INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH AND ANALYSIS

ISSN(print): 2643-9840, ISSN(online): 2643-9875

Volume 06 Issue 09 September 2023

DOI: 10.47191/ijmra/v6-i9-13, Impact Factor: 7.022

Page No. 4036-4044

Influence of Transformational Leadership on Risk-Based Pricing Model: A Case of Kenya Commercial Banks within Nairobi County

Hannah Ndarwa[1], Daniel Mulinge[2]

[1,2] Pan African Christian University, Nairobi, Kenya

ABSTRACT*:* This study investigated the impact of transformational leadership on commercial banks' implementation of the risk-based pricing model in Nairobi County, Kenya. While the Kenyan government, through the Central Bank of Kenya (CBK), has advocated for its usage, many commercial banks are still wary. The study examined the impacts of idealized influence, intellectual stimulation, customized consideration, and inspirational motivation, and was based on transformational leadership and arbitrage pricing theories. Using a cross-sectional descriptive research design, data was collected from 234 credit managers from various commercial bank tiers within Nairobi County, employing a stratified sampling technique. The data collection involved the administration of closed-ended questionnaires, and the collected data was analysed using SPSS version 25.The findings revealed that all the transformational leadership dimensions significantly and positively influenced risk-based pricing model ($p<0.05$). These results indicated that employing transformational leadership strategies can foster a culture of risk-taking and encourage risk-based pricing in commercial banks.

KEYWORDS: Transformational Leadership, Idealized Influence, Intellectual Stimulation, Individualized Consideration, and Inspirational Motivation, Risk-Based Pricing

I. INTRODUCTION

Commercial banks implement credit risk management systems to reduce loan losses due to the disparity in information between lenders and borrowers which make commercial banks susceptible to moral hazard and adverse selection (Mohapatra et al., 2016). Risk-based pricing is a method of determining interest rates to be charged on loans or credit based on the risk profile of a particular borrower or a class of borrowers (McCoy, 2007). In order to fulfil the needs of minority and low-income households, risk-based pricing has been implemented in various parts of the world, including the United States (Pham & Donovan, 2021).

To improve lending practices and manage credit risk, the Central Bank of Kenya (CBK), which introduced Credit Reference Bureaus in 2010, is now pushing banks toward risk-based pricing model based on existing CRB data, credit scores, and commercial banks' internal customer data (Getenga, 2021). To manage risk and attract more customers, commercial banks can use risk-based pricing to offer personalized interest rates to customers based on their specific risk profile (Staten, 2015). Application of risk-based pricing model may have far reaching benefits to both commercial banks and their clients because it provides consumers with better access to capital at lower rates while also assisting banks in effectively predicting and accounting for risk. Consumers who reduce their risk receive lower prices and greater access. Furthermore, as their risk profiles improve, consumers can request that their existing rates be reviewed or shop around for better rates from other banks (Getenga, 2021). According to the State of the Banking Industry Report of 2020, six banks had implemented risk-based pricing model.

In order to evaluate borrowers' creditworthiness and determine their risk profile, banks employ a variety of techniques. Guidelines for risk-based pricing have been released by CBK, which call for use of internal customer profile data, credit scoring in addition to credit bureau data. Application of risk-based pricing is expected to improve lending efficiency by allowing banks to better manage credit risk and set interest rates that are more reflective of borrowers' risk profiles. This is expected to lead to more accurate credit pricing, which benefits both borrowers and lenders (Getenga, 2021).

In a commercial banking context, shifting from arbitrage pricing model to risk-based pricing model can be challenging because it requires a significant shift in mindset and approach from traditional methods (Mohapatra et al., 2016). This can be especially true for employees who have been using the same pricing model for many years and may be resistant to change. This underscores the place of leadership in causing the necessary transformation. For an organization to succeed, its leadership must guide the team to greater heights even during tough moments.

Influence of Transformational Leadership on Risk-Based Pricing Model: A Case of Kenya Commercial Banks within Nairobi County

Transformational leadership is currently receiving a lot of attention due to its ability to use the most important resource - the human resource - to achieve the organization's goals (Ismail et al., 2011). This leadership style is distinguished by a leader's ability to communicate a clear vision, provide individualized consideration, and instil intellectual stimulation in followers (Nawaz & Khan, 2016). Transformational leaders convert individual needs in an organization into collective interests (Adams, 2018; Conrad, 2018; Korejan & Shahbazi, 2016).

