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Influence of Learning as an Outcome of Transformational Leadership on Performance of Staff of Kenyan Microfinance Institutions

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Abstract

Microfinance is a key sector in economic growth. This is mainly because it targets the unbanked and marginalized people especially in the rural areas and thus has direct impact on poverty eradication. As a concept, microfinance has been accepted across the globe as a forum within which poverty can be eradicated and financial inclusion extended. However various challenges define microfinance today and present a leadership challenge that needs to be tackled for the sector to improve and deliver its mandate. The study examined the influence of leaning as an outcome of transformational leadership on performance of staff of Kenyan microfinance institutions. This research is key to Kenyan government as it supports to come up with a clear framework for regulation of microfinance sector and offer leadership in the entire financial sector. The study targeted institutions that were engaged in retail microfinance and that are members of Kenyan Firm of Microfinance Institutions (AMFI). Primary data was collected from the respondents whereas secondary data was obtained from AMFI on performance of institutions. Analysis of unit was staff in microfinance institutions that were categorized in to three: the senior management with whom an in-depth interview was conducted, middle level manager and the other staff who participated in daily activities of microfinance who were involved in a self-administered questionnaire. Performance was assessed through the load that microfinance officers carry in terms of the outstanding loan balance, the number of customers that individuals in the organization have as well as the portfolio quality and turnover rates within the organizations. Stratified sampling technique was used to obtain sample and sample size determined using the Cochran's formula to be 385 which was large enough to allow generalization. Descriptive approach used the pragmatic approach. A pilot study was carried out in Embu County to test data reliability of the data gathering tools. Data analysis was done using SPSS. A multiple linear regression model that reflects relationship amongst factors was generated to reflect the extent that variables influence performance. The findings indicate that learning has positive correlation with staff performance in microfinance institution. The regression results revealed that learning has a positive and significant relationship with staff performance in microfinance institution. The study rejected the null hypothesis and concluded that learning influenced their performance in micro-finance institutions in Kenya. The study concluded that learning as an outcome of transformational leadership had a positive and significant relationship to staff performance in micro-finance institutions in Kenya. The study recommends that learning in micro-finance institutions should be associated with very high self-evaluation that is characterized by high self-realize, efficacy and high control locus and stability in emotions in order to foster commitment within the institution.

Keywords: *Learning, Transformational Leadership, Staff Performance, Microfinance Institutions in Kenya.*

1.1 Introduction

Organizational learning represents organizational and managerial characteristics that encourage and propagate learning in an organization.(Hult & Ferrell, 1997) as quoted by (Camps & Rodríguez, 2011) argue that organizational learning facilitates and defines how knowledge is acquired, created and transferred. Learning makes the fundamental values within an organization. Learning has become a major component of research given that it is considered through the Resource based theory an element that builds to the organization's competency and enhances competitive advantage(Loon, *et al*., 2012). According to Loon *et al*., (2012)the importance of learning research has seen increased research and has elevated organizational learning considerably leading to recognition of learning as an underlying factor that aids in creation of knowledge and adaptation of competencies that bring change in the fluid environment within which organizations operate.

The basis of organizational learning is that leadership and innovative thinking bring about change in organization and continuous transformation within organizations (Atwood, Mora, & Kaplan, 2010). Although a lot of research has focused more on individual learning, group and team learning has been given prominence and there is consensus that individuals learn better when they have an opportunity to interact with others (Amy, 2008).Leadership plays a very critical role in bringing about the kind of environment necessary for human relations to take place, it shapes the structures and models that are necessary for any interactions to occur. Leaders use their powers of influence to determine relations and focus groups on single mission that they may choose to realize(Amy, 2008; Atwood *et al*., 2010; Trautmann, Maher, & Motley, 2007).Organizational knowledge is driven by change and different circumstances demand different skills(Loon, Lim, Lee, & Tam, 2011; Loon *et al*., 2012; Senge, 1991)(Top, Tarcan, Tekingunduz, & Hikmet, 2013) stability times call for continuous improvements of systems and keep staff fully engaged and focusing into the future . The leader needs however to keep a tab on the turbulent world to see the changes happening within the environment and ensure that the organization transforms in structure and functionality to remain competitive.

