Effect of Transformational Leadership on Performance of Microfinance Banks in Kenya

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ABSTRACT

Microfinance banks in Kenya were established to primarily focus on providing financial services to low-income clients, including micro-entrepreneurs and small business owners who typically cannot access traditional bank loans. According to central bank of Kenya, annual report and financial statements 2019 to 2020 and bank supervision annual report 2020, the microfinance banks recorded a combined loss before tax of KSh 1.0 billion in the year ended June 2020. The purpose of this study was to assess the effect of transformational leadership on performance of microfinance banks in Kenya. The study was anchored on transformational leadership theory and stakeholder theories. The study adopted positivism research philosophy and applied cross-sectional survey design. The study's target population was the 14 microfinance banks as listed by the central bank of Kenya as of 31st December 2020. The study applied stratified proportionate random sampling and questionnaires were used to collect data from 366 respondents. Primary data was analysed using inferentially analysis. The results revealed: strong positive correlation (R=0.684) between transformational leadership and performance of microfinance banks in Kenya. The study recommends microfinance banks should adopt transformational leadership to achieve high organisational performance through individual consideration and intellectual stimulation through helping the employees develop themselves career wise and getting the employees to think and generate new ideas and new ways of doing things and business.

Key words: Transformational, Leadership, Performance, Microfinance, Banks, Kenya

INTRODUCTION

Robbins and Judge (2016), define leadership as the ability to influence a group to achieve a vision or goal. Furthermore, in order to achieve maximum effectiveness, every organisation must have a strong level of leadership as well as adequate management. Today's leaders compete to create a vision for the future and inspire members of their organisations. Furthermore, the leadership is responsible for changing the atmosphere of the organisation to make it more efficient and professional (Moo & Rashad, 2015).The importance of leadership on organisational performance is a subject that has continued to attract attention particularly in this era of increasing globalization and stiff market competition. Yanney (2014) argued that leadership behavior of top management of enterprises can have strong impact on organisation organisational performance and therefore as enterprises becomes globally competitive, there is need to develop new sets of vision to sustain their business and become more competitive. The style of leadership has been found to determine the level of satisfaction and productivity of employees and the organisation (Taylor, 2014). Different leadership behaviors produce different effects on employees and have clearly distinct outcomes (Erkutlu, 2018). In this regard leadership behavior of the top management plays a major role in providing the needed direction and clear vision.

The manner and approach to delivering guidance, implementing programs, and motivating people is referred to as leadership style (Jeremy et al., 2012).In addition, a leadership style refers to the characteristics of a leader's behaviors when he manages, directs, guides or motivates employees (Qu & Zhao, 2016).Transformational leadership is a type of leadership which focuses on achieving changes in values, beliefs, attitudes, behaviours, emotional, and the needs of subordinates for better change in future. Rich Hein (2013) explained that transformational leader will adopt the attributes of transformational leadership and thus is a facilitator who does not make decisions or establish strategic plans but, instead, facilitates a series of conversations among the key stakeholders. He emphasized that transformational leaders are driven by a strong set of values ??and a sense of mission. Therefore, they are portrayed as charismatic, enthusiastic, optimistic, passionate and sometimes visionary leaders (Rich Hein, 2013).

Transformational leadership outcomes, range from higher employee satisfaction, commitment and productivity. It is a fair assessment to state that leadership behaviour therefore regulates and controls the effectiveness of the organisation. Geib and Swenson (2013) opined that transformational leadership is a leadership style that seeks positive transformations in the followers and through the strategy and structure of the organisation achieves the desired changes. Transformational leadership outcomes as described above range from higher employee satisfaction, commitment and productivity or lack of the same. Effects of leadership outcomes have been seen to influence the commitment that staff have on the organisation (Nair Taras, 2014). A majority of challenges faced by institution are greatly reduced if the right leadership is employed (Abdul & Dean, 2013). Leadership styles have a variety of impacts on factors such as flexibility, standards, incentives, clarity, and commitment, as well as organisational climates in some circumstances, since the leader's behaviour produces incentive mechanisms that influence individual Organisational Performance in the company.