According to Maina and Maina (2018), transformational leadership can be extremely important in effecting change such as the movement of commercial banks from arbitrage pricing model to risk-based pricing model in the context of commercial banking. Transformational leaders inspire and motivate their teams to think creatively and take calculated risks, which can lead to a more open attitude towards a new pricing model as such leaders are able to communicate to employees the benefits of such changes (Bass & Riggio, 2006). A study conducted in Kenya by Kamau and Ogutu (2020) revealed that commercial banks with leaders who had used transformational leadership demonstrated improved performance over time. The study concluded that there is a strong positive relationship between commercial banks performance and transformational leadership. In other organizations, the leadership style has been linked to higher employee performance (Louw et al., 2017; Nyamota, 2020). Subordinates and employees' willingness to support and implement change is also influenced by the leadership style (Deschamps et al., 2016; Hechanova & Cementina-Olpoc, 2012; Uddin, 2013).

In Kenya, transformational leadership has been linked to higher employee performance in banks and other organizations (Louw et al., 2017; Kamau, 2020; Nyamota, 2020). Transformational leadership has also been associated with higher levels of performance and effectiveness in the banking sector (Gonnah & Ogollah, 2016; Kirui, 2016). However, researchers have not studied the role of transformational leadership on risk-based pricing in Kenya’s banking sector. Thus, there have been limited published studies on the impact of transformational leadership on risk-based pricing model. This study therefore sought to investigate what influence transformational leadership has on risk-based pricing model by commercial banks within Nairobi County.

A. Statement of the Problem

The Kenyan government has long been advocating for the implementation of a risk-based pricing model by commercial banks. Despite the Central Bank of Kenya's (CBK) efforts and the recognized benefits of this approach, its application in Kenya is notably slow and is still in its early stages. The Kenyan banking sector has displayed reluctance in revising its loan pricing strategies to reflect borrowers' creditworthiness. A 2018 CBK study found that most Kenyan commercial banks still favor the arbitrage pricing model over the risk-based pricing model.

Interestingly, the sluggish application of the risk-based pricing model by Kenyan commercial banks has rarely been explored from a leadership perspective. In an effort to fill this knowledge gap, this study delved into the facets of transformational leadership and their influence on risk-based pricing model implementation within commercial banks in Nairobi County. It aimed to ascertain whether transformational leadership could be a driving force behind the application of risk-based pricing models.

The findings enhance the existing body of knowledge by affirming the presence of transformational leadership within Kenya's commercial banks and its implications on risk-based pricing model application. Furthermore, the study identifies specific transformational leadership traits that Kenyan commercial banks should adopt to effectively implement risk-based pricing. This work not only underscores the role of leadership in influencing strategic banking practices but also offers insights into leveraging transformational leadership to stimulate risk-based pricing model application.

II. LITERATURE REVIEW

A. Theoretical Framework

This research was primarily based on the Transformational Leadership theory, supported by the Arbitrage Pricing Theory.

1) *Transformational Leadership Theory*:

The Transformational Leadership theory asserts that leaders can inspire and motivate followers to exceed expected performance and can also stimulate and encourage creativity and innovation (Northouse, 2018). It provides a valuable framework for analyzing how distinctive leadership traits can influence the successful adoption of risk-based pricing models in commercial banks. The theory provided a framework for understanding how leaders can influence and drive the successful implementation of a risk-based pricing model in commercial banks within Nairobi County. By adopting transformational leadership behaviours, leaders can inspire, motivate, and empower their employees, fostering a culture of innovation, commitment, and adaptability, which are crucial for effectively implementing and leveraging the benefits of a risk-based pricing approach.

2) Arbitrage Pricing Theory:

This theory asserts that the expected return of a financial asset can be modelled as a linear function of various macroeconomic variables, where sensitivity to changes in each factor is represented by a factor-specific beta coefficient (Ross, 1976). This insight is essential for comprehending the prevailing loan pricing strategies of Kenyan banks.