In Uganda transformative leadership in universities is based on the fact that changes taking place in public universities in Uganda have led to new challenges that call for improved exchange of knowledge and information among university staff to engage in organizational learning (Mukwenda, 2011). However, organizational learning taking place in public universities in Uganda was generally low and leans more on professional development activities rather than on establishing trusting and collaborative environment, sharing and monitoring university mission, and then taking leaderships and risks respectively. Perceived idealized influence, intellectual stimulation, inspirational motivation, and individual consideration behaviors of transformational leadership were individually positively related to the perceived organizational learning taking place in public universities in Uganda.

Most of the organizations in Kenya both in the private and public sectors have embraced the importance of learning in an organization. Most state corporations have embraced three out of the four of transformational leader dimensions hat is inspirational motivation (though weak), creative stimulation and personalized consideration. Both transformational leadership and employees' engagement are instrumental to achieving positive organizational outcomes through constant learning. In private companies such as Safaricom limited, organizational learning has steered its success in the telecommunication environment. Team Leaders keep on inspiring their members to achieve their targets by being creative, innovative and constantly learning (Tiri, Ogollah, & Mburu, 2015).

Microfinance in Kenya started in the early 1980s after the liberalization of the economy. The Kenyan Government felt that there was a great need to cushion small scale enterprises and they were identified among other areas that needed donor funding to accelerate growth. K-REP under heavy assistance of USAID was the first player. It combined credit with Technical assistance which it gave to various NGOs. From 1980s the microfinance sector has grown tremendously. To entrench microfinance and as proof of importance, a need arose for regulation through the Central Bank of Kenya (CBK). In this respect, Microfinance Act was passed in 2006 with a view to facilitating intermediation of credit by the Microfinance institutions and therefore make available cheaper access to finance for growth of microfinance. The Microfinance sector now operates in a partially regulated environment with 10 Microfinance Banks being regulated by the Central bank and the rest of credit only microfinance institutions as unregulated and therefore left out in deposit taking. A new law was developed to regulate the credit only microfinance institutions as well (AMFI) (Andrianaivo& Yartey, 2010; Kpodar, Andrianaivo, Kpodar, & Andrianaivo, 2011). Sector Report (2011) shows that the Kenya Micro Finance sector serves population of 700,000 clients.

The Kenyan Microfinance Institutions (AMFI Kenya) which is body that regulates entry and regulates microfinance to play in a level ground. It provides a platform where peers gather, to champion the interests of the sector. It avails an opportunity for collective bargaining for the members, giving the microfinance sector a voice to influence policy decisions within the country. AMFI collects all the reports of the microfinance organizations and compiles reports for the sector albeit with challenges on compliance.

1.2 Problem Statement

Microfinance has been and remains a great partner of development in Kenya today. 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, despite the government effort to regulate MFI's only three have been able to transform from NGO status to fully regulated deposit taking MFI banks; whereas about 43 have remained as unregulated credit only MFI's (Gichira, 2010).

Gichira (2010) found that that there was no research in the leadership role in the low rate of transformation. AMFI Sector report (2014) shows that the fully regulated MFIs have been able to mobilize savings for on-lending thus reducing the cost of funds and enhancing their growth. They command 90% of the microfinance sector. High operation cost has been reported (Nkamnebe, 2011), which has led to less sustainability index in MFI. In addition, the regulated MFI's have been able to attract partners to enable them mobilize the funds (AMFI Sector report, 2014). The unregulated MFI's have been able to neither mobilize savings nor attract investors. Transformational leadership would come in handy through key outcomes such as learning. This research addressed the gap by looking at how organization learning would influence staff performance.

1.3 Research Objectives

To determine the influence of learning as an outcome of transformational leadership on performance of staff of Kenyan microfinance institutions.

1.5 Research Hypotheses

Learning as an outcome of transformation leadership does not influence the performance of staff in Microfinance Institutions in Kenya.

2.0 Literature Review

2.1 Theoretical Frame Work

2.1.1 Resource Based View Theory

The resource based view theory stipulates that in key leadership the crucial sources and drivers to firms' upper hand and predominant performance are primarily connected with the characteristics of their resources and abilities which are valuable and expensive to-copy (Barney, 1991). Pearce and Robinson (2000) take note of that RBV rose as an approach to make the center competency more engaged and quantifiable making a more important internal study of the firm.

