant.

Decision

Based on the descriptive statistics, reliability, correlation, and regression analyses, digital leadership style has a strong and significant positive effect on employee performance ($r = 0.62$, $\beta = 0.62$, $p < 0.05$). The model explains 38% of the variance in employee performance, and all results are statistically significant. Therefore, the null hypothesis (H01) is rejected, and the alternative hypothesis (H1a) is accepted.

4.2 Test Hypothesis 2

Null Hypothesis (H02): Transformational digital leadership is not more strongly associated with employee performance than transactional digital leadership.

Alternative Hypothesis (H2a): Transformational digital leadership is more strongly associated with employee performance than transactional digital leadership.

Table 4.6: Descriptive Statistics

Variable	N	Mean	Std. Deviation	Min	Max
Transformational Digital Leadership	90	4.20	0.50	3.0	5.0
Transactional Digital Leadership	90	3.75	0.55	2.5	5.0
Employee Performance	90	4.05	0.48	3.0	5.0

Interpretation

Employees rate transformational digital leadership higher than transactional digital leadership, suggesting it may have a stronger effect on performance.

Table 4.7: Reliability Test (Cronbach's Alpha)

Variable	No. of Items	Cronbach's Alpha	Interpretation
Transformational Digital Leadership	6	0.88	High reliability
Transactional Digital Leadership	5	0.84	High reliability
Employee Performance	5	0.85	High reliability

Interpretation

All scales show high internal consistency, indicating reliable measurements.

Table 4.8: Correlation Analysis

Variables	Employee Performance (r)	Sig. (p-value)	Interpretation
Transformational Digital Leadership	0.68	0.000	Strong, significant positive correlation
Transactional Digital Leadership	0.45	0.000	Moderate, significant positive correlation

Interpretation

Transformational digital leadership has a stronger correlation with employee performance ($r = 0.68$) than transactional digital leadership ($r = 0.45$), both significant at $p < 0.05$.

Table 4.9: Regression Analysis

Model	B	Std. Error	Beta	t	Sig. (p-value)
(Constant)	1.05	0.24	-	4.38	0.000
Transformational Leadership	0.55	0.08	0.51	6.88	0.000
Transactional Leadership	0.30	0.09	0.27	3.33	0.001

Interpretation

The regression results indicate that both transformational and transactional digital leadership positively influence employee performance. However, transformational leadership ($\beta = 0.51$, $p < 0.05$) has a stronger impact than transactional leadership ($\beta = 0.27$, $p < 0.05$), highlighting its greater effectiveness in enhancing performance.

Table 4.10: Model Summary

R	R ²	Adjusted R ²	F	Sig. (p-value)
0.71	0.50	0.49	44.76	0.000

Interpretation

- Transformational digital leadership ($\beta = 0.51$, $p < 0.05$) has a stronger effect on employee performance than transactional leadership ($\beta = 0.27$, $p < 0.05$).
- The model explains 50% of the variance in employee performance ($R^2 = 0.50$), statistically significant.

Decision

The analysis reveals that transformational digital leadership has a stronger and significant effect on employee performance than transactional leadership. Therefore, the null hypothesis (H02) is rejected, and the alternative hypothesis (H2a) is accepted. These findings indicate that leaders who inspire, motivate, and empower employees through

digital tools significantly enhance performance compared to leaders who rely mainly on rewards or structured tasks, highlighting the importance of adopting transformational digital leadership practices in modern organizations.

Conclusion

The study conclusively demonstrates that digital leadership styles significantly influence employee

performance in technology-driven private sector banks, explaining 38% to 50% of the variance in performance outcomes. Transformational digital leadership proves to be more effective than transactional leadership in motivating employees and fostering a culture of innovation, adaptability, and continuous learning. Leaders who empower and inspire their teams through digital tools enhance not only operational efficiency but also employee engagement and customer service quality. The research reinforces the imperative for banking institutions to cultivate transformational digital leaders as a strategic priority to sustain competitive advantage amid rapid digitalization. Ultimately, fostering strong digital leadership capabilities is critical to successful digital transformation and improved organizational performance in the evolving banking landscape.

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