The relevance of this theory to this study was that with technological advancement today, banks are able to predict what was unpredictable a few years ago and hence pricing model today are more accurate, predictive and reliable hence the need for banks to abandon the old APT model and adopt risk-based pricing model, aided by technological advancements such as block-chain. Zhang et al., (2020), found out that blockchain technology can be used to confirm orwnership of data, integration of data, enhanced data security, protection of personal information and more especially in credit reference.

B. Empirical Literature Review

1) *Transformational Leadership:*

Transformational leadership is a leadership style that impacts both individuals and social systems. It aims to promote valuable and positive change in followers, eventually nurturing them into leaders (Kamau & Ogutu, 2020). Transformational leaders enhance followers' motivation, morale, and performance through a variety of techniques, such as understanding followers' strengths and weaknesses, serving as a role model, challenging followers to take greater ownership of their work, and connecting a follower's sense of self to the organization's mission and collective identity (Seyal, 2015; Kittikunchotiwut, 2020).

Notable scholars, including Bass and Avolio (2013), Goleman (1998), Antonakis (2012), Burns (2010), Mittal (2015), and Njiraini et al., (2017), have highlighted four elements of transformational leadership: individualized consideration, intellectual stimulation, inspirational motivation, and idealized influence. Each of these elements has been shown to have a significant influence on followers and organizational performance (Ogola et al., 2017; Cardona et al., 2018; Nyakomitta et al., 2018; Njiraini et al., 2018).

2) *Risk-Based Pricing Model:*

The risk-based pricing model is a loan pricing strategy that takes into account the borrower's creditworthiness to determine the loan price (Staten, 2015). According to this model, high-risk borrowers pay a higher interest than low-risk borrowers do for the same type of loan. This pricing strategy is largely dependent on credit reports and scores from Credit Reference Bureaus (CRBs), which provide a more accurate estimation of default risks (Kagan et al., 2020).

Application of the risk-based pricing model offers various benefits, such as fairness to all customers, potential for increased economic activity, and encouragement for customers to improve their credit scores (Berger et al., 2019; CCCM, 2021). To adopt this model effectively and profitably, commercial banks need to make changes in their reporting systems, risk-rating systems, and loan approval processes (Othieno & Kariuki, 2017). However, despite the potential advantages, the Kenyan banking sector has been slow in transitioning from traditional arbitrage pricing models to risk-based pricing.

3) *The Impact of Transformational Leadership on Risk-Based Pricing Model:*

Drawing from transformational leadership theory and its elements, the study sought to understand how transformational leadership elements influence the application of the risk-based pricing model in commercial banks within Nairobi, Kenya. In particular, the study explored how individualized consideration, intellectual stimulation, inspirational motivation, and idealized influence can play a role in promoting a shift from traditional arbitrage pricing model to risk-based pricing.

C. Conceptualization and Hypothesis

Drawing from the literature review on Transformational Leadership and the Risk-Based Pricing model, it's evident that transformational leadership can be instrumental in driving the successful implementation of a risk-based pricing model in commercial banks within Nairobi County. By embodying transformational leadership behaviours, leaders have the potential to inspire, motivate, and empower their employees, fostering a culture that embraces innovation, commitment, and adaptability. These traits are integral to effectively implementing and leveraging the benefits of a risk-based pricing model. Transformational leaders bear the responsibility for shaping an environment conducive to the adoption of innovative practices, like risk-based pricing. Effective transformational leadership can facilitate organizational change, foster an atmosphere of trust, stimulate intellectual curiosity, and enable the workforce to overcome the inertia of traditional practices.

Based on the thorough examination conducted in this study, a conceptual framework was proposed to predict the influence of transformational leadership on risk-based pricing model in commercial banks within Nairobi County. This framework posits that transformational leadership, through its dimensions of idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, can impact effective implementation of the risk-based pricing model.

The study aimed to answer the following research question:

Question 1: What is the combined Influence of Transformational Leadership elements on Risk-Based Pricing Model by Commercial Banks within Nairobi County?