Prahalad and Pearce (1990) attributed success of businesses to the quality of the management in that organization. The resource based view theory of firm elevates key elements of competencies. It recognizes human resources such as skill, know- how, strong teams, good management among others as key resources (Jugdev& Mathur, 2013). The technical abilities of the management, the culture of learning create a wealth of intangible Assets that are difficult to copy. Resource based view connects with the knowledge economy where the key resources and knowledge yields innovation(Mart, 2011). This study holds that transformational leaders build staff that is willing to go beyond the call of commitment to achieve the mission that the organization has set.

In this study, leadership was taken as a key resource that a company has. The development and retention of well exposed and equipped staff that are committed to the organization is a resource that is hard to copy. Resource based view of organization provides a unique analysis point of firm. It brings new dimension of carrying things and highly acknowledges importance of leadership as the center of making decisions (Zubac, Hubbard, & Johnson, 2010). Just like Barney (1991), this study recognizes that to create upper hand, a firm resources must have four traits: (an) it must be important, as in it exploits opportunities and additionally neutralizes risks in an firm's domain; (b) it must be uncommon among a company's present and potential rivalry; (c) it must be incompletely imitable; and (d) there can't be deliberately equal substitutes for this resource. The asset based view therefore takes a look at the resources accessible at organization level and how the firm can exploit them to acquire competitive advantage. Porter (1980) argues that sustainable competitive advantage cannot be achieved through operational effectiveness alone. This study contends that learning and commitment provides microfinance institutions

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with key resources that enhance the performance. The new learning becomes key resource that replaces the original factors of production.

2.1.2 Social Learning Theory of Leadership

Theory of Social learning states people can learn through observation or experience which can be direct or indirect. The assumption is that behavior is a function of consequences and the perception people have on the consequences. Most of the behaviors people learn either with intent or inadvertently through the effects of models. An illustration much better than a consequence of unguided actions (Bandura, 1997). It is through observation that one structures a thought of how new practices are performed, and on later events this data fills in as a guide for work (Bandura, 1997). The social learning hypothesis comprises of motivation, emotion, cognition and social re-enforcers. Harrison (2011), contended that social learning hypothesis binds to transformational leadership practices as inspiration (idealized impact), perception (individualized thought, tutoring and training), and modeling (persuasive inspiration and modeling fitting practices).

The theory informs the study on transformational leadership as a discipline which can enhance performance in an organization. The epithets of motivation, inspiration and influence can be drawn from social learning theory. The observation supports an organization to embrace transformation leadership which guarantees success.

2.3 Conceptual Framework

LEARNING

- Leaders demonstrate continuous development
- New processes, routines, structures
- Feedback, organizational actions

→

STAFF PERFORMANCE

- Sustainability
- Profitability
- growth rate

Figure 1: Conceptual Framework

2.3.1 Performance in Microfinance Institutions

Microfinance institutions are institutions that offer financial services(Credit and Savings) at micro level and these are directed to the poor and financially excluded to generate income(Galema& Mersland, 2012). They perform microfinance activities which most of the time include lending at small scale, mobilizing deposits and offering financial literacy to the poor(Dalton & Wilson, 2012). Like any organization involved in lending, microfinance sustainability depends on the collection of the loans that are disbursed (Ayayi& Sene, 2010). This forms the greatest measure of performance in microfinance.

Collection of loans is measured through portfolio quality. Over time, the measure of portfolio quality has changed from loans in arrears, repayment rate and with prudential guidelines to Portfolio at Risk (PAR). This measures the health of the portfolio and determines profitability since it determines the provisions for bad debts as well as write-off for non-performing loans. It is measured on daily basis though institutions have different reporting time lines(Nair, 2014).

In Kenya, for microfinance institutions that are regulated these guidelines are issued by the Central Bank of Kenya(Waweru et al., 2012). The non-regulated ones have also adopted the same guideline. CGAP has developed criteria that determine microfinance institution performance (Kpodar et al., 2011; CGAP ,2009). Key among these; outreach, this measures the number of clients that microfinance institution is serving. The other measure is the number and amounts of loans disbursed. According to Ayayi and Sene (2011), this is key to the microfinance institutions because theirs is to serve the poor. It interests anyone to know the number of people an organization touches and this gives the impact.