According to Mutisya Sammy (2016), organisational performance is the ability of the firm to produce results in various dimensions. The concept of organisational performance can be viewed narrowly as well as broadly. In a narrow sense, it refers to the financial, product market and shareholder return, while organizational effectiveness which is a broader concept includes both the financial indicators as well as the wider nonfinancial indicators such as, customer satisfaction, operations effectiveness and corporate social responsibility (Singh et al., 2016; Richard et al., 2009). Organisational performance is an important dimension of organisations since it determines the level of the firm growth. The firm organisational performance can be measured in different levels including through the consideration of the customer satisfaction levels, employee turnover, product profitability, company profitability as well as through liquidity, and capital structure of the firm (Wambui Kamau, 2020).

Microfinance banks were created with the intention of providing financial assistance to underprivileged communities to enable people make a livelihood, build better homes, obtain basic education, and combat poverty. With such a core objective, the success of microfinance initiatives was judged by their social impact on the welfare of the target population. (De & Morduch, 2010). Organisational Performance metrics let organisations better control their resources, alter their operations, and reward and appraise their employees, (Patrick, 2018). Financial performance assessment in microfinance banks has been criticized since it tends to focus solely on financial metrics, neglecting non-financial issues. Stakeholder theory indicators of Organisational Performance and has been widely utilized to measure and improve Organisational Performance (Joseph et al., 2018). This study will conceptualize organisational performance from a broader concept that includes both the financial indicators as well as the wider nonfinancial indicators such as, customer satisfaction, operations effectiveness and corporate social responsibility.

According to a comprehensive literature on impact of microfinance (2013), microfinance can be used as a tool for empowerment as well as for social protection (Savings, Insurance, remittance). As Munene Muiruri(2014) notes, the confidence of the people is boosted by the non-financial services that MFBs offer such as vocational skill training, consultancy, advisory services as well as social services. It is of importance because despite provision of financial services to Micro and Small enterprises, they are unlikely to grow significantly because of other constraints that could be addressed by the non- financial services (Munene Muiruri, 2014), Hence the need to ensure that MFBs are sustainable. Microfinance has gotten a lot of press over the last two decades, and it’s been touted as the “magic bullet” for eradicating global poverty, particularly in developing countries throughout the world. According to Ojokuku et al., (2012), microfinance products are used by about half of all low-income households in India, Nigeria, and South Africa.

1.1 Statement of the Problem

The Kenya vision 2030 places financial inclusion as a key pillar in its achievement making it mandatory for the government to lay strategies of improving the financial institutions (Vision 2030). To this extent, the government has put various measures recognizing the role of microfinance including developing new regulations that anchor on the Microfinance Act 2006. However, according to central bank of Kenya, annual report and financial statements 2019 to 2020 and bank supervision annual report 2020, the microfinance banks recorded a combined loss before tax of KSh 1.0 billion in the year ended June 2020, compared to a loss of KSh 0.7 billion in the previous year ended June 2019. In 2019 the MFBs sector witnessed reduction in staff as the total number of staff declined by 34, from 3,969 to 3,935 (Central Bank of Kenya, 2020). Microfinance banks have the potential to contribute more favorably to the Kenyan economy than is currently the case. However, in order to thrive in a fast-changing corporate environment, transformational leadership is required. The study therefore seeks to assess the effect of transformational leadership on performance of microfinance banks in Kenya.

LITERATURE REVIEW

Transformational leadership theory

The theory of transformational leadership was originally introduced by James V. Downton, the first to invent the term “Transformational leadership”, a theory further enhanced by leadership expert and presidential biographer James MacGregor Burns in 1978 (Burns, 1978). According to Burns, transformational leadership can be seen when “leaders and followers make each other advance to a higher level of morality and motivation”(Burns, 2004). Burns spoke on envisioning leaders who can help the team take up and achieve challenging goals. Later around 1985, Bernard M. Bass further developed Burn’s theory on Leadership by adding a psychological notion to the factor. Through the strength of their vision and personality, transformational leaders are able to encourage followers to change their expectations, views, and drive to work towards common goals. Burns also termed transformational leaders as those who can move followers up on Maslow’s hierarchy, but also move them to go beyond their own interests (Bass, 1999). Contrasting the transactional approach, it is not based on a “give and take” relationship; however, it is based on the leader’s personality, traits and capability to make a difference through example, articulation of an energizing vision and challenging goals. Transforming leaders are idealized as they are considered a moral example of working towards the benefit of the team, organisation and/or community. Burns theorized that transforming and transactional leadership was both equally exclusive styles. Later, researcher Bernard M. Bass improved on Burns’ original ideas to improve what is today referred to as Bass’ Transformational leadership Theory. According to Bass, transformational leadership can be defined depending on the impression it has on followers. Transformational leaders, Bass suggested, should gather trust, respect, and appreciation from their followers.