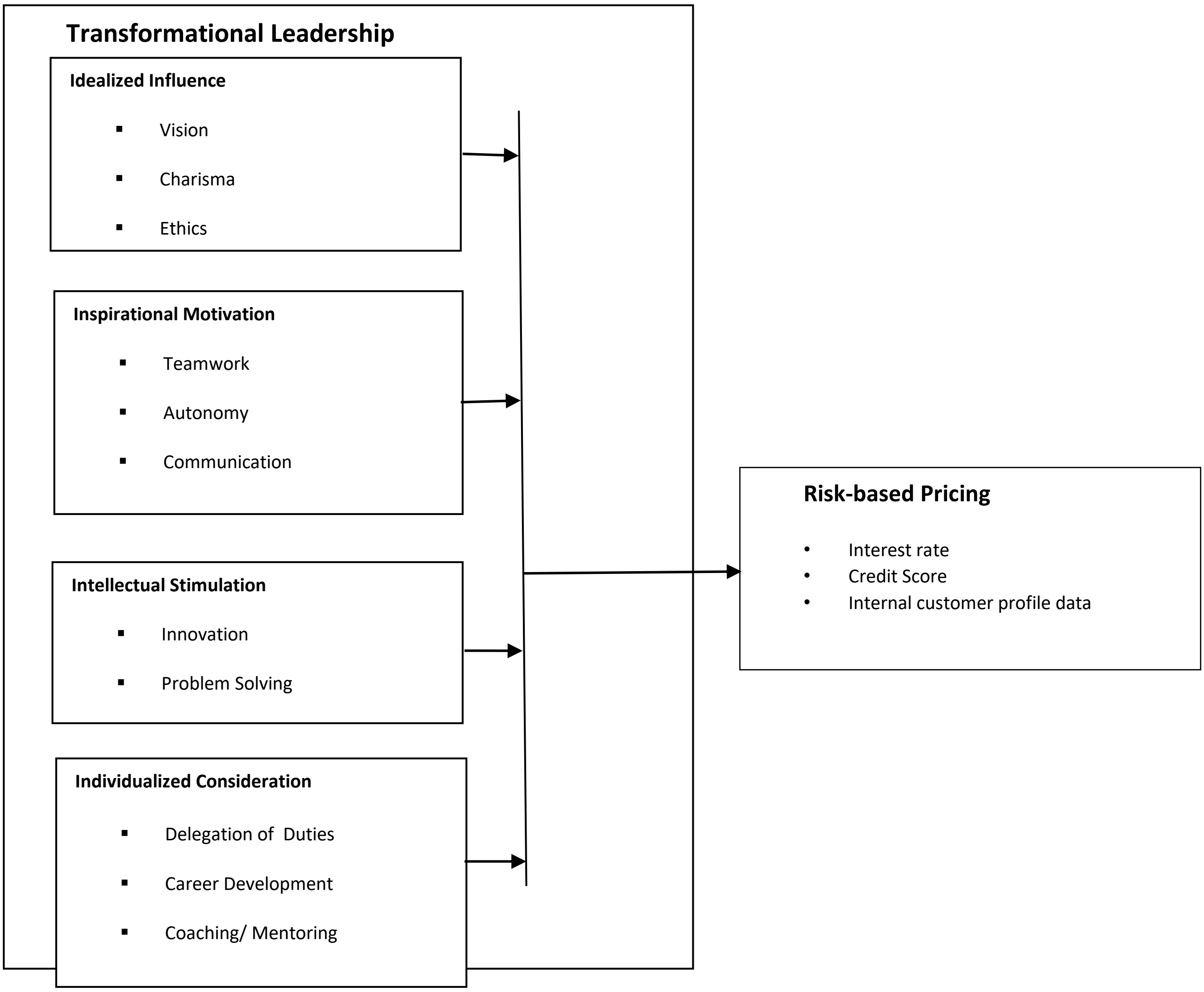

Figure 1. ***Conceptual Framework***

III. RESEARCH METHODOLOGY

This research adopted a positivistic approach, utilizing across-sectional descriptive design. This design is valuable as it allows for a detailed examination of the current state of phenomena without the need for variable manipulation. The approach was particularly suited to our study as it facilitated a quantitative exploration of the relationship between transformational leadership and risk-based pricing model within commercial banks in Nairobi County. This design choice enabled us to gather comprehensive information on the topic, enhancing our scientific understanding of this important interplay within the banking sector.