Microfinance institutions sustainability depend on ability of these institutions getting funds for on lending purposes. This means they have to look for cheaper sources of funds and thus the number of partners that an organization has in its operations determine success (Waweru *et al*., 2011). The rate at which an organization retains both its clients and staff is also a great measure of its sustainability and performance. Organizations that loose staff at a high rate risk losing the money that has been lent out and this threatens the sustainability of the organization(Abdul & Dean, 2013). As Abdul *et al.*, (2013) argue commitment of staff is also a measure of performance and this is looked at through the length of service of the staff. Interesting to the donor in determination of performance is stability at governance level(Bakker *et al.*, 2014).

2.3.2. Learning and Performance

Senge, (1991) posits that organizational knowledge iscreated at four levels personal level, group level, organizational level and inter-organizational level. Leaders should stimulate learning at all these levels (Loon *et al.*, 2012). The different levels require different ways of stimulation. At the personal level, this is individual level, follower should be encouraged to enhance their personal abilities this is done through acquiring of new knowledge, skills values, and norms at an individual level. The principle behind this is that organizations are made up of individuals and thus individual competencies build organizational competencies. At the group level, the managers concentrate more on team work so that teams can learn from one another.

Group learning occurs through the influences that teams have on each another over period of time. Learning at an organizational level is maintained through the creation of culture that is developed through communication and cooperation within the organization that affects learning in the entire organization. The glue that binds people together becomes the culture within the organization and the shared vision that an organizations' team has. Mangers pool group resources to take advantage of what the organization members have. Through organizational learning, organizations have been seen to better performance through benchmarking on the distinctive core competencies (Stewart & Kleiner, 1996). The role of managers in creating organizational learning cannot be underestimated (Loone *et al.*, 2011).It is crucial for managers to promote knowledge acquisition at an individual level and create structures that will enhance group learning which according to Loone is the foundation of organizational learning. This assertion reinforces Senge's (1991) position that leaders are the determinants pillars of organizational learning.

Loone *et al.*, (2011) enumerated three major roles that leaders play in entrenching learning culture within organizations. First they are involved in the designing of the suitable dogmas, strategies and organizational constructions that create effective learning atmosphere and procedures second leaders are educators and so they serve as coaches to the staff and guides them along the learning path. Finally leaders are seen as stewards and vision carriers since they lead individuals and the entire organization towards the achievement of goals and ultimately its vision. Leaders have a greater calling of leading growing organizations that not only meet their goals but also build teams that can be relied upon in the future. The role of transformational leaders is to build teams that are fully committed to the organizational goals and whose individual goals transcend the individual ones. In evaluating organizational learning and leadership, Atwood *et al.*, (2010) argues that leadership stimulates motivation and innovative thinking which foster change. Organizational learning is the epicenter for the organization to start to apprehend and create necessary change. The leadership gives ways to critical element of knowledge management. Atwood *et al.*, (2010) also offer that leaders who lead in knowledge are important for success of the firm and for organization to take to the next frontier.

Loone *et.al* (2011) while studying transformational leadership in relation to learning found that organizational learning is highly predicted by transformational leadership. In their study, idealized impact and personalized consideration behaviors of transformational leadership were more predictive than the other behaviorism line with Coad and Berruy. They contended that leaders could improve work related learning on acknowledgment of the development needs of the general population they lead. They therefore need to furnish them with individual direction and objective coordinated improvement. Similarly, Camps & Rodríguez,(2011) found a positive relationship between staffs ability to learn when they considered their leaders to be transformational. They thus concluded that the results of a company are greatly influenced by organizational learning capacity.

Organizations work with teams that perform interdependent roles. It has been established that teams characterize fundamental units that is used to analyze organizational learning since they take key role in implementation of the learnt techniques. Organizations rely on teams available to work on and apply the chosen method (Bucic& Ngo, 2012; Bucic, Robinson, &Ramburuth, 2010). Leaders therefore need to be keen on the people they bring on board and the kind of demands they put in place to make them competitive and conventional to change. This happens if teams are motivated to work together to build the organization and pursue the interest of the organization to great length through creation of distinct competitive advantages.