The transformational leadership theory is beneficial during research when examining the effect transformational leaders and the leadership styles adopted have on employee retention and Organisational Performance. The specific constructs of transformational leadership style include the idealized influence of leaders, inspirational motivation, and ability to inspire confidence, intellectual stimulation and creativity, and individualized consideration of group members (Mgeni & Nayak, 2016). A review of these specific constructs help to determine whether or not the transformational leadership style is effective in developing relationships with employees to support employee retention and Organisational Performance in microfinance banks in Kenya

Stakeholder Theory

In 1970, the Stakeholder Theory was incorporated into the management field, and Freeman continued to develop it until 1984.Donaldson and Preston (1995), Mitchell, Agle, and Wood (1997), Friedman and Miles (2002), and Phillips (2002) are recent scholarly works on the topic of stakeholder theory that exemplify research and theorizing in this area (2003). Stakeholders' theory supports the concept of Organisational Performance (Hubbard, 2009). Stakeholder theory, according to Hubbard (2009), evaluates Organisational Performance against the expectations of a variety of stakeholders' groups with an interest in the outcomes of the organisation's operations.

Organisational Performance is an indication of how well the Organization has served various stakeholders (Freeman & Ehrhardt, 2012). Stakeholder theory has revolutionized Organisational Performance measurement from the conventional economic prosperity measures of return n assets (ROA), return on equity (ROE), sales growth to non-financial measures which include environmental integrity and social equity (Hubbard, 2009). The interconnected network of stakeholders affects the procedure for making decisions in the organization, its effectiveness and Organisational Performance. This theory is relevant to the study as it measures the Organisational Performance of the organization through addressing non-financial and financial such as customer and employee satisfaction and profitability aspects of the organization (Mitroff, 1983).

Empirical Literature Review

Transformational leadership and Organisational Performance

Transformational leadership has been shown to foster and boost employee creativity in previous studies. This leadership style has gained traction among organizational researchers because of its unique approach (Wang & Noe, 2010). Several studies have investigated the relationship between transformational leadership and financial success. Edin et al. (2017) examined the impact of transformational leadership style on business performance in Bosnia and Herzegovina. They defined business performance as financial performance and new product development. The study surveyed 127 enterprises (mostly production enterprises) from the private and public sectors in Bosnia and Herzegovina between December 2014 and March 2015. The study used questionnaires and interviews as research methods. Descriptive statistics and correlation analysis were used as statistical analysis methods. The findings of the study showed that transformational leadership style has a positive impact on a company's financial performance and new product development. This is likely because transformational leaders motivate and inspire their employees, which can lead to increased creativity and innovation.

Apid, Widodo, and Didik Notosudjono (2021) investigated the indirect influence of organizational culture and transformational leadership on employee innovation in Indonesia's regional government. They used the path analysis method with work motivation as an intermediate variable. Their sample consisted of 153 echelon IV employees/supervisory officers. The results showed that organizational culture and transformational leadership had an indirect influence on employee innovation through work motivation.

In the UAE, employee performance in construction companies has been poor due to poor leadership styles. Many employees have been leaving one construction company for another in search of better rewards. Saif and Siti (2022) assessed the relationship between transformational and transactional leadership styles and

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employee performance in the construction sector in the UAE. They used a quantitative approach and a simple random sampling technique to collect data from 46 construction companies. The survey was completed by 331 employees. The findings indicated that leadership styles strongly associated with employees' performance at construction companies in the UAE. The variance in employees' performance was 77%, $p<0.000$). This supports the hypothesis that leadership styles have an impact on employee performance. Some studies on leadership styles have been conducted in Western countries, but few have been conducted in the UAE. It is important to expand the literature by conducting more research in the UAE and other developing countries. This research helps to clarify the global picture of the leadership styles that influence employee performance.

