

# Transformational Leadership and Its Practices towards Sustainable Performance of Rural Banks in Mabalacat City

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**Abstract:** *The study was intended to determine the effect of transformational leadership and knowledge management on the sustainable performance of rural banks. The population of the research is the managers of eight (8) rural banks in Mabalacat City, Pampanga, and the researchers used the total population. Purposive sampling was employed in the research and a survey questionnaire to collect information for the study. The analytical tool used in the research is the Spearman Rho Test. The results indicate that transformational leadership in terms of intellectual stimulation and individual consideration and knowledge management in terms of knowledge integration have positive and significant effects on the sustainable performance of rural banks. However, idealized influence, inspirational motivation, knowledge utilization, and knowledge acquisition have no effect on sustainable performance. The research implies that it is important for an organization to increase sustainable performance through transformational leadership style and knowledge integration.*

**Keywords—transformational leadership; knowledge management; sustainable performance**

## 1. INTRODUCTION

The Bangko Sentral ng Pilipinas (BSP) has mandated banks and financial institutions in the

ustainable performance in particular rural banks. LeadersPhilippines to integrate sustainability principles into their operations, risk management, and business strategy. Sustainability, encompassing environmental, social, and governance (ESG) considerations, is deemed essential for resilient and sustainable growth (Agcaoili, 2020). Embracing sustainable banking practices is crucial for the global economy and the long-term progress of banking organizations (Domargard, 2021). Rural banks have the responsibility to promote and enhance the rural economy by providing fundamental financial services in an organized and efficient manner (Caña, 2020). According to Razvanta (2019), rural banks employed business models to contribute to their advancement, but it remained unclear whether these frameworks encompassed the three dimensions of sustainability – social, economic, and environmental. There was a need to assess the impact of sustainability, as highlighted by Jan et al. (2019), indicating that the management, shareholder, and market financial performance indicators of the global Islamic banking industry would benefit from the development of sustainability practices. Transformational

leaders play a key role in inspiring their team members to drive positive changes and exceed performance expectations, as noted by Herrity (2022). Additionally, a well-structured knowledge management system is vital for continuous innovation and the development of core competencies within the organization. Al-Dmour et al. (2020) emphasize the importance of knowledge as a valuable asset for fostering inventiveness and establishing company standards for knowledge acquisition, integration, and utilization. Although many studies exist on the banking industry, transformational leadership studies in the Philippines are sparse and will continue to be an explored area of leadership considering the lack of studies, such as relating transformational leadership and performance (Ng, 2018). Keeping in mind the significance of transformational leadership and management practices in the quest to attain bank sustainable performance, it became critical to conduct a study on the relationship between transformational leadership and its practices towards sustainable performance among rural banks, a sector considered instrumental to the economic development of the country. The objective of the researchers was to describe the factors that contribute to transformational leadership, management practices, and the sustainable performance of banks and to determine if transformational leadership and bank

practices affect bank performance through survey questionnaires.

## 2. REVIEW OF RELATED LITERATURE

One of the modern leadership concepts that had the attention of many researchers was transformational leadership (Galli, 2019; Sakarneh, 2020). At present, to transform their organizations and thrive in the face of global competition, numerous banks have used the concept of transformational leadership (Sakarneh, 2020). Transformational leaders are defined as innovative and creative in their area of work, inspiring, and guiding their people to perform effectively (Yangailo, 2022). The use of transformational leadership techniques can be helpful when looking at the context of s can develop a culture that promotes enduring performance by concentrating on elements like idealized influence, intellectual stimulation, individual consideration, and inspirational motivation. It supports the qualities we hope to find in candidates: people with strong leadership abilities, a desire for advancement, and a dedication to excellence. These enable us to find the appropriate individuals who contributed to the analysis of the factors involved. As indicated by George (2021), incorporating sustainability into business strategy points out the necessity to assess sustainability plans' efficacy to comprehend sustainability and the company's operations and assure sustainability development. In addition, Smith and Nobanee (2020) explained that due to the need for measurement continually evolving, making it extremely difficult and complex to analyze a firm's performance. Organizations use incomprehensibly and comparably approaches in communicating their sustainability initiatives. To gauge the organization's progress toward sustainable growth, clear and user-friendly procedures and instruments must be developed. To effectively assess sustainability plans, According to (George, 2021), monetary, social, and planet-related performance are the three areas of continuity often used to assess an organization's sustainability performance. It must also take into consideration social and environmental outputs and contribute to sustainable development in addition to its impact on the economy.

It was helpful to locate existing studies that study the relationship between transformational leadership and organizational performance in the banking industry when exploring the impact of transformational leadership on organizational performance in banks. This assisted in understanding current knowledge, major findings, and research needs. The impact of transformational leadership on organizational performance was revealed in previous studies (Sattayaraksa & Boon-itt, 2018). Additionally, bank managers should be aware of their staff member's requirements, wants, and motivations while encouraging them to develop their skills to meet customers' and businesses' requests (Manzoor et al., 2019; Pratami, 2020; Anshori et al., 2020; Magasi, 2021). Furthermore, a significant and positive relationship was observed between transformational leadership and the performance of commercial banks (Kamau,

2020). Tiwari et al. (2022) stated that the sustainability of an institution is determined by the excellence of its leadership. The leader of the bank demonstrated that simplicity and ethics are needed for the sustainable profitable growth of the bank. The role of transformational leadership was vital during the crisis and change as it provides new ideas and future strategic directions as concluded in most studies. Transformational leadership influences employees' performance and also organizational performance as a whole.

## 3. CONCEPTUAL FRAMEWORK

The paradigm shows the framework of the study. As seen in the figures below, this determines the significant relationship between transformational leadership and its practices toward sustainable performance. The data was gathered through survey questionnaires distributed to the managers of rural banks in Mabalacat City., Pampanga.