A. Target Population and Sampling Technique

The target population for this study comprised 564 bank managers from commercial banks within Nairobi County. These bank branches were all providers of financial services and are homogeneous, thus making all managers from these branches suitable for the study. The focus was placed on credit managers, as they are the critical implementers of the loan pricing model. The commercial banks fell into three categories: Tier 1, Tier 2, and Tier 3 (Faria, 2022). Data was collected from a stratified random sample of 234 respondents. Stratified sampling was deemed appropriate for this study as it ensured adequate representation of each stratum within the sample and helped mitigate potential sampling bias. To organize the population into distinct strata, bank branches were classified based on their respective tiers. After classification, the sample size for each stratum was determined in proportion to its size within the population.

Table I. ***Sample Size Distribution***

Strata	Stratum Size	Sample Size
Tier 1	305	126
Tier 2	105	44
Tier 3	154	64
Total	**564**	**234**

B. Research Data and Analysis

Data was collected using a questionnaire composed of closed-ended questions that leveraged a Likert scale response format. The sample comprised 234 credit managers, identified as critical implementers of the loan pricing model. Prior to the main survey, a pre-test was conducted involving 10 operational managers selected across the four banks, taking into account their geographical distribution across Nairobi. This preliminary test served to assess the comprehension and validity of the questionnaire. The pre-test results were excluded from the final analysis. The questionnaire underwent rigorous content and construct validity evaluation, aided by the expertise of university supervisors. Additionally, criterion-related validity testing was performed, comparing the questionnaire results with known criteria such as previous research findings or expert opinions. Reliability of the questionnaire was assessed using Cronbach's alpha coefficient, with values between 0.7 and 1.0 considered acceptable. In this case, a coefficient of 0.758 was obtained, indicative of high internal consistency and reliability of the instrument. Following the data collection, thorough editing was carried out to address any inconsistencies or missing values. The data was then transformed into numerical values for analysis using the SPSS Version 25 software. Descriptive statistics (mean, frequencies, standard deviation, percentages) were calculated for each variable, with results presented in tabular format for clarity and comparability. Inferential analysis involved the calculation of the coefficient of determination (R2) to evaluate the model's validity and assess the degree to which variations in transformational leadership account for variations in risk-based pricing. The overall significance of the model was evaluated using the F-statistic at a 95% confidence level. P-values were used in answering research questions with a preset significance level of 0.05 to determine the acceptance or rejection of the questions.

Before conducting inferential analysis, the data underwent several diagnostic tests, including normality assessment, linearity examination between variables, and multicollinearity evaluation. The results of these tests are presented in Table II below.

Table II. ***Diagnostics Test Results***

Diagnostic Test	Test	Observation	Conclusion Based on Observation
Normality	Shapiro-Wilk Tests	P>0.05	Normally Distributed
Linearity	Pearson Correlation	P<0.05	Linearly Related
Multicollinearity	Variance Inflation Factor	VIF<10	No Severe Multicollinearity

IV. RESEARCH FINDINGS

A. *Response Rate*

Out of 234 questionnaires disseminated to the participants, 203 were returned, indicating a response rate of 86.8%. This response rate exceeds the 60% threshold suggested by Mugenda & Mugenda (2003) as satisfactory for analysis. The specifics of the response rate are displayed in Table III below.

Table III. ***Response Rate***

Category	Freq	%
Response	203	86.8
Non-Response	31	13.2

B. *Respondents Demographics Characteristics*

Gender representation among the study participants was nearly balanced, with males comprising 51.2% and females 48.8%. The age distribution was as follows: 45.8% were aged between 36-40 years, 24.4% were between 41-45 years, 14.78% fell in the 31-35 years bracket, 10.34% were above 45 years, and 4.93% were below 30 years. The study showed that 69.46% of participants held undergraduate degrees and 28.57% had postgraduate qualifications. The majority of participants (55.67%) boasted of more than 15 years of experience in the banking sector.

C. *Descriptive Statistics*

The descriptive statistics summary was according to table IV below.

Table IV. ***Descriptive Statistics Summary***

Variable	No. of Items	Reliability Statistics	Aggregate Mean	Aggregate Std. Deviation
Idealized Influence	5	0.723	3.834	0.8474
Inspirational Motivation	6	0.779	3.633	0.870
Intellectual Stimulation	5	0.719	3.572	0.892
Individualized Consideration	7	0.746	3.504	0.76
Risk-Based Pricing	14	0.825	3.67	0.861

This section provides a thorough overview of the data set by creating summary statistics that highlight significant patterns and trends. Measures of central tendency and dispersion were used to provide a thorough overview of the dataset as presented in table IV.