Kariuki and Wachira (2017) investigated the effect of leadership styles on the organizational performance of microfinance banks in Nairobi, Kenya. The study's objectives were to identify the leadership styles adopted by managers in microfinance banks, to examine the effects of leadership styles on the organizational performance of microfinance institutions, and to determine the relationship between leadership styles and the performance of microfinance banks. The study used a descriptive study design and a random sampling method to collect data. Questionnaires were used to collect data. The survey found that democratic leadership was the most preferred leadership style. The approach did not improve staff turnover, but it did increase employee productivity. Employee turnover was not affected by transformational leadership, but it was affected by laissez-faire leadership. Transactional leadership had an impact on employee productivity. The majority of respondents agreed that leadership style had an impact on organizational performance. Democratic leadership was the most popular, followed by transformational leadership and then autocratic leadership. The study concluded that leadership styles have an impact on the performance of microfinance banks. According to the study, most managers in microfinance banks should adopt transformational leadership in order to retain staff, increase employee satisfaction, and increase productivity.

Scholars have argued that top managers have the ability to influence organizational performance through their behaviors and strategic choices. However, other scholars have recognized that constraints can limit transformational leaders from gaining total control in influencing their organizations' performance. Methodological difficulties of prior studies have also contributed to the transformational leadership style and organization performance debate. This paper addresses these knowledge gaps and argues that the effect of transformational leadership style on organization performance is complex and depends on a variety of factors.

Conceptual framework

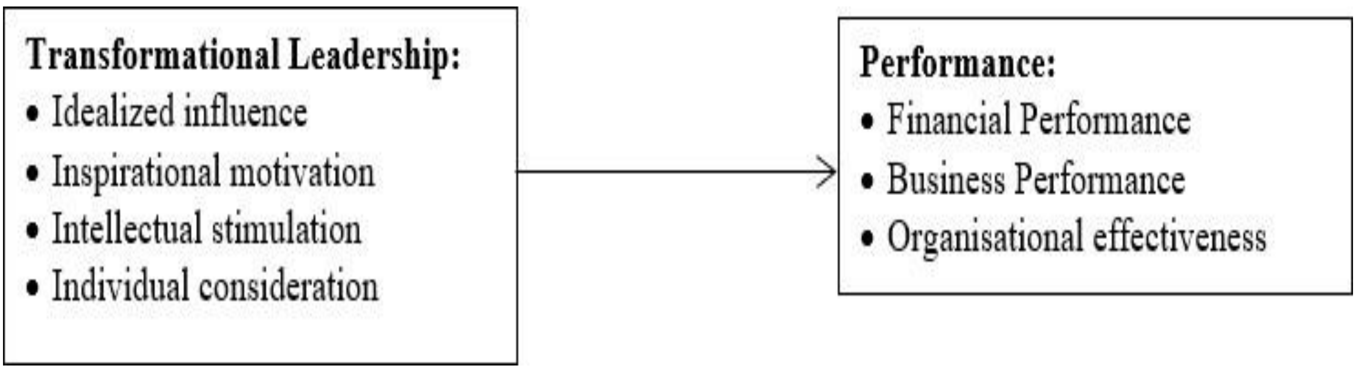

Figure 1: Conceptual framework

Based on the synthesis of empirical and conceptual literature, the following research null hypothesis was derived.

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Ho_1: Transformational leadership has no significant influence on performance of microfinance banks in Kenya.

METHODOLOGY

A research philosophy is a set of beliefs about how to gather, analyze, and apply evidence on a phenomenon. It is the fundamental belief system that guides research methods and involves three important aspects: ontology, epistemology, and axiology (Scotland, 2012). The research philosophies of positivism, interpretism, realism, and pragmatism are classified by Saunders et al., (2012). Knowledge, according to positivism, is founded on natural phenomena, their qualities, and relationships. It emphasizes scientific rigor in its quest for knowledge and inquiry (Cooper & Schindler, 2014).

Positivism, often known as scientific positivism, is based on the idea that reality is stable and can be observed and described objectively. It is thus conceivable to influence reality by changing a single independent variable in order to discover correlations between real-world elements. These interrelationships can be used to make predictions (Saunders et al., 2012). Frankfort-Nachmias, and Nachmias (2008) posited that cross-sectional studies enable the researcher to establish the significance and strength of relationships among variables. The cross-sectional survey design is adopted for this study because it will help to provide answers to the research question of how and to what extent transformation leadership influences Performance of microfinance banks in Kenya.

Target Population

The target populations for this study are the microfinance banks in Kenya as of 31st December 2020. The units of analysis of the study are the 14 licensed microfinance banks in Kenya (CBK, 2020). According to the central bank of Kenya banks supervision annual report 2020, page 32, Table 12 on employment trends in the banking sector, the banking sector has four main cadre of staff namely; management, supervisory, clerical and secretarial.