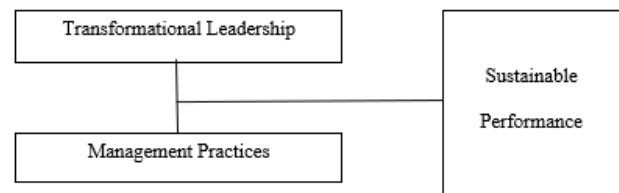


Fig. 1. *Conceptual Framework*

## 4. STATEMENT OF THE PROBLEM

The focus of the researchers in this paper is: How transformational leadership and its practices affect the sustainable performance of rural banks in Mabalacat City.

Specifically, the researcher sought to answer in this paper the following questions:

1. What are the classifications of rural banks in terms of:
  - 1.1. number of employees; and
  - 1.2. number of years of operation?
2. How may transformational leadership be classified in terms of:
  - 2.1. idealized influence;
  - 2.2. intellectual stimulation;
  - 2.3. individual consideration; and
  - 2.4. inspirational motivation?
3. How may the rural bank management practices be determined in terms of:
  - 3.1. knowledge utilization;
  - 3.2. knowledge acquisition; and
  - 3.3. knowledge integration?
4. How may the rural bank's sustainable performance be determined in terms of:

- 4.1. learning and growth;
- 4.2. customer perspective;
- 4.3. internal business perspective; and
- 4.4. financial perspective?

5. Is there a significant relationship between transformational leadership and its practices toward the rural bank's sustainable performance?
6. What would be the proposed action plan regarding the impact of transformational leadership and its practices toward the rural bank's sustainable performance?

## 5. THE HYPOTHESIS OF THE STUDY

$H_0$ : There is no significant relationship between transformational leadership and its practices toward the sustainable performance of rural banks.

$H_1$ : There is a significant relationship between transformational leadership and its practices toward the sustainable performance of rural banks.

## 6. SIGNIFICANCE OF THE STUDY

This study aims to determine how transformational leadership and its practices contribute to rural banks' sustainable performance. The following organizations or groups considered the study's findings to be significant:

**Customers.** The findings of the research will be used by the customers to evaluate a bank's financial stability, service quality, and overall reliability. It also provides valuable insight and data that help clients/customers to choose a rural bank knowledgeably. Additionally, it helps clients in selecting a bank that matches their requirements and preferences, resulting in a satisfying banking experience.

**Managers.** The results of the research will be used by the country's banking sector leaders to advocate for transformative leadership and practices that will generally lead to sustained performance levels.

**Management.** The findings of the research will also be used by the top executives of various Rural Banks to enhance transformational leadership and guarantee excellent and long-lasting performance across all of their activities and programs. The successful implementation of transformational leadership is expected to increase productivity in key business processes.

**Future researcher.** Future researchers will use the study's findings as a starting point and a basis of reference for their further research. This study will serve as a source of information for future research on related or connected topics including transformational leadership and practices towards sustainable performance of banks.

## 7. METHODOLOGY OF THE STUDY

The researchers used a descriptive-correlational design to describe the factors of transformational leadership, management practices, and sustainable performance, and to determine the relationship between transformational leadership and its practices toward the sustainable performance of rural banks. The researchers conducted the study in rural banks of Mabalacat City, Pampanga. At that time, there were eight (8) rural banks in the city. Purposive sampling was used to set a limit and became more detailed to accompany a targeted survey. Purposive sampling was utilized to determine the number of study participants. Kassiani (2022) defines the term "purposive sampling" as a class of non-probability sampling methods in which units are chosen because they possess qualities that you need in your sample. The researchers used the total population of rural banks in Mabalacat.

To effectively analyze the data, the researchers employ Spearman Rho. It is a nonparametric alternative to Pearson's correlation. Spearman's Rho determines the degree of correlation among two variables. Because it uses ranks instead of assumptions about the distributions of two variables, it does not require continuous-level data (interval or ratio) (Statistics Solutions, 2023).

## 8. INSTRUMENT AND PROCEDURES

The researchers used a survey questionnaire to collect the necessary data. The questionnaire was about the transformational leadership and knowledge management practices of managers, and the rural bank's sustainable performance. There were three (3) parts of questions used by the researcher to collect necessary data. The first part was about the independent variable, which was transformational leadership; the second part was about another independent variable, which was the management practices, and the last part was about the dependent variable, which was the sustainable performance of the rural banks. The researchers adapted a questionnaire from Sunaengsih et al. (2021) for the factors of transformational leadership, Al-Dmour et al. (2020) for the factors of knowledge management practices, and Samad and Ahmed (2020) for the factors of banks' sustainable performance.

The researchers provided rough drafts of the research instrument for expert judgment (face validation) by three research advisers. The validation letter was given to experts requesting their opinions, together with copies of the SOP and instrument. The researchers framed the final draft of the instrument following thorough evaluations and made any necessary adjustments.

**Table 1:** Reliability Test Results

Indicators	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items	Interpretation
Transformational Leadership Scale	0.947	0.941	20	Excellent
Knowledge Management Practices Scale	0.866	0.879	15	Good
Sustainable Performance Scale	0.928	0.938	20	Excellent

Cronbach's Alpha:  $a \geq 0.9$  (Excellent),  $0.9 > a \geq 0.8$  (Good),  $0.8 > a \geq 0.7$  (Acceptable),  $0.7 > a \geq 0.6$  (Questionable),  $0.6 > a \geq 0.5$  (Poor),  $0.5 > a$  (Unacceptable) (Source: National Research Council Committee on Scientific Principles for Educational Research, 2002)

After the pre-testing of the research instrument, the researchers applied Cronbach's alpha with the aid of a hired statistician. When selecting or constructing a new instrument for a study, a researcher is supposed to assess both the instrument's relevance to specific research and its quality questions. In other words, it determines how trustworthy the replies to a questionnaire (or area of a questionnaire), an instrumentation or rating appraised by subjects, and hence the instruments' stability. In this study, table 1 above shows the reliability test results of the instruments. Based on the findings, it was found that Transformational Leadership Scale (0.947), Knowledge Management Practices Scale (0.866), and Sustainable Performance Factors scale (0.928) have passed the reliability test and were accepted for data gathering.