Idealized Influence, gauged through five items, displayed a reliable internal consistency with a Cronbach's alpha of 0.723. The participants exhibited a relatively high degree of Idealized Influence, with a mean score of 3.834 and a standard deviation of 0.8474 indicating moderate variance in responses. Inspirational Motivation, assessed via six items, demonstrated a commendable internal consistency (Cronbach's alpha of 0.779). Participants' responses reflected a moderate level of Inspirational Motivation, averaging at 3.633, with a standard deviation of 0.870, suggesting a reasonable dispersion of responses. The variable Intellectual Stimulation, encompassing five items, achieved a good internal consistency (Cronbach's alpha of 0.719). Participants recorded a moderate average score of 3.572, demonstrating reasonable Intellectual Stimulation. The standard deviation of 0.892 suggested a fair spread in responses. The Individualized Consideration variable, measured through seven items, held a strong internal consistency (Cronbach's alpha of 0.746). With a mean score of 3.504, it signified a moderate level of Individualized Consideration among participants. The relatively low standard deviation of 0.76 implied a lesser degree of variance in responses. Risk-Based Pricing, assessed using 14 items, showcased high internal consistency (Cronbach's alpha of 0.825). The standard deviation of 0.861 conveyed a moderate level of variance in responses.

D. *Inferential Statistics*

To gain a better understanding of how transformational leadership elements collectively influenced risk-based pricing, a regression analysis was conducted. The results of this analysis were presented in several subsections, including the model summary, the ANOVA table, and the table of coefficients. The model summary gives an overview of the regression model and how well it explains the variability in the dependent variable (i.e., risk-based pricing).

Table V. ***Model Summary***

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Model
1	.583a	.340	.326	.44446	1

According to the findings shown in Table V, a significant positive linear association was discovered between the independent and dependent variables of the study (R = 0.583). The coefficient of determination (R square = 0.340) suggests that 34% of the variance observed in the dependent variable can be attributed to the independent variables employed in the model, while the remaining variance is accounted for by other variables not included in the model.

Table VI below indicates that the regression model was significant, with an F-statistic of 20.566 and a p-value of less than 0.001. This suggests that the model was effective in predicting risk- based pricing based on the transformational leadership elements, and that the independent variables collectively had a significant influence on the dependent variable.

Table VI. ***The Anova Model***

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.107	4	5.027	25.446	.000[b]
	Residual	39.113	198	.198		
	Total	59.220	202			

The coefficients table presents the computed regression coefficients and corresponding p-values for each independent variable (i.e., transformational leadership elements). The coefficient table was according to Table VII.

Table VII. *Coefficients Table*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.110	.427		2.601	.010
	Idealized Influence	.155	.071	.130	2.166	.031
	Inspirational Motivation	.302	.0736	.265	4.063	.000
	Intellectual Stimulation	.296	.074	.260	4.011	.000
	Individualized Consideration	.334	.059	.374	5.641	.000

The regression results in Table VII above confirm that all four dimensions of transformational leadership - idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration - significantly and positively impact risk-based pricing. Consequently, these findings provide a robust answer to the research question on the influence of transformational leadership elements on the risk-based pricing model, enhancing our understanding of leadership's role in driving effective banking practices.

E. Discussion of the Findings

The findings indicate that transformational leaders who prioritize inspiring and intellectually stimulating their employees while demonstrating individualized consideration and ethical leadership can positively influence commercial banks' risk-based pricing. These leadership qualities can help create a culture of ethical decision-making, clear vision, and goal setting within the organizations, which can lead to improved performance and greater acceptance of risk-based pricing practices. This confirms the findings of a study by Kirui, (2017) which revealed that transformational leadership had been associated with higher levels of performance and effectiveness in the banking sector in Kenya.