Sample Size

The sample size of the study was determined using Yamane (1967) formula, as follows;

$$n = \frac{N}{1 + N(e)^2}$$

Where:

*n*is the sample size; *N* is the population size – 3935; *E* is the margin error – 5%.

Thus, n= = 366 (3.1)

The final sample size will comprise of 366respondents.

Sampling Technique

Stratified proportionate random sampling technique was used to ensure that every cadre of staff on each stratum of the target population equally represented in the study. Using a sample size of 366 participants as calculated in equation (3.1), 91 respondents was drawn proportionately from each stratum, that is sample size divide by 4 stratas (366/4=91). This gives the proportionate number of respondents to be drawn from each stratum. Proportionate sampling is considered because it provides the researcher with a means of achieving even greater representativeness in the sample of the population (Van-Dalen, 1979).

Pilot Study

Ravitch and Riggan (2012) posited that pilot testing builds on the questionnaire to limit problems in answering the questions by the respondents. Pilot testing helps to spot flaws in the design and instrumentation and offer proxy data for selection of a sample. For high precision and due to time, cost and practicality of the pilot study, 1% to 10% of the sample will constitute the pilot test size (Arain, et al., 2010). The researcher used 7% which will realize 25 participants of the sample who was randomly selected from the sample size of 366 participants. These participants in the pilot study will not be involved in the final study to avoid bias.

Reliability

Reliability testing is a measure of the internal consistency of each variable (Cronbach, 1951). According to Cooper and Schindler (2014), an instrument is deemed reliable if it yields consistent results after repeatedly trials. This is measured by use of Cronbach's alpha which has the capability of assessing the correlation average of items in a test or the internal consistency measure. A coefficient of 0.6-0.7 is a widely recognized rule of thumb for indicating satisfactory reliability (Castillo, 2009).This study adopted Cronbach's alpha coefficient of 0.7 and higher.

Validity

Validity is the degree upon which the processed information is the true representation of the phenomenon of the study. The understanding of validity also follows how a sample of items can represent the constructs of interest (Polit & Beck, 2006). Validity of the questionnaire was, at the first stages, tested by reviewing it with the supervisors. Their views were evaluated and incorporated to enhance content validity of the questionnaire. This is in line with Cooper and Schindler (2014) proposition that researchers should confine their efforts to face, content, construct and concurrent validities.

Hypotheses Testing

An empirical model was employed to test the statistical significance of the link between transformative leadership and Performance of microfinance banks in Kenya. To facilitate the application of the regression model, weighted averages of the five constructs for the independent variable was computed using the following equation:

$X_1 = \sum(W_1+W_2+W_3 + W_4)/4$… i

Where:

$W_{1\ldots14}$ = The value of each individual item in the list of statement in the construct being averaged

X_1= Transformation Leadership variable (Composite index of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration)

The regression model for the study;

$Y= \beta_0+\beta_1X_1+ \varepsilon$...(1)

Y = Performance, X_1= Transformation Leadership; β_0 = Constant; β_1= Beta coefficients; ε = Error term

DATA ANALYSIS AND RESEARCH RESULTS

Response Rate

Respondents for this study were individual employees drawn from the microfinance banks in Kenya. The study particularly targeted four main cadre of staff namely; management, supervisory, clerical and secretarial in the organisation. In this study, table 1 depicts the response rate.

Table 1: Response Rate

Response Rate	Frequency	Percent
Returned	288	78.69%
Unreturned	78	21.31%
Total	366	100%

A total of 366 questionnaires were administered out of which 288 were adequately filled, collected and used in the study translating into 78.69 percent response rate. In the perspective of Mugenda and Mugenda (2013) a rate of response of 50% is enough for a research, while Babbie (2004) opined that return rates of 50 percent are acceptable, 60% is regarded as good were as above 70% is regarded as excellent. Thus, this response rate was considered excellent and ideal for this study. Therefore the data from the 288 questionnaires adequately filled and collected was used for analysis in this study.

Reliability Test Results

Accordingly, the results for all the variables are above the 0.7 threshold, it is inferred that the measurement items for each variable are internally consistent. The study adopted the lowest alpha as 0.7 upwards. Table 2 presents values of the questionnaire items. The results of the reliability tests are summarized in table 2.

