AN INVESTIGATION OF THE ROLE OF LEADERSHIP IN THE TRANSFORMATION PROCESS OF MICROFINANCE ORGANIZATIONS IN KENYA INTO DEPOSIT TAKING INSTITUTIONS

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Abstract

Purpose*:* The purpose of this study was to evaluate the role of leadership in the transformation process of microfinance organizations in Kenya into deposit taking institutions.

Methodology*:* This study adopted descriptive research design. For purposes of collecting primary data, the use of a questionnaire developed by the researcher was used. Data was then analyzed using Excel and SPSS and presented in tables, graphs and charts. A total of 120 questionnaires were distributed to the above five organizations and 42 of them were returned. This represents a 35% response rate.

Results*:* The study concluded that leadership plays a positive role in the transformation success. This conclusion was supported by correlation results which revealed that there is a positive correlation between leadership and transformation success. Therefore an increase in the effectiveness of leadership is associated with an increase in transformation success. The conclusions were also supported by regression results that revealed a positive and significant relationship between leadership and transformation success.

Unique contribution to theory, practice and policy: The study recommends to the leaders of transformation organizations to be on the front line in communicating change to subordinates, supporting them as well as being actively involved in the change process.

Keywords: *transformation process, Microfinance organizations, Deposit Taking institutions*

1.0 INTRODUCTION
1.1 Background of the Study

Microfinance can be traced to the early 1700s, when financial organizations began to extend small loans with short repayment periods to the rural poor. Credit unions, the predecessors to microfinance institutions (MFIs), were started in 1846 in Germany as cooperative credit organizations that helped local farmers purchase livestock, seeds, and equipment. However, the credit union's reach was limited to developed countries, and hundreds of millions of people around the world continued to be excluded from the formal financial sector (Stenzel, 2009).

Consequently, Microfinance started to become a broadly known sector since the pioneering work and success of Grameen Bank in Bangladesh. The Grameen bank adopted a simple mission: to alleviate poverty by provision of small loans to economically active but disenfranchised people (Hoque, Chishty and Halloway, 2011). Microfinance institutions (MFIs) provide a variety of products including micro loans, savings and other deposit products, remittances and transfers, payment services, insurance, and any other financial product or service that a traditional commercial bank does not offer to low income clients in the banking system. However, unlike in the traditional commercial banking sector, there is an understanding that the average microfinance client does not have many assets, thus collateral is usually sought in the form of social capital (Hoque, Chishty and Halloway, 2011).

Through the 1980s, the policy of targeted, subsidized rural credit came under a slow but increasing attack as evidence mounted of the disappointing performance of directed credit programs, especially poor loan recovery, high administrative costs, agricultural development bank insolvency, and accrual of a disproportionate share of the benefits of subsidized credit to larger farmers(MercyCorps, 2006). The basic tenets underlying the traditional directed credit approach were debunked and supplanted by a new school of thought called the "financial systems approach", which viewed credit not as a productive input necessary for agricultural development but as just one type of financial service that should be freely priced to guarantee its permanent supply and eliminate rationing (MercyCorps, 2006). The financial system's school held that the emphasis on interest rate ceilings and credit subsidies retarded the development of financial intermediaries, discouraged intermediation between savers and investors, and benefited larger scale producers more than small scale, low-income producers (MercyCorps, 2006).

However, microcredit programs throughout the world improved upon the original methodologies and defied conventional wisdom about financing the poor (MercyCorps, 2006). First, they showed that poor people, especially women, had excellent repayment rates among the better programs, rates that were better than the formal financial sectors of most developing countries. Second, the poor were willing and able to pay interest rates that allowed microfinance institutions (MFIs) to cover their costs. Further, two features - high repayment and cost-recovery interest rates –permitted some MFIs to achieve long-term sustainability and reach large numbers of clients (MercyCorps, 2006).

However, it was not until the 1990s that the world saw growing enthusiasm for promoting microfinance as a strategy for poverty alleviation. The microfinance sector blossomed in many countries, leading to multiple financial services firms serving the needs of micro entrepreneurs and poor households. These gains, however, tended to concentrate in urban and

densely populated rural areas. Thus, it was not until the mid-1990s that the term "microcredit" began to be replaced by a new term that included not only credit, but also savings and other financial services. "Microfinance" emerged as the term of choice to refer to a range of financial services to the poor, that included not only credit, but also savings and other services such as insurance and money transfers (MercyCorps, 2006).

In 1992, BancoSol, the first commercial bank in the world dedicated solely to microfinance was founded. Today, BancoSol offers an impressive range of financial services including savings accounts, credit cards and housing loans; products that used to be only accessible to Bolivia's upper classes (MercyCorps, 2006). With the creation of BancoSol in 1992, the microfinance industry witnessed the birth of a new trend in institutional development: the transformation of non-governmental organizations (NGOs) into regulated financial institutions. Though not embraced by all, institutional transformation has become the strategic end-objective of a large number of micro lending NGOs. The concept was born over a decade ago out of the twin goals of exponentially increasing the number of clients with access to microfinance and reducing donor dependence (Campion and White, 2001). These two goals have driven the industry toward greater integration with the formal financial sector, leading a large number of NGOs to consider transformation into privately owned regulated entities (Campion and White, 2001).

Today, practitioners and donors are increasingly focusing on expanded financial services to the poor in frontier markets and on the integration of microfinance in financial systems development. The recent introduction by some donors of the financial systems approach in microfinance which emphasizes favorable policy environment and institution building has improved the overall effectiveness of microfinance interventions (MercyCorps, 2006). However, numerous challenges remain, especially in rural and agricultural finance and other frontier markets. Today, the microfinance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty (MercyCorps, 2006). For the international community, this means reaching specific Millennium Development Goals (MDGs) in education, women's empowerment, and health, among others. For microfinance, this means viewing microfinance as an essential element in any country's financial system (MercyCorps, 2006).