In this study, survey questionnaires were distributed to the managers of rural banks in Mabalacat City to determine the significant relationship between transformational leadership and its practices toward sustainable performance. The researchers used adapted questionnaires from the studies of Sunaengsih et al. (2021), Al-Dmour et al. (2020), and Samad and Ahmed (2020). Prior to collecting data, the researchers distributed letters to the managers, providing them with information about the study and requesting their consent to participate. As soon as the permission was approved, the researcher distributed the survey questionnaires to the managers. Data gathered were analyzed and interpreted after subjecting them to statistical treatments.

**9. RESULTS AND DISCUSSION**

The gathered data along with its interpretation were presented in tabular form arranged chronologically considering the statement of the problem. These findings were the bases upon which the conclusions and recommendation were derived.

**Table 2.1:** Number of Employees

Classification	Categories	Frequency	Percentage
Number of Employees	Less than 5	3	37.50
	5 to 10	3	37.50
	More than 15	2	25.00
	<b>Total</b>	<b>8</b>	<b>100.00</b>

Table 2.1 shows the classification of rural banks in Mabalacat City. Based on the collected data, 3 or 37.50% of them were less than 5 and 5 to 10 number of employees while only 2 or 25.00% were having more than 15 employees. In conclusion, employees in rural banks in Mabalacat City are only limited. According to Nandini et al. (2021) due to reasons including limited resources and lower demand for financial services in rural areas, rural banks typically employ fewer people than commercial banks. Quayes and Khalily (2017) also concluded in their study that rural banks often employ a smaller number of employees than urban banks, although they may rely more heavily on volunteers and part-time staff to keep expenses down.

**Table 2.2:** Number of Years of Operation

Classification	Categories	Frequency	Percentage
Number of years of Operations	5 to 15 years	2	25.00
	More than 25 years	6	75.00
	<b>Total</b>	<b>8</b>	<b>100.00</b>

Table 2.2 shows the classification of rural banks in Mabalacat City. As to the number of years of operations, 2 or 25.00% were 5 to 15 years while 6 or 75.00% were more than 25 years. Based on the collected data, the number of years of operation of rural banks was long enough to sustain the needs of their customers. It also appeared in the table that rural banks have the ability to operate in longer years just like the other commercial banks. One of the studies of Lankeris (2019) stated that many banks have been operated for centuries now and that was because banks are innovative too. Some of their new ways to keep them sustainable was by developing internet banking and online wallet which became the new favorite features of their users because it was more convenient than the traditional way of banking. McKinsey & Company (2020) also concluded that despite having a COVID-19 pandemic, banks still manage to sustain their company because of developing new digital services such as mobile banking and online account opening.

**Table 3:** Classification of Transformational Leadership



Transformational Leadership Factors	Mean	SD	Interpretation
<b>A. Idealized influence:</b>	<b>3.70</b>	<b>0.28</b>	<b>Always</b>
1. I am carrying out tasks in accordance with the vision and mission.	3.88	0.35	Always
2. I am reminding them to respect each other.	3.88	0.35	Always
3. I am providing examples of good behavior in the environment.	4.00	0.00	Always
4. I am reducing penalty towards any mistakes as a professional effort.	3.13	0.83	Often
5. I am giving them freedom in carrying out the tasks given.	3.63	0.52	Always
<b>B. Intellectual stimulation:</b>	<b>3.73</b>	<b>0.26</b>	<b>Always</b>
1. I am giving them references in self-development.	3.75	0.46	Always
2. I am providing them opportunities to conduct training.	3.63	0.52	Always
3. I am providing them freedom of opinion regarding policies.	4.00	0.00	Always
4. I am involving them in assessing their tasks.	3.63	0.52	Always
5. I have a way of solving complex problems.	3.63	0.52	Always
<b>C. Individual consideration:</b>	<b>3.55</b>	<b>0.42</b>	<b>Always</b>
1. I am giving praise and appreciation to their work results.	3.63	0.52	Always
2. I am accepting suggestions for their improvements.	3.63	0.52	Always
3. I am guiding and training them personally if they have problems.	3.50	0.76	Always
4. I know their skills and expertise.	3.50	0.76	Always
5. I am giving attention by listening to their complaints.	3.50	0.53	Always
<b>D. Inspirational motivation:</b>	<b>3.85</b>	<b>0.18</b>	<b>Always</b>
1. I am influencing them to be optimistic in facing the future.	4.00	0.00	Always
2. I am supporting them to get good results.	4.00	0.00	Always
3. I am encouraging them to work hard professionally.	4.00	0.00	Always
4. I am communicating the goals that must be achieved by them.	3.75	0.46	Always
5. I am encouraging them to practice new approaches.	3.50	0.53	Always
<b>Grand Mean</b>	<b>3.71</b>	<b>0.29</b>	<b>Always</b>

Legend: 1.00 - 1.75: Never, 1.76 - 2.50: Sometimes, 2.51 - 3.25: Often, 3.26 - 4.00: Always