The study's findings also provide empirical evidence supporting the consistency between the four elements of transformational leadership and Transformational Leadership theory. They validate the theory's propositions regarding the influential role of transformational leadership behaviors in driving organizational outcomes and aligning with the goals of the risk-based pricing model in commercial banks. According to Transformational Leadership theory, transformational leaders have a significant positive impact on their followers and organizations by inspiring and motivating them to achieve higher levels of performance (Burns, 2010; Mittal, 2015). They do this by exhibiting behaviors such as setting a positive example (idealized influence), stimulating creativity and critical thinking (intellectual stimulation), showing individualized care and support (individualized consideration), and inspiring and motivating followers to reach their full potential (inspirational motivation). The findings of the study align with these key principles of Transformational Leadership theory. The significant and positive influences of idealized influence, intellectual stimulation, individualized consideration, and inspirational motivation on the risk-based pricing model indicate that when leaders exhibit these transformational behaviors, they can effectively drive the implementation and success of the model within commercial banks. The findings demonstrate that transformational leadership behaviors have a statistically significant impact on the risk-based pricing model, reinforcing the importance of these leadership elements in guiding and motivating employees towards achieving organizational goals.

The multivariate linear regression model employed demonstrated a significant relationship between the transformational leadership elements (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration) and risk-based pricing. Although the study primarily focused on transformational leadership and its influence on risk-based pricing, it is worth noting the conceptual connections between our findings and arbitrage pricing theory. Arbitrage pricing theory posits that the expected return of an asset is determined by its exposure to various systematic risk factors (Ross, 1976). Similarly, our study examined the impact of transformational leadership elements on risk-based pricing, which can be seen as an indicator of the systematic risk associated with a bank's pricing decisions.

While our study did not directly apply the principles of arbitrage pricing theory, there are parallels in terms of understanding the relationship between variables and their influence on pricing outcomes. The coefficients assigned to the transformational leadership elements in our regression model can be viewed as analogous to factor sensitivities in arbitrage pricing theory, representing the strength and direction of their impact on risk-based pricing.

V. CONCLUSION ANA RECOMMENDATIONS

This study aimed to rigorously assess the role of transformational leadership in influencing the risk-based pricing model adopted by commercial banks in Nairobi County. Several salient conclusions have been deduced from the empirical findings.

Concerning idealized influence, the study discerned varied perspectives on aspects of organizational leadership, such as charismatic leadership, employee morale, and goal setting. Notably, a significant portion of respondents acknowledged the presence of a well-defined organizational vision, believed to be a catalyst for enhanced performance. Ethical considerations also featured prominently within these institutions.

The data presents ambivalent views about intellectual stimulation in the commercial banks. While there was a consensus on fostering innovation and problem-solving, there was divergence on other aspects like endorsing calculated risks, participatory leadership, and critically revisiting decisions.

For individualized consideration, findings suggest that the leadership in these banks supports employees' career aspirations and is accessible. However, more intricate facets like effective delegation, coaching, mentorship, and career advisory garnered more neutral responses, indicating potential areas for improvement.

On the topic of inspirational motivation, results indicated a general agreement on its positive influence on teamwork, communication, and goal alignment. Yet, opinions varied concerning the level of autonomy granted by the leadership.

In a quantitative lens, all transformational leadership dimensions exhibited a significant positive correlation with the risk-based pricing model: idealized influence, intellectual stimulation, individualized consideration, and inspirational motivation.

In summation, transformational leadership components demonstrated a substantial positive influence on risk-based pricing. However, nuanced variances in perceptions across various dimensions underscore the complexity of leadership practices in the banking sector of Nairobi County.

Based on the findings, the study recommends a number of actions to promote use of risk-based pricing in Nairobi County commercial banks. Policymakers should prioritize leadership development programs that emphasize the four key factors of idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, as these can foster a culture of risk-based pricing acceptance. Banks should train their employees to better understand risk-based pricing and its benefits, as well as raise awareness of the positive impact of leadership factors in facilitating implementation of risk-based pricing strategies.

Furthermore, policymakers should encourage commercial banks to collaborate in order to share best practices and experiences related to risk-based pricing, which can spur innovation and improve overall implementation. Additionally, banks should also make the most of customer data to personalize loan terms, raise customer satisfaction, and make unbiased lending decisions. By continuously monitoring and evaluating the impact of risk-based pricing on customer satisfaction, loan terms, and profitability, banks can make necessary adjustments to their strategies to ensure they are meeting customer needs and organizational goals.

Whereas the study objectives have been achieved and the managerial as well as policy implications are evident, the exclusion of insights from bank customers as key stakeholders is a limitation that opens ground for future research directions.