Table 2: Reliability results

Variable	Number of Items	Cronbach Alpha
Transformational Leadership	12	0.824
Performance	20	0.749

Validity Test Results

Adequacy of sample size was determined using the Kaiser-Meyer Olkin (KMO) measure of sampling adequacy. According to Yin (2014) KMO is a statistic used to examine and justify the appropriateness of application of factor analysis, in other words KMO is used to examine whether the data collected is adequate and appropriate for inferential statistical tests such as the factor analysis, regression analysis and other statistical tests. The KMO statistic varies between 0 and 1. A value close to 1 indicates that patterns of correlations are relatively compact and so factor analysis should yield distinct and relative factors. The study employed Kaiser- Meyer-Olkin (KMO) and Barlett's Test of Sphericity for measurement of sampling adequacy. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000). Table 3 shows the Kaiser- Meyer- Olkin (KMO) and Barlett's Test of Sphericity results.

Table 3: Summary of KMO and Bartlett's Test

Variable	**KMO**	**Bartlett's Test of Sphericity**		
		Chi-Square (χ)	**Df**	**Sig. Level**
Transformational Leadership	.894	2665.200	66	.000
Performance	.875	7156.968	190	.000

The result in table 3 indicates that factor analysis could be carried out as the KMO index was more than 0.5. Transformational Leadership (KMO =.894, Chi-square (χ) = 2665.200, df = 66 and Sig. Level =0.000); Performance (KMO =.875, Chi-square (χ) = 7156.968, df = 190 and Sig. Level =0.000). The *p* value of the Bartlett's test of Sphericity result is 0.000 which was within the acceptable level to test for significance and validity of the data. This result indicates a significant relationship among variables. From the statistical analysis as shown above, all the KMO scores were significant with a value greater than 0.70 which implied that all the items captured were valid for further statistical analysis such as the factor analysis, regression analysis and other statistical tests.

Multi-Collinearity Test

According to Cohen *et al, (*2003), the suggested cut-off point for multi-collinearity is tolerance level of 0.8. Also, Hair et al., (2006) proposed a cut-off point for determining presence of multi-collinearity at a VIF of less than 10.Any VIF value greater than 10, indicates high variance inflation, meaning that, that variable is redundant with other variables. This study adopted tolerance value of less than 0.8 and VIF value of less than 10 to mean there is no issue of multicollinearity that arises when there is an approximate linear relationship among independent variables. The study tested the tolerance and the VIF among the study variables as shown in table 4 for multicollinearity.

Table 4: Multicollinearity Test (Tolerance and VIF)

	Collinearity Statistics	
Research Variables	**Tolerance**	**VIF**
Transformational leadership	.403	2.479
Dependent Variable: Performance		

The result in table 4 shows the tolerance and VIF values for the independent variables on the dependent variable. The tolerance and VIF values for variables are; transformational leadership Tolerance [0.403] and VIF [2.479]. The study concluded that there was no case of multicollinearity between the dependent and independent variables.

Demographic Information of the respondents

Gender of the Respondents

The study sought to establish the gender profile of the respondents. The respondents were asked to indicate their gender. Figure 2. illustrates that 53.6% of the respondents were male while 46.4% of the respondents were female. This implies that both the male and female genders were fairly represented in the study and thus there was less disparity in the distribution which may be due to roles related to microfinance banks in Kenya that tend to attract both females and males in equal measure.

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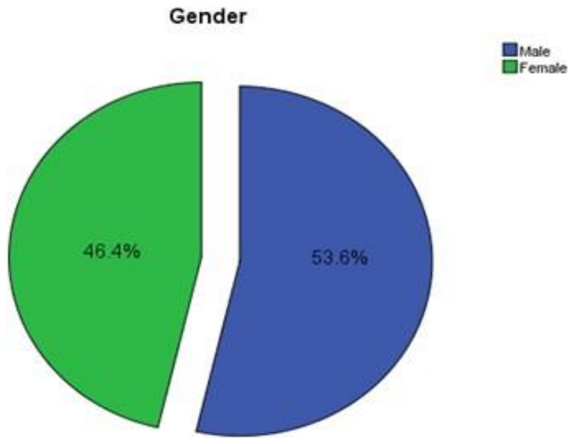