Table 3 shows the classification of transformational leadership. Based on the computed data, idealized influence (3.70), intellectual stimulation (3.73), individual consideration (3.55), and inspirational motivation (3.85) got an interpretation of always. In terms of idealized influence, the highest mean gathered was I am providing examples of good behavior in the environment (4.00) while the lowest was the I am reducing penalty towards any mistakes as a professional effort (3.13). A leader in a company serves as a mentor or role model for staff members, and their attitude and actions have a big impact on the workers. The sustainability of the business depends on ethical leadership. Previous research had shown that moral leadership impacts both individual employees and the performance of the entire organization (Adawiyah et al., 2022). On the other hand, in terms of intellectual stimulation, I am providing them freedom of opinion regarding policies got the highest mean (4.00) while the I am providing them opportunities to conduct training, I am involving them in assessing their task and I have a way of solving complex problems got the lowest mean (3.63). According to the study, it was perfect to involve all employees in decision-making because it improves commitment among workers and develops innovation and creativity within the company (Mambula et al., 2021). When it comes to the individual consideration factor, the highest mean generated are I am giving praise and appreciation to

their work results and I am accepting suggestions for their improvements (3.63) while the other three got the lowest mean which are I am guiding and training them personally if they have problems, I know their skills and expertise and I am giving attention by listening to their complaints (3.50). In some studies, it was stated that managers can use a variety of strategies to inspire their workers, but it was important for managers to remember that different strategies will inspire employees in different ways. The manager had to understand and acknowledge issues in order to get the best results from a motivational strategy, which requires recognizing each person's unique values, beliefs, and practices (Baskar, 2013). And for the last factor, the inspirational motivation, the first three got the highest mean (4.00) the I am influencing them to be optimistic in facing the future, I am supporting them to get good results, and I am encouraging them to work hard professionally while the lowest mean (3.50) was the I am encouraging them to practice new approaches. Overall, the computed grand mean was 3.71 with a standard deviation of 0.29 and indicates that respondents always possess the classification of transformation leadership. In one of the studies in Iran, it was stated that transformational leadership was crucial for every organization because it serves as a key contextual factor that determines innovative behavior (Karimi et al., 2023).

Table 4: Rural Bank Management Practices

Knowledge Management Practices	Mean	SD	Interpretation
<b>A. Knowledge utilization:</b>	<b>3.55</b>	<b>0.41</b>	<b>Always</b>
1. Our bank effectively manages different sources of knowledge: experience, expertise, etc.	3.75	0.46	Always
2. Our bank applies available knowledge such as seminars, programs, etc. to improve its performance.	3.63	0.52	Always
3. We change our practices when customer feedback gives us reason to change.	3.38	0.74	Always
4. Our bank uses available knowledge in improving services provided to its customers	3.75	0.46	Often
5. We are capable of responding rapidly to competitors' actions.	3.25	0.71	Often
<b>B. Knowledge acquisition:</b>	<b>3.65</b>	<b>0.38</b>	<b>Always</b>
1. Our bank actively observes and adopts the best practices in our sector.	3.50	0.76	Always
2. Our banks obtain knowledge from different market sources: customers, partners, etc.	3.88	0.35	Always
3. Our bank continuously gathers economic information on our operations and operational environment.	3.50	0.53	Always
4. We have knowledge to assess our capital.	3.63	0.52	Always
5. Our development activities are based on examined market needs.	3.75	0.46	Always
<b>C. Knowledge integration:</b>	<b>3.45</b>	<b>0.52</b>	<b>Always</b>
1. We exchange knowledge among employees to achieve our goals with little time and effort.	3.50	0.76	Always
2. Cooperative agreements are in place to facilitate knowledge integration between our bank and the other banks.	3.25	0.71	Often
3. Acquired project-related knowledge has been integrated.	3.50	0.53	Always
4. Teams have been established strictly for the purpose of knowledge integration.	3.63	0.52	Always
5. We promote sharing of information among team members and various units.	3.38	0.74	Always
<b>Grand Mean</b>	<b>3.55</b>	<b>0.44</b>	<b>Always</b>

Legend: 1.00 - 1.75: Never, 1.76 - 2.50: Sometimes, 2.51 - 3.25: Often, 3.26 - 4.00: Always

Table 4 shows the rural bank management practices. Based on the computed data, knowledge utilization (3.55), knowledge acquisition (3.65), and knowledge integration got an interpretation of always. The two items with the highest mean in terms of knowledge utilization were “our bank effectively manages different sources of knowledge, experience, expertise, etc.” and “our bank uses available knowledge in improving services provided to its customers” (3.75). While “We are capable of responding rapidly to competitors’ actions.” (3.25) had the lowest item mean. While “our banks obtain knowledge from different market sources: customers, partners, etc.” (3.88) had the highest item mean in terms of knowledge acquisition. The mean of the lowest item was “our bank actively observes and adopts the best practices in our sector” as well as “our bank continuously gathers economic information on our operations and operational environment” (3.50). The Item with the highest item means for knowledge integration was “teams have been established strictly for the purpose of knowledge integration” (3.63), and the item with the lowest item mean was “cooperative agreements are in place to facilitate knowledge integration between our bank and the other banks” (3.25). Overall, the computed grand mean was 3.55 with a standard deviation of 0.74 and indicates that rural bank always does management practices. Knowledge creation, transfer, and exchange, as well as knowledge capturing, storing, and application, are all part of the definition of knowledge management practices. It also involves assessing how knowledge affects an organization’s performance. It was thought to be important for an organization to succeed. Additionally, it was asserted to give organizations the tools they require to effectively apply their knowledge in order to achieve their purpose, vision, and goals (Don-Serge, 2019). Additionally, according to Samad and Ahmed (2020) to continue to manage effectively, provide high-quality services, and develop solutions organizations like banks have many strategies in place to ensure their long-term viability responsibilities. Banks unquestionably require a proactive management team to run their business effectively and provide customers with a pleasant and suitable environment.