Cummings and Worley (2001) stated that organizational changes regularly demand imaginative abilities, learning behavior from staffs. They argue that in a few cases changes couldn't be affected unless staffs obtained new abilities. They additionally propose that change operators are required to benefit various learning opportunities, as conventional preparing programs, work directing and instructing, and furthermore experiential simulations, involving both technical and social skills, and that it ought to be guaranteed that such learning happens. Mitrani, Dalziel and Fitt, (1992) mention the requirement for competency and foresee that firms of the future will be built around people. They stress that there will be little accentuation on jobs as the building blocks of an organization; rather expanded attention will be centered on staff ability. When using individuals as the building pieces of an organization, then competence or what they bring to the job becomes crucial. The competent way to deal with selection and assessment depends on distinguishing, characterizing, and estimating individual's differences for certain business related construct that are pertinent to successful job performance (Bartram, 2004).

The main driving force behind the improvement of organizational learning theory is the presumption that firms require a powerful learning capacity in the event that they are to prevail in a mind boggling, aggressive and evolving world (Senge, 1990). Learning is realized as key in the core of an organization's capacity to adjust to a quickly evolving condition, keeping in mind the end goal to distinguish opportunities that others won't not see and to misuse those opportunities quickly and completely (Popper and Lipshitz, 2000). Huber (1991) depicts organizational learning as a procedure through which the scope of potential practices of firms is changed through their formulating of knowledge. The learning procedure includes information procurement which is appropriated and shared among the firm individuals. The shared knowledge will then be given normally comprehended understandings which frame the basis of activities and assessment of results. The firm must follow up on the information coming about because of organizational learning keeping in mind the end goal to acknowledge change in performance.

Actions on the knowledge may lead to change to organizations, which may include developing and marketing new products, adopting new procedures and entering new markets. A firm focused on learning is probably going to have the more refreshed information and systems. Having the ability to learn, firms can communicate with the outside, take advantage from the environment, its partners, even its competitors, and the most important is that the firm can provide its staff a learning environment. Researchers are keen on approaches to evaluate the firm's learning ability (for instance, Appelbaum and Walter, 1997; Calantone, et al., 2002) and distinctive viewpoints are presented. Learning introduction has been appeared to be decidedly related with the firm imagination and furthermore the firm performance (Calantone, et al., 2002). However, how such ability of the firm affect the person's conduct isn't exactly evident regardless of whether an firm's learning introduction can encourage an imaginative culture to the firm (Calantone, et al., 2002), at that point how may the staff' task performance and organizational commitment might be improved.

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3.0 Research Methodology

This research employed descriptive research design. The target population was 250 senior managers, 700 middle level managers and 4948 other microfinance staff. The study used stratified technique to select the respondents. A sample of 385 was chosen using Cochran’s table. Primary data were collected by use of questionnaire and interview guides. The data was analyzed by use of statistical descriptive which include measures of central tendencies (mean), frequency and (standard deviation) dispersion. Diagnostic tests were done before conducting correlation and regression tests. In addition, correlation and regression to test for relationships while a multiple regression model was used to determine the combined effect on the relationship between the outcomes and performance.

The multiple regression model that was used is;

$Y = \beta_0 + \beta X + \varepsilon$

Where:

Y = Microfinance performance.

X = Learning

β_1= Coefficients of the variables

ε= Error term

4.0 Results and Discussions

4.1 Response Rate

Rate of response was calculated as no of completed pools divided by total number of people contacted. A total of 385 questionnaires were issued to microfinance institutions. An aggregate of 306 polls were filled in and given back which response rate representation of 79.5%. The results were presented in Table 1. According to Mugenda and Mugenda (2003), 50% response rate was statistically complete for a descriptive study. The study's rate of response79.5% is therefore sufficient to carry out statistically unbiased analysis that may arise out of having response rate which is low.

Table.1: Response rate

Response Rate	Frequency	Percent
Returned	306	79.5%
Unreturned	79	20.50%
Total	385	100%

4.2 Diagnostic tests

4.2.1 Test for Multicollinearity

Jeeshim and Kucc (2002) characterized multi-collinearity as a high level of relationship among at least two autonomous factors. Its fundamental driver is the point at which an expansive number of autonomous factors are joined in a regression model. According to Jeeshim and Kucc (2002), some researchers argue that VIF values of greater than 10 indicate significant multicollinearity. The outcomes of the multicollinearity test were presented in table 2 and mean of the VIF recorded. The results indicate a VIF of 2.925 which was less than 10 hence the conclusion there is no significant multicollinearity.