Figure 2. Gender

Age distribution of the respondents

The age of the employee in an organisation is an important factor because it determines how well they can interpret the environment and therefore adapts to changes from the environment and consequently, makes decisions for their organisations that will eventually influence Organisational Performance. The analysis results regarding the age of the respondents are as shown in figure 3. The study found out that 1% of the microfinance banks work force is over 56 years old, while 8% of the work force is aged between 46-55 years old as shown in figure 2. The results further showed that 28.7% of the work force is aged between 36-45years old and 36.3%of the respondents were aged 25-35 years old. Further 26% of the respondents were below 24 years old. Therefore, 65% percent of the respondents were aged between 25 and 45 years which suggests that majority of the respondents are within the most productive age brackets and have great potential to deliver to their respective organisations. Furthermore, this was attuned to Kongiri (2012) who asserted that age maturity is important to improve perceived reliability of generated results.

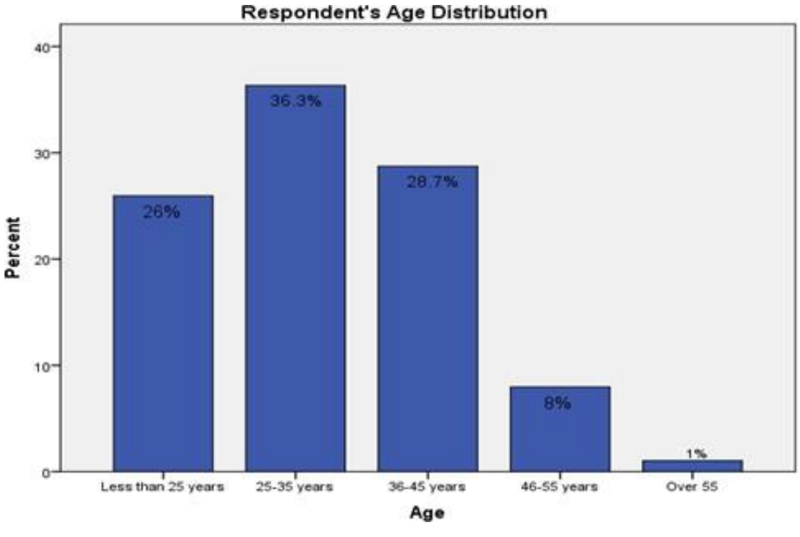

Figure 3: Respondent Age group

Position in the organisation.

The study sought to find out the years the respondents had worked in the organisation. Figure 4 shows a summary of positions held by the respondents in the organisation. The result in figure 4 shows that 6.9% of the respondents were in secretarial level in the organisation while 37.7% of the respondents were in clerk position.

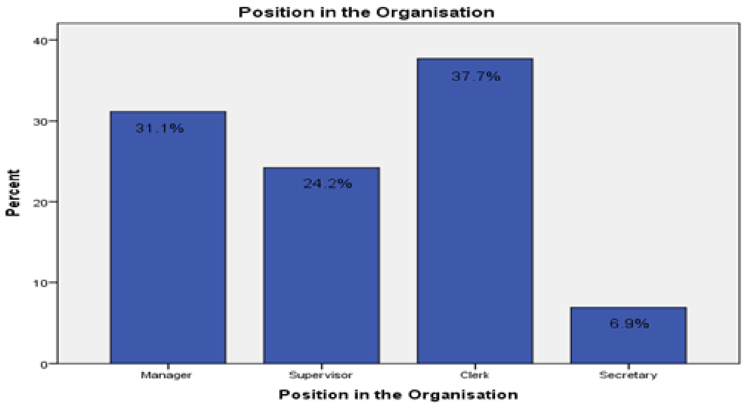

Figure 4: position in the organisation

Further the results show that respondents in supervisory position were 24.2% and 31.1% of the respondents were in managerial position. These results are reflective of central bank of Kenya supervision annual report 2020which indicated that representation of different cadre of staff in microfinance banks in Kenya was 33%,24%,35% and 8% on management, supervisory, clerical and Secretarial respectively. This is a clear indication that majority of the respondents were clearly exposed and had experienced issues concerning the firm's leadership and Performance.

Hypotheses Test Results

This study that sought to determine the relationship between transformational leadership and Performance of microfinance banks in Kenya. This was achieved by testing of the hypothesis as follows:

Ho_1: There is no significant effect of transformational leadership on Performance of microfinance banks in Kenya.