**Table 5:** Rural Bank’s Sustainable Performance

Sustainable Performance Factors	Mean	SD	Interpretation
<b>A. Learning and growth:</b>	<b>3.73</b>	<b>0.34</b>	<b>Always</b>
1. Enough tasks information received by employees.	3.38	0.74	Always
2. Enough information to make decisions.	3.63	0.52	Always
3. Enough information to achieve performance.	3.75	0.46	Always
4. Employees have established performance objectives.	3.88	0.35	Always
5. Training are provided to meet my job requirements.	4.00	0.00	Always
<b>B. Customer perspective:</b>	<b>3.70</b>	<b>0.40</b>	<b>Always</b>
1. Consistently meet the expectations of customers.	3.75	0.46	Always
2. The quality of services has improved.	3.75	0.46	Always
3. The number of people served has increased.	3.75	0.71	Always
4. The demand for the services has increased.	3.63	0.52	Always
5. Actions are taken on what programs are needed.	3.63	0.52	Always
<b>C. Internal business perspective:</b>	<b>3.68</b>	<b>0.44</b>	<b>Always</b>
1. Organizational planning processes are improved.	3.63	0.52	Always
2. Policies and procedures are developed.	3.75	0.46	Always
3. Quality control processes are provided.	3.75	0.46	Always
4. Service delivery processes are improved.	3.63	0.52	Always
5. Management makes it easy in achieving mission.	3.63	0.52	Always
<b>D. Financial perspective:</b>	<b>3.60</b>	<b>0.48</b>	<b>Always</b>
1. The cash flow return on investment has increased.	3.38	0.52	Always
2. The bank has no problem in its return on equity.	3.50	0.76	Always
3. The profit (net income) of the bank has increased.	3.63	0.52	Always
4. The deposit growth in the bank has improved.	3.75	0.46	Always
5. The return on assets in the bank was at high level.	3.75	0.46	Always
<b>Grand Mean</b>	<b>3.68</b>	<b>0.41</b>	<b>Always</b>

Legend: 1.00 - 1.75: Never, 1.76 - 2.50: Sometimes, 2.51 - 3.25: Often, 3.26 - 4.00: Always

Table 5 shows the rural bank sustainable performance. Based on the computed data, learning and growth (3.73), customer perspective (3.70), internal business perspective (3.68), and financial perspectives (3.60) got an interpretation of always. The highest item means in terms of learning and development was “training was provided to meet my job requirements” (4.00), and the lowest item mean in terms of “enough task information received by employees” (3.38). In terms of customer perspective, the highest items were “consistently meet the expectations of customers,” “the quality of services had improved,” and “the number of people served had increased” (3.75), while the lowest ratings indicate “the demand for the services had increased” and “actions are taken on what programs are needed” (3.63). While, in terms of internal business perspective, the highest items were “policies and procedures are developed” and “quality control processes are provided.” (3.75), while the lowest items were “Service delivery processes are improved.”, “management makes it easy in achieving mission.”, and “organizational planning processes are improved.” On the other hand, in terms of financial perspective, the highest items were “the deposit growth in the bank had improved”, and “the return on assets in the bank was at high level.” (3.75), while the lowest item was “the cash flow return on investment had increased” (3.38). Overall, the computed grand mean was 3.68 with a standard deviation of 0.41 and indicates that rural bank always does sustainable performance. Domargard (2021) asserts that

employing sustainable banking practices was essential to both the long-term growth of various banking organizations and the global economy. In the study of Cabaron (2023) concluded that rural banks also engage in sustainable social and economic banking, which had a positive impact on their financial health and helps them become more sustainable.

**Table 6:** Significant Relationship between Rural Bank’s Sustainable Performances and Transformational Leadership in terms if Idealized Influence

Variable 1	Variable 2	r-value	p-value	Decision	Interpretation
Idealized Influence	Learning and Growth	0.336	0.416	Accept Ho	Not Significant
	Customer Perspectives	0.267	0.523	Accept Ho	Not Significant
	Internal Business Perspectives	0.470	0.240	Accept Ho	Not Significant
	Financial Perspectives	0.645	0.084	Accept Ho	Not Significant

Legend: Spearman Rho Test at \*0.05 level of significance

Table 6 shows the significant relationship between rural bank’s sustainable performances and transformational leadership in terms of Idealized Influence. Based on the computed data, it was found that learning growth, customer perspectives, internal business perspectives and financial perspectives were not significant to idealized influence. Thus, this implies that transformational leadership in terms of idealized influence do not influence the level of rural bank’s sustainable performance. The results of this study support the results of research studied by Magasi (2021), leaders may not always produce positive results in the performance of banks. Some leaders, due to their behaviors characterized as pseudo-idealized influence, can actually have detrimental effects. Therefore, it was essential for employees to critically evaluate and think innovatively when following their leaders' directives to avoid negative consequences in the banking sector.

In addition, the research studied by Waris et al., (2018) had discovered that idealized influence does not significantly impact employee performance or their calculative commitment to the organization. These results may not be unexpected, as the exceptional influence of transformational leaders can sometimes result in incorrect decisions, excessive motivation, employee burnout, and increased risk-taking. This can be due to an oversight of practicality and a difficulty in selecting the most important priorities. Furthermore, to attain sustainable performance in the banking industry, organizations must strategically leverage synergies by optimizing the performance of their entire environment, which encompasses their workforce (Karpuz et al. 2021).

**Table 7:** Significant Relationship between Rural Bank’s Sustainable Performance and Transformational Leadership in terms of Intellectual Stimulation

Variable 1	Variable 2	r-value	p-value	Decision	Interpretation
Intellectual Stimulation	Learning and Growth	0.258	0.537	Accept Ho	Not Significant
	Customer Perspectives	0.428	0.290	Accept Ho	Not Significant
	Internal Business Perspectives	0.265	0.526	Accept Ho	Not Significant
	Financial Perspectives	0.796	0.018*	Accept Ha	Significant

Legend: Spearman Rho Test at \*0.05 level of significance

Table 7 shows the significant relationship between rural bank’s sustainable performances and transformational leadership in terms of intellectual stimulation. Based on the computed data, it was found that learning growth, customer perspectives, and internal business perspectives were not significant to intellectual stimulation. Thus, this implies that transformational leadership in terms of intellectual stimulation do not influence the level of rural bank’s sustainable performance in terms of learning growth, customer perspectives, and internal business perspectives. The study results support the research results by Ondari et al., (2018) this study hypothesized that stimulating intellectual growth and creativity, as part of transformational leadership, would positively influence the performance of banks. This type of leadership encourages employees to approach challenges from multiple angles, promotes innovative problem-solving, and seeks diverse perspectives. However, given the low performance of many banks in Kenya, the study found that this link between intellectual stimulation and performance in banks was not significant.