ACKNOWLEDGEMENTS

I am immensely grateful to my Supervisor Dr. Mulinge for his patience, corrections, remarks, counsel, advice, guidance, and assistance, all of which have been instrumental in completing this article. His guidance and resources have played a significant role in my journey, and I am deeply appreciative of their contributions.

REFERENCES

1) Adams, D. (2018). *Mastering theories of educational leadership and management*. University of Malaya Press.
2) Bass, B. M., & Riggio, R, E. (2006*). Transformational Leadership*. Lawrence Erlbaum Associates.
3) Conrad, C, A. (2018). *Business ethics- a philosophical and behavioral approach*. Springer International Publishing, AG.
4) Getenga, J. (2021). *Impacts of COVID-19 on credit reporting systems- Kenya's case study*.

5) Gonnah, B, J., & Ogollah, K. (2016). Effect of transformational leadership on performance of commercial banks in Kenya: case of Family Bank Limited. *International Journal of Innovation, Leadership and Entrepreneurship*, 2(1): 1-25
6) Hechanova, G., & Cementina-Olpoc, R. (2012). Transformational leadership, change management, and commitment to change: a comparison of academic and business organizations. *The Asia-Pacific Education Researcher*, 22(1): 11-19
7) Ismail, A., Mohamed, H. A. B., Sulaiman, A. Z., Mohamad, M. H., & Yusuf, M. H. (2011). An empirical study of the relationship between transformational leadership, empowerment, and organizational commitment. *Business and Economics Research Journal*, 2(1), 89.
8) Kamau, A, W. (2020). *Transformational leadership and performance of commercial banks in Kenya.* http://erepository.uonbi.ac.ke/bitstream/handle/11295/153823/Kamau_Transformational%20leadership%20and%20performance%20of%20commercial%20banks%20in%20Kenya.pdf?sequence=1&isAllowed=y
9) Kirui, J, K. (2016). *Role of transformational leadership in organizational performance of state-owned banks in Kenya.* http://ir.jkuat.ac.ke/bitstream/handle/123456789/2399/Kirui%2C%2C%20bbn%20John20Kiplelei%2C%20PhD%20%28HRM%29%2C%202016.pdf?sequence=1&isAllowed=y
10) Korejan, M., & Shahbazi, H. (2016). An analysis of the transformational leadership theory. *Journal of Fundamental and Applied Sciences*, 8(3), 452.
11) Louw, L., Muriithi, S., & Radloff, S. (2017). The relationship between transformational leadership and leadership effectiveness indigenous banks. *SA Journal of Human Resource Management*, 15(7)
12) Maina, J. K., & Maina, J. M. (2018). Transformational leadership and adoption of risk-based pricing model in commercial banks: Evidence from Kenya. *Journal of Economics and International Finance,* 10(3), 60-69.
13) McCoy, P. A. (2007). Rethinking disclosure in a world of risk-based pricing. Harv. J. on Legis., 44, 123.
14) Mohapatra, K. K., & Sahoo, S. (2016). Risk-based pricing and its impact on the banking industry. *International Journal of Bank Marketing*, 34(2), 205-220. Goleman, D. (1998). Working with Emotional Intelligence. Bantam.
15) Nawaz, Z. A. K. D. A., & Khan, I. (2016). Leadership theories and styles: A literature review. Leadership, 16(1), 1-7.
16) Njiraini, A.N., K'Aol, G.O. and Linge, T.K., 2018. Influence of Individualized Consideration on Job Satisfaction among Employees in Commercial Banks in Kenya. *Journal of Human Resource and Leadership, 3(3), pp.1-13.*
17) Nyamota, G. (2020). CEO transformational leadership styles and performance of SMEs: A literature review, Kenya. *The International Journal of Humanities & Social Studies*, 8(5)
18) Northouse, P. G. (2018). Leadership: Theory and practice (8th ed.). Sage Publications.
19) Pham, N., & Donovan, M. (2021). The economic benefits of risk-based pricing for historically underserved consumers in the United States.
20) Staten, M. (2015). Risk-based pricing in consumer lending. https://www.centerforcapitalmarkets.com/wpcontent/uploads/2013/08/CCMC_RiskBasedPricing_FINAL_to_post_10_24_2014.pdf
21) Uddin, M, H. (2013). Role of transformational leadership in organizational change: mediating role of trust. *Journal of Business and Management*, 7(2): 72-76.