The statistical significance of the hypothesis was tested using simple linear regression which generated the regression coefficients; coefficient of determination (R^2) and analysis of variance (ANOVA) and model coefficients. The test covered goodness of fit overall significant, individual significance and diagnostic test. These findings are presented in table 5, table 6 and table 7.

Table 2: Model Summary for Transformational Leadership on Organisational Performance

Indicator	Coefficient
R	0.684
R Square	0.468
Std. Error of the Estimate	0.46713
a. Predictors: (Constant), Transformational Leadership	
b. Dependent Variable: Performance	

The results in Table 5 show that the association between transformational leadership is highly correlated with Organisational Performance (r =.684 and P<0.05). This is a positive and strong correlation coefficient implying that there exists a strong relationship between transformational leadership and Organisational Performance that is statistically significant.

As shown in table 5, the model accurately predicted the influence of independent factor (transformational leadership) on Performance of microfinance banks in Kenya (R^2 = 0.468). This implies that transformational leadership explained 46.8% of the variations in performance of microfinance banks in

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Kenya. It also implies that 53.2% of the variations in microfinance banks Performance in Kenya are because of other factors not captured in this model.

Table 6: ANOVA of the Relationship between Transformational Leadership and Organisational Performance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	55.133	1	55.133	252.659	.000 b
Residual	62.627	287	0.218		
Total	117.760	288			
a. Predictors: (Constant), Transformational Leadership					
b. Dependent Variable: Organisational Performance					

To determine the statistical Organisational Performance of the overall regression model for the study, the analysis of variance (ANOVA) test was carried out as shown in table 6. The ANOVA results (F = 252.659, p-value = 0.000) indicates that the regression model was significant and worked properly in predicting the relationships between transformational leadership and Performance of microfinance banks in Kenya.

Table 7: Model Coefficients of the Relationship between Transformational Leadership and Organisational Performance

Unstandardized Coefficients			**Standardized Coefficients**		
	B	Std. Error	Beta	t	Sig
(Constant)	1.111	0.176		6.326	0.000
Transformational Leadership	0.687	0.043	0.684	15.895	0.000
a. Dependent Variable: Organisational Performance					

The influence of transformational leadership was individually significant (β = 0.684, t = 15.895, p-value = 0.000 < 0.05) as shown in table 7. This implies that for every one unit increase in transformationalleadership, Performance of microfinance banks in Kenya increases by 0.687 units while holding all other factors constant. This can be expressed by the following equation, ***Y = 1.111 + 0.687X***. The relationship is positive. In summary, the results provide evidence that transformational leadership influence performance of microfinance banks in Kenya; hence the null hypothesis that, there is no significant effect of transformational leadership on performance of microfinance banks in Kenya, was rejected and the researcher concluded that, there is significant effect of transformational leadership on organisational performance of microfinance banks in Kenya. These study findings are in agreement with those of Apid, Widodo, and Didik Notosudjono (2021) whose study results showed that organizational culture and transformational leadership had an indirect influence on employee innovation through work motivation and also study results by Edin et al. (2017), that transformational leadership style has a positive impact on a company's financial performance and new product development.

CONCLUSIONS AND SUGGESTIONS

The objective of the study was to establish the relationship between transformation leadership and performance of microfinance banks in Kenya. The study's finding shows that transformational leadership contributes significantly to the performance of microfinance banks in Kenya. The study recommends that microfinance banks adopt transformational leadership to achieve high performance through individual consideration and intellectual stimulation by helping employees develop professionally and engage employees to think and come up with new ideas, new ways of working and doing business. Leaders must also inspire and motivate employees to help them find meaning and purpose in their work and become an ideal influencer by making others feel good to be around. The expected performance of microfinance banks will be based on operating results, which will include open communication of expectations and responsibilities, staff development and training plans. members, and at the same time based on financial performance, higher net income after tax, return on assets and return on investment. Regarding the performance of the organization, customers will feel secure when dealing with the bank and the level of customer satisfaction will increase year by year.

Suggestions for further research is that, despite the widespread belief that leaders are essential to organizational performance, scientific research has shown that a number of other factors, such as culture, knowledge, skill levels, tools and physical environment, are correlated with organizational performance. It would therefore be wise to conduct further research on how the other factors mentioned above will impact the organizational performance of different types of organizations in different fields of activity, both in the public and private sectors, to determine the most effective ways to improve the organization performance.

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