The unexpected aspect was that it's uncommon to find leaders who foster creativity and innovation, provide a space for experimentation and idea-sharing, but still fall short of performance expectations. Similarly, it's not typical to have leaders who encourage employee creativity and challenge the established norms but still have performance below expectations. In essence, the study revealed that, in the context of Kenyan banks, intellectual stimulation within transformational leadership doesn't significantly impact organizational performance. Moreover, analyzing the corporate performance of the organizations was an essential instrument for achieving sustainability in the banking sector, offering a competitive advantage to banking professionals (Staupoulou & Sardanou, 2019).

On the other hand, it was found that financial perspectives were significant to intellectual stimulation. Thus, this implies that transformational leadership in terms of intellectual stimulation influence the level of rural bank’s sustainable performance in terms of financial perspectives. The results of this study support the results of research by Son et al. (2020) which states that knowledge-sharing behaviors play a mediating role when it comes to the link between transformational leadership and sustainable performance, this study emphasizes that transformational leadership practices can influence financial performance, either directly or indirectly, by motivating employees to engage in sharing interesting thoughts, especially in the context of financial



perspective. Also, in the result studied by Suprihati (2019), it was clear that the financial perspective significantly and positively influences a bank's overall performance, when employees are encouraged to think creatively and come up with new ideas, it may lead to improved financial strategies, more effective processes, and eventually better financial outcomes for the bank.

**Table 8:** Significant Relationship between Rural Bank’s Sustainable Performances and Transformational Leadership in terms of Individual Consideration

Variable 1	Variable 2	r-value	p-value	Decision	Interpretation
Individual Consideration	Learning and Growth	0.928	0.001*	Accept Ha	Significant
	Customer Perspectives	0.652	0.080	Accept Ho	Not Significant
	Internal Business Perspectives	0.643	0.086	Accept Ho	Not Significant
	Financial Perspectives	0.847	0.008*	Accept Ha	Significant

Legend: Spearman Rho Test at \*0.05 level of significance

Table 8 shows the significant relationship between rural bank’s sustainable performances and transformational leadership in terms of individual consideration. Based on the computed data, it was found that customer perspectives and internal business perspectives were not significant to individual consideration. Thus, this implies that transformational leadership in terms of individual consideration do not influence the level of rural bank’s sustainable performance in terms of customer perspectives and internal business perspectives. According to Katou et al. (2021) transformational leadership was characterized primarily by its results, which include fostering pride and respect, respecting loyalty and community, recognizing employee requirements, and shifting motivation from self-interest to communal interest. This demonstrates that the management perspective rather than the internal business perspective was given greater consideration in order to adopt sustainable solutions.

On the other hand, it was found that learning and growth and financial perspectives were significant to individual consideration. Thus, this implies that transformational leadership in terms of individual consideration influence the level of rural bank’s sustainable performance in terms of learning and growth and financial perspectives. The Jan et al. (2019) study came to the conclusion that better sustainability practices will increase the financial value of the management, shareholder, and market financial performance indicators of the Islamic banking sector globally. According to Kumar and Prakash (2019), banking was essential to the global economy. Therefore, the adoption of sustainable banking practices by various banking institutions was a potent catalyst for long-term growth.

**Table 9:** Significant Relationship between Rural Bank’s Sustainable Performances and Transformational Leadership in terms of Inspirational Motivation

Variable 1	Variable 2	r-value	p-value	Decision	Interpretation
Inspirational Motivation	Learning and Growth	0.468	0.241	Accept Ho	Not Significant
	Customer Perspectives	0.370	0.367	Accept Ho	Not Significant
	Internal Business Perspectives	0.097	0.820	Accept Ho	Not Significant
	Financial Perspectives	0.530	0.176	Accept Ho	Not Significant

Legend: Spearman Rho Test at \*0.05 level of significance

Table 9 shows the significant relationship between rural bank’s sustainable performances and transformational leadership in terms of inspirational motivation. Based on the computed data, it was found that learning growth, customer perspectives, internal business perspectives and financial perspectives were not significant to inspirational motivation. Thus, this implies that transformational leadership in terms of inspirational motivation do not influence the level of rural bank’s sustainable performance. According to studies (Waris et al., 2018; Suifan et al., 2017), the impact of inspiring motivation on employee performance and creativity was insignificant. The inference was that improving an employee's performance does not always result from altering their aspirations, values, attitudes, or behaviors. An employee and the bank itself may have a conflict of interest because of this. While an employee wants to raise living standards and well-being, the bank's management seeks to increase earnings and riches. The banking industry needs solid and steady leadership to continue performing well. Since leadership was responsible for 99% of all banks' successful efforts, it was the most important success factor for the banking industry's sustainable future. (Avery & Suriyankietkaew, 2016; Ally, 2014; BOT, 2018).