Table 2: Multicollinearity tests using VIF statistics

Variable	VIF
(Constant)	
Learning	2.925

4.3.3 Test for Heteroscedasticity

White (1980) indicated that the presences of heteroscedasticity in the errors of a properly defined linear model may lead to consistent but inefficient parameters measures and inconsistent covariance matrix measures. This eventually results to faulty inferences when testing statistical hypothesis due to heteroscedasticity. Heteroscedasticity in this study was tested by regressing absolute values of the residuals against the independent variables and checking on the significance at 95% confidence level. The null hypothesis is that there is no problem of heteroscedasticity while the alternative hypothesis is that there is a problem of heteroscedasticity. Based on the results in table 3, the significance values were greater than 0.05 revealing that there was no issue of heteroscedasticity in residuals.

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Journal of Strategic Management
Volume 2||Issue 1||Page 15-33||April||2018|
Email: stratfordjournals.org

Table 3: Heteroscedasticity test results

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	.129	.057		2.288	.023
Learning	.011	. 020	.054	.547	**. 585**

4.4 Descriptive Statistics

4.4.1 Influence of Learning as an Outcome of Transformational Leadership on the Performance of Microfinance Institutions' Staff

According to Dimovski and Škerlavaj (2009), organizational learning is one of the most important sources of sustainable competitive advantage and an important contributor to corporate performance. They argue that transformational leaders encourage expression of different ideas and views hence speeding up the process of knowledge acquisition and distribution. Dimovski and Škerlavaj (2009) also argue that previous research has found that transformational leadership influences organizational member's ability to create and use knowledge. This study aimed at revealing the influence of learning as an outcome of transformational leadership on the performance of microfinance institution's staff. The descriptive statistics are presented in Table 4. The results show that the most frequent score on the learning variable was 4 which translated to agree on the likert scale used for the question.

Table 4: Influence of learning as an outcome of transformational leadership on the performance of microfinance institutions' staff

		Learning environment	New ideas	Risk taking	Learning time	Optimism level
N	Valid	306	306	306	306	305
	Missing	0	0	0	0	1
Median		4.00	4.00	4.00	4.00	4.00
Mode		4	4	4	4	4
Skewness		-.980	-.667	-.516	-.572	-.748
Std. Error of Skewness		.139	.139	.139	.139	.140
Kurtosis		.752	.342	-.418	-.142	.441
Std. Error of Kurtosis		.278	.278	.278	.278	.278
Range		4	4	4	4	4
Sum		1179	1128	1081	1096	1135
Percentiles	25	3.00	3.00	3.00	3.00	3.00
	50	4.00	4.00	4.00	4.00	4.00
	75	5.00	4.00	4.00	4.00	4.00

The subsequent tables presented the descriptive statistics for the 5 questions measuring the learning variable. The questions were measured on a 5 point Likert scale.

4.4.2 Creation of Organizational Good Learning Environment

Zagoršek, Dimovski and Škerlavaj (2009) in their research found that there was a statistically significant relationship between transformational leadership and information acquisition. This study sought to find out how much respondents agreed with the statement that their organization has created a good learning environment. The results in Table 5 show that 73.2% of the respondents agreed with the statement hence complementing previous findings.

Table 5: Descriptive statistics- Creation of organizational good learning environment

	Frequency	Percent	Valid Percent
Strongly disagree	11	3.6	3.6
Disagree	21	6.9	6.9
Moderately agree	50	16.3	16.3
Agree	144	47.1	47.1
Strongly agree	80	26.1	26.1
Total	**306**	**100.0**	**100.0**

4.4.3 New Ideas Reception and Implementation by Leadership

Respondents were asked to respond whether they agreed or disagreed with the statement that new ideas are well received by leadership and implemented. Table 6 indicates that most of the respondents totaling to 62.8% agree with the statement. This was similar to the assertion by Gumusluoglu and Ilsev (2009) that transformational leaders stimulated the intellect of their followers and encouraged staffs to think about old problems in new ways.