**Table 10:** Significant Relationship between Rural Bank’s Sustainable Performances and Management Practices in terms of Knowledge Utilization

Variable 1	Variable 2	r-value	p-value	Decision	Interpretation
Knowledge Utilization	Learning and Growth	0.639	0.088	Accept Ho	Not Significant
	Customer Perspectives	0.425	0.294	Accept Ho	Not Significant
	Internal Business Perspectives	0.158	0.709	Accept Ho	Not Significant
	Financial Perspectives	0.538	0.169	Accept Ho	Not Significant

Legend: Spearman Rho Test at \*0.05 level of significance

Table 10 shows the significant relationship between rural bank’s sustainable performances and management practices in terms of Knowledge Utilization. Based on the computed data, it was found that learning and growth, customer perspectives, internal business perspectives and financial perspectives were not significant to knowledge utilization. Thus, this implies that management practices in terms of knowledge utilization do not influence the level of rural bank’s sustainable performance in terms of learning and growth, customer perspectives, internal business perspectives and financial perspectives. Rezaei et. al (2021) claims that



because there are other mediator variables that translate the effects of knowledge utilization to organizational performance, knowledge utilization does not directly affect organizational performance. There are several gaps in the literature that require additional research, and it is still unclear what function mediator factors play in the processes of knowledge utilization and organizational success. Additionally, the findings make it abundantly evident that knowledge utilization's primary effects on a positive organizational culture and high-quality knowledge processes are what actually cause them to have an indirect influence on organizational success (International Atomic Energy Agency Vienna, 2013). There are situations where knowledge utilization and innovation co-exist to express mutual interaction, referred to as knowledge-based innovation, even if the two notions are not generally considered interchangeable. According to Robertson (2023), the ability to convert and adapt to changing settings through knowledge utilization, as well as the ability to innovate faster, better, and smarter, gives a competitive advantage. This implies that knowledge utilization was more affecting innovation than the overall performance of an organization.

**Table 11:** Significant Relationship between Rural Bank’s Sustainable Performances and Management Practices in terms of Knowledge Acquisition

Variable 1	Variable 2	r-value	p-value	Decision	Interpretation
Knowledge Acquisition	Learning and Growth	0.533	0.173	Accept Ho	Not Significant
	Customer Perspectives	0.307	0.459	Accept Ho	Not Significant
	Internal Business Perspectives	0.329	0.426	Accept Ho	Not Significant
	Financial Perspectives	0.538	0.169	Accept Ho	Not Significant

Legend: Spearman Rho Test at \*0.05 level of significance

Table 11 shows the significant relationship between rural bank’s sustainable performances and management practices in terms of Knowledge acquisition. Based on the computed data, it was found that learning and growth, customer perspectives, internal business perspectives and financial perspectives were not significant to knowledge acquisition. Thus, this implies that management practices in terms of knowledge acquisition do not influence the level of rural bank’s sustainable performance in terms of learning and growth, customer perspectives, internal business perspectives and financial perspectives. To support these findings, Djangone and El-Gayar (2021) suggest that even if an organization acquires knowledge, its performance may still be negatively affected due to the influence of its organizational culture. In other words, the way an organization operates and the values it promotes can impact how effectively it can put its acquired knowledge into practice and achieve its goals. Moreover, the impact of knowledge acquisition on organizational performance seems to be less significant in audit and consulting companies in the Middle East. This highlights the fact that developing economies, like those in Middle Eastern countries, are unable to invest the required

resources for knowledge creation. This also demonstrates the difference between local and multinational corporations in the region. As a consequence, there was a lack of best practices from previous projects, and the global market needs new services (Kordab et. al, 2020). Having the ability to acquire knowledge was not necessary to improve performance. This could be because of the type of knowledge workers acquire during training or the knowledge acquisition process (Ahmad et. al, 2013).

**Table 12:** Significant Relationship between Rural Bank’s Sustainable Performances and Management Practices in terms of Knowledge Integration

Variable 1	Variable 2	r-value	p-value	Decision	Interpretation
Knowledge Integration	Learning and Growth	0.780	0.022*	Accept Ha	Significant
	Customer Perspectives	0.400	0.326	Accept Ho	Not Significant
	Internal Business Perspectives	0.637	0.089	Accept Ho	Not Significant
	Financial Perspectives	0.756	0.030*	Accept Ha	Significant

Legend: Spearman Rho Test at \*0.05 level of significance

Table 12 shows the significant relationship between rural bank’s sustainable performances and management practices in terms of Knowledge integration. Based on the computed data, it was found that customer perspectives and internal business perspectives were not significant to knowledge integration. Thus, this implies that management practices in terms of knowledge integration do not influence the level of rural bank’s sustainable performance in terms of customer perspectives and internal business perspectives. This study's findings differ from previous research on knowledge integration and its impact on customer and internal business perspectives. Several studies show the significance of knowledge integration to customer and internal business perspectives. Integrating knowledge in a formalized and repeatable manner was crucial for the R&D department to develop the right product at the right time. The integration of knowledge from R&D and internal stakeholders throughout the product development process creates customer value. Since employees interacting with different customers obtain varied knowledge, it was essential to utilize knowledge from a diverse range of employees with different roles and in different countries. Therefore, the importance of knowledge integration must be disseminated and understood across the organization. Although additional customer value was created after completing the product development process, the foundation for their value creation was established during the product development process (Eslami, 2017; Alenvret & Evaldsson, 2015; Salunke, 2018). In terms of the importance of knowledge integration from an internal business perspective, it was also evident that modern organizations require not only the constant collection of information but also the integration of knowledge within the organization. Managers must identify the important directions for business maintenance, development, or adaptation to changes in the environment. Knowledge was perceived as a crucial source

for gaining a competitive advantage. Knowledge integration becomes an essential element in the entire process of managing an organization. The ability to collect and process specific information resources of an organization for knowledge integration was also crucial for internal business operations. Achieving knowledge integration was difficult, but it was the basis for the competitive abilities of companies to succeed (Lemańska-Majdzik, 2022).

On the other hand, it was found that learning and growth and financial perspectives were significant to knowledge integration. Thus, this implies that management practices in terms of knowledge integration influence the level of rural bank’s sustainable performance in terms of learning and growth and financial perspectives. The study of Shun Li et. al (2022) and Mehta (2017) shows the positive influence of knowledge integration on learning and growth perspective. Effective learning and growth of the employees depends on the integration of knowledge resources however, integrating knowledge resources can be challenging. This ability affects various aspects of an organization's effectiveness. In today's digital economy, organizations must assist their team members in integrating knowledge to enhance their innovation capabilities. Numerous studies have explored the factors that contribute to knowledge integration and how they impact an employee's innovation performance. It was widely accepted that creating supportive contexts can foster continuous learning for employees, leading to improved organizational performance. Integrating knowledge was essential to the financial perspective because it was considered the lifeblood of an organization, functioning as a crucial element for survival in today's dynamic and competitive era. When knowledge was integrated, it enhances an organization's capability to handle its business processes effectively. Integrating knowledge was highly beneficial for banks in terms of their financial performance. This involves combining and utilizing information from various sources to gain a deeper understanding of the banking industry, market trends, customer needs, and other relevant factors. By doing so, banks can make more informed decisions, identify new business opportunities, and better manage risks. This approach also enables them to streamline their operations, optimize their resources, and enhance their overall competitiveness in the market. Therefore, knowledge integration can serve as a strategic tool for banks to achieve sustainable growth and success (Nurdin, 2018).

Objective	Program/Activity	Resources		Time Frame	Target Participants	Remarks
		Human	Materials			
To increase awareness and understanding of the benefits and impact of improving the leadership style and integration of knowledge within an organization.	<b>Educational and Awareness Campaign:</b> Organize seminars and workshops regarding knowledge integration and transformational leadership in terms of intellectual stimulation and individual consideration.	Senior Executive, Management	Presentation materials	Annually	Managers and Employees	
To improve long-term capacity and skills, and strengthen institution.	<b>Training Program:</b> Includes knowledge partnerships, collaborations, and trainings for team members.	Managers	Team building activities	2 days	Employees	
To improve the mood of employees and their productivity.	<b>Recognition:</b> Valuing the effort, appreciating exceptional work, and offering rewards for reaching goals.	Managers	Certificate of Recognition	Annually	Employees	
To provide insights on where to improve and to assist the organization to understand their true potential.	<b>Evaluation:</b> Assessment of the performance and leadership of the manager and employees.	Management	Key Performance Indicators (KPI) and Performance Review	Monthly	Managers and Employees	

10. CONCLUSION

The present study explored the impact of transformational leadership and its practices on the sustainable performance of rural banks in Mabalacat City. The findings of the study revealed that transformational leadership in terms of intellectual stimulation and individual consideration have a positive association with sustainable performance specifically to learning growth and financial perspective of rural banks, and it was also identified that idealized influence and inspirational motivation do not have a significant influence in sustainable performance of rural banks. The study also concludes that knowledge management in terms of knowledge integration had a significant relationship to the sustainable performance of rural banks specifically to its learning growth and financial perspective. When rural banks effectively integrate knowledge, it leads to improved learning growth and a better financial perspective. This implies that rural banks that prioritize knowledge integration are better equipped to handle challenges and achieve their long-term goals. The study underscores the importance of implementing transformational leadership and knowledge integration in banks, as these practices enable the assessment of success and the attainment of sustainable performance, essential for long-term success and societal well-being. By adopting sustainable practices, overall organizational performance can improve while aligning goals with societal expectations. Managers can enhance sustainable development and promote the betterment of society by incorporating these insights into their practices. These findings have far-reaching implications for managerial practices, decision-making procedures, leadership styles, and knowledge integration within organizations.

Table 13: Action Plan for Rural Banks in Mabalacat City

## 11. RECOMMENDATIONS

After careful consideration of the interpretation and conclusion made, the researchers were able to recommend the following:

1. The researchers recommend implementing the following strategies for managers to improve organizational performance:
  - a. Intellectual stimulation can be improved by putting tactics like holding regular meeting sessions and encouraging a culture of curiosity into practice.
  - b. Engagement and in active listening to comprehend the viewpoints and concerns of your employees.
  - c. Organize frequent knowledge-sharing meetings to share details on innovative solutions, difficulties, and successful techniques and to encourage staff members to share ideas, and promote open communication.
2. It was advised that managers be trained in the use of both leadership and knowledge management concepts and provide workshops to encourage lifelong learning. Additionally, given the growing demand for fresh leadership competencies due to societal changes, leadership training programs are more crucial than ever, appropriate techniques for development and training have to be designed with employees' professional advancement in mind. It includes workshops and seminars like the two-day Strategic Human Resource Management from the Rural Bankers Association of the Philippines (RBAP), which was attended by President & CEOs, Director, General Manager, HR Head & Compliance Officer. The researchers suggest to have the seminar about "Transformational Leadership in Banking: Challenges of Governance, Leadership and HR in a Digital and Disruptive World" written by Dr Khandelwal and was responsible for the turnaround of Bank of Baroda; he chaired the committee of HR initiatives for public sector banks and was a member of the first Bank Boards Bureau set up by the government. He has the impeccable credentials to put together a book with contributions from distinguished experts in India.
3. The researchers recommend to value each employees' efforts, offer personal appreciation for doing exceptional work, offer rewards for reaching goals and praise individual effort, promote individual risk-taking, creativity, independence, and uniqueness at work, and offer bonuses and commissions based on performance. Such as the Service Excellence Award, which is given to teams and individuals to honor and encourage excellence, productivity, and professional development among staff members; in addition, rank-and-file employees' salary and benefits packages are frequently evaluated based on their performance.
4. The study was conducted in Mabalacat City, limiting the generalization of findings to other locations due to contextual differences. Therefore, further research could explore multiple regions and increase the sample size for

more comprehensive results. Additionally, future researchers may identify additional factors influencing how transformational leadership and practices contribute to the sustainable performance of rural banks.

5. Future researchers can use qualitative research techniques like focus groups, case studies, and interviews to supplement quantitative findings. The researchers suggest to have an actual interview with the managers and employees and observe their practices during their operations. This strategy might offer a more in-depth understanding of the complexities of knowledge integration and certain leadership techniques that affect long-term success.

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