Table 6: Descriptive Statistics- New Ideas Reception and Implementation by Leadership

	Frequency	Percent	Valid Percent
Strongly disagree	10	3.3	3.3
Disagree	21	6.9	6.9
Moderately agree	83	27.1	27.1
Agree	133	43.5	43.5
Strongly agree	59	19.3	19.3
Total	**306**	**100.0**	**100.0**

4.4.4 Organization Leadership is OtoDivergent New and Takes Risk

According to Gumusluoglu and Ilsev (2009), because of the emotional ties between transformational leaders and their followers, staffs are more likely to respond to their leader's Gumusluoglu and Ilsev (2009) also assert that transformational leadership may institute a working environment where eccentric and adventurous method tactics to resolving difficulties are highly valued. The results in table 7 indicated that 57.8% of the respondents tend to agree with the statement.

Table 7: Descriptive statistics- Organization leadership is Open to Divergent New and Takes Risk

	Frequency	Percent	Valid Percent
Strongly disagree	14	4.6	4.6
Disagree	43	14.1	14.1
Moderately agree	72	23.5	23.5
Agree	120	39.2	39.2
Strongly agree	57	18.6	18.6
Total	**306**	**100.0**	**100.0**

4.4.5 Organization Gives Adequate Time for Learning

Transformational leadership has been dubbed supportive leadership due to the nature of the leaders. The respondents were asked how much they agree with the statement that they feel the organization gives adequate time for learning. The results in Table 8 shows that 60.2% of the respondents tend to agree with the statement.

Table 8: Descriptive statistics-Organization gives Adequate Time for Learning

	Frequency	Percent	Valid Percent
Strongly disagree	10	3.3	3.3
Disagree	37	12.1	12.1
Moderately agree	75	24.5	24.5
Agree	133	43.5	43.5
Strongly agree	51	16.7	16.7
Total	**306**	**100.0**	**100.0**

4.4.6 Leadership Optimism and Enthusiasm

Van Eeden, Cilliers and Van Deventer (2008) in their study proposed that transformational leadership earns loyalty and that followers of transformational leaders will be more positive, hopeful and optimistic and about their organization and work situation. This study sought to find out from respondents whether they agreed with the statement that their leadership displayed optimism and enthusiasm. The results in Table 9 shows that 65% of the respondents tend to agree with the statement.

Table 9: Descriptive Statistics- Leadership Optimism and Enthusiasm

	Frequency	Percent	Valid Percent
Strongly disagree	10	3.3	3.3
Disagree	37	12.1	12.1
Moderately agree	75	24.5	24.5
Agree	133	43.5	43.5
Strongly agree	51	16.7	16.7
Total	**306**	**100.0**	**100.0**

4.5 Correlation Analysis

Correlation analysis was carried out to detect the association between the dependent variable, organizational performance and the independent variables of staff satisfaction, staff learning, trust in leadership and staff commitment. The mean score for each of the independent variables was calculated and the Pearson's correlation obtained using SPSS. The results in table 7 indicated that staff learning was positively related to organizational performance ($r=0.215$, $p=0.00<0.05$). Sila (2014) also argued that staff training was important for any micro-finance institution to prosper. This was because staff training and learning opportunities improves service delivery. The findings of the study are in line with the correlation analysis.

Table 10: Correlation Analysis

		Organizational performance
Staff Learning	Correlation	.743
	p-value	.000

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

4.6 Regression Analysis

Table 11 shows the fitness of the regression model that includes one predictor variable, Learning, regressed against the dependent variable, staff performance. The results showed that learning as an outcome of transformation leadership explains 4.6% of the staff performance.

Table 11: Model fit

Indicator	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
Coefficient	.215	**.046**	.043	.47864	.493

A statistically significant output is an output whose calculated p-value is less than the p-value at the selected level of confidence. The level of confidence used in this study was 95% level of confidence which corresponds to a p-value of 0.05. A calculated p-value of less than 0.05 will lead to a rejection of the hypothesis being tested.

Table 12 presented the ANOVA results for the regression model fitted using one predictor variable, learning. The null hypothesis being tested was that the regression coefficient of learning is equal to zero. The results show that the p-value is 0.00<0.05 hence we rejected the null hypothesis and conclude that the learning co-efficient is not equal to zero. The results also show that learning is a good predictor of staff performance. The results are supported by the F-Statistic 14.707 and a p-value=0.00.

This finding is consistent with that of Herrmann *et al*., (2013) who found a very strong relationship amongst how people are lead and the learning to do new things. They found a high correlation amongst transformational leadership querying about how followers felt about their leaders and the environment that existed in organizations as a result of the leadership employed. Transformational leadership was found to not only cause learning possible in the followers but as giving an opportunity too for the leaders/ top executives to learn new techniques of doing things. A study by Trautmann, Maher, & Motley, (2007) supported the construction learning and transformational leadership finding a very positive relationship amongst learning and transformational leadership. Trutman *et.al.*,(2005) concluded that transformational leaders not only encourage learning but should bring as much as possible strategies that will support them incorporate learning.

Table 12: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.369	1	3.369	14.707	**.000**
Residual	69.646	304	.229		
Total	73.016	305			

The regression coefficients of the model were presented in Table 13. The results show that learning has a positive and significant impact on staff performance (r=0.127, p=0.000). This means that a unitary increase in learning will lead to a corresponding 0.127 unit increase in staff performance. This finding is consistent with that of Guay (2013) who was able to prove that trust and performance have a positive relationship. He found leadership to be predetermined by the level of trust that the followers had on the leaders. Scepteker *et al.*, (2013) confirmed this relationship too showing that trust comes with leadership. He goes further to indicate that trust has positive influence on the moral judgment of an individual. This increases the possibility of making ethical decisions. Given the findings that microfinance are unable to collect their loans due to leadership interferences, (Waweru *et al.*, 2011). When Ethical decisions prevail among the organizational members businesses grow. This study looks at trust from this perspective that it not only gives hope and faith but also inspires people to do the right things and thus bring about success.

The specific model fit was:

Staff performance $=2.511+0.127X_3$

Where X_3 is learning

Table 13: Regression Coefficients

Variable	B	Std. Error	t	Sig
(Constant)	2.511	.124	20.195	.000
Learning	**.127**	.033	3.835	**.000**

4.6.1 Hypothesis Testing for Staff Learning

This hypothesis was tested using the linear regression model whose results were presented in Table 13. The null hypothesis was that staff learning does not influence the performance of staff in micro-finance institutions in Kenya. The criterion for accepting the null hypothesis is to accept the null hypothesis if the calculated p-value is greater than 0.05 which is the p-value at 95% confidence level. The results in table 13 indicate that the calculated p-value=0.000 which was less than 0.05. The t statistic of 3.835 was greater than1.96 for organizational learning. This led to the conclusion that the null hypothesis should be rejected hence the conclusion that staff learning as an outcome of transformational leadership significantly influences the performance of staff in micro-finance institutions in Kenya.

Table 14: Summary of Hypothesis Testing Results.

Objective	Hypothesis	Rule	p-value	Comment
To examine the influence that learning as an outcome of transformational leadership has on performance of staff in the microfinance institutions in Kenya.	Ho: Learning as an outcome of Transformation leadership does not influence the performance of staff in Microfinance Institutions in Kenya	Reject Ho if p value <0.05	P<0.05	The null hypothesis was rejected, therefore there is a significant relationship between learning as an outcome of transformational leadership has on performance of staff in the microfinance institutions in Kenya.

5.0 Conclusion

The study concluded that learning had a positive and significant impact on the performance of staff in micro-finance institutions in Kenya. This study rejected the null hypothesis and concluded that learning influences the performance of staff in micro-finance institutions in Kenya. Whilst transformational leaders do motivate their followers through use of several means which include logical thinking, building high career expectations and ambitions which become appealing to the individual followers it may guarantee influence on performance.

6.0 Recommendations

The study recommends that organization leadership in micro-finance institutions should motivate their followers through the use of several logical thinking, building high career expectations and ambitions which become appealing to the individual followers. Leaders should recognize the equality of all staffs in regard to their experiences, skills and most of all their differences in needs and desires that makes them create and individualized attention that seeks to elevate individual's abilities and needs. Moreover, leaders should increasingly make decisions that are quick, loaded with possible repercussions given the era of litigious and heavily enlightened communities who demand nothing but excellence from microfinance institutions. Dynamism in the microfinance sector has to be met by a staff that is well equipped. Training and learning environment is key to enhancing performance.

7.0 References

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