It is in support of this vision by the international community to expand financial services to the poor and integrate microfinance firms in financial systems development that the Central Bank of Kenya has been in the fore front in trying to address the entry barriers for the unbanked and under banked Kenyans to access financial services. To aid this initiative, The Central Bank of Kenya operationalized the Microfinance Act in 2008.The main objective of this Act is to regulate the establishment, business and operations of microfinance institutions in Kenya through licensing and supervision.

The Act enables Deposit Taking Microfinance Institutions Licensed by the Central Bank of Kenya to mobilize savings from the general public thus promoting competition, efficiency and access. The Central Bank continues to initiate key reforms and structural changes that are necessary in the sector's legal, regulatory and supervisory frameworks. Key among these legislative changes has been the specific amendment to the Microfinance Act in January 2011 that introduced agency definition.

The Kenyan Microfinance Institutions are registered under different Acts of parliament .The Association of Microfinance Institutions of Kenya (AMFI) is a member Institution that was registered in 1999 under the societies Act by the leading Microfinance Institutions in Kenya to build capacity of the microfinance industry in Kenya. AMFI presently has 52 member institutions serving more than 6,500,000 poor and middle class families with financial services throughout the country. AMFI is governed by a General Assembly and gets its leadership from a Board of Directors that are composed of experienced practitioners who run some of the leading microfinance Institutions in Kenya(Association of Microfinance Institutions of Kenya (AMFI), 2010).

AMFI membership ranges from large to small institutions which have diverse legal status ranging from microfinance banks, Wholesale MFI's, Retail MFI's, development Institutions and Insurance companies which represent the entire landscape of the microfinance industry in Kenya. To date, there are six Microfinances that have been licensed by the Central Bank to mobilize deposits from the general public. They are Faulu Kenya DTM Limited, Kenya Women Finance Trust DTM Limited, Remu DTM Limited, SMEP Deposit Taking Microfinance Limited, UWEZO Deposit Taking Microfinance Limited and Rafiki Deposit Taking Microfinance (AMFI, 2010).

1.2 Problem Statement

The Central Bank of Kenya (CBK) has been taking some encouraging steps toward expanding financial access and outreach, particularly for low-income households. The financial access survey (FinAccess), conducted in 2009, showed that the usage of formal and semi-formal financial services increased from 27% in 2006 to 41.9% in 2009, while the share of the population excluded from any financial service decreased from 38.3% to 32.7%, respectively. Despite this progress, a fundamental challenge remains: an estimated 60% of the Kenyan population still does not have access to formal financial services, and the country's financial sector is characterized by high interest rate spreads (Beck, 2009). Consequently, CBK is however optimistic that the financial inclusion gap will be significantly narrowed, through usage of DTMs bringing Kenya closer to achieving the Vision 2030 objective of economic growth, development and financial stability (Central Bank of Kenya, 2011).

The Central Bank has continually reiterated its commitment to the development of an all-inclusive financial system to serve a majority of the Kenyan populace and remains ardent in formulating policies that support innovation in the financial sector. In a speech made in January 2011 during the commissioning of REMU DTM Limited as the fifth deposit taking microfinance institution, Prof. Njuguna Ndungu, Governor Central Bank noted that the licensing of the deposit taking microfinance institutions would go a long way towards fulfilling the Vision 2030 goals of building an all-inclusive financial system through strengthening of quasi-banking institutions, promoting competition, efficiency and outreach (Central Bank of Kenya, 2011). He said that the various products and services offered by the licensed DTMs would increase competition while enhancing efficiency.

Approximately 3 years later after the operationalization of the Act, The Central Bank of Kenya has only licensed six microfinance institutions to receive deposits from the general public despite receiving numerous registrations and thus the twin goals of exponentially increasing the number of clients with access to microfinance and reducing donor dependence remains largely unattained.

Various researches have been undertaken in the sphere of microfinance transformation and have indeed offered practical guidelines for MFI's to develop the capacity to become licensed to intermediate deposits from the public while others have offered guidelines for regulators to license and supervise microfinance providers and for transforming MFI's to meet the demands of the regulators as well as shareholders (Ledgerwood and White, 2006). Research has also been carried on the process of transformation and the spin-off of NGO's into formal commercial banks (Campion and White, 2001). K-Rep bank from Kenya has been surveyed in several of these studies. However, so far, no research has been carried out to investigate the factors that affect the success of transforming microfinance firms into fully regulated deposit taking microfinance institutions in Kenya: a research and knowledge that this research study seeks to address.

1.3 Research Objectives

To evaluate the role of leadership in the transformation process of microfinance organizations in Kenya into deposit taking institutions.

2.0 LITERATURE REVIEW
2.1 Empirical Review

A report from The Work Foundation (2010) indicated that outstanding leaders ''grow people through performance'', investing in staff and using any challenges presented to encourage growth, learning and engagement. In his seminal book on leading change Kotter (1996) writes that successful transformation is 70 to 90 percent leadership and only 10 to 30 percent management.'' Initiating planned change within an organization therefore requires precision and careful thought but must also be supported with the right personnel and resources.

Change Oriented Leadership

Burns (1978) first introduced the concept of transformational leadership in his descriptive research on political leaders, but this term is now used in organizational psychology as well. He defined leadership as a relationship that induces followers to pursue joint purposes that represent the motivations of both leaders and followers. Addressing the motivations of both leaders and followers could be handled in two ways-transactional and transformational. Transactional leadership involves an exchange of benefits, and it is based on current values and motivations of both leaders and followers. Transformational leadership, on the other hand, does not take the current values and motivations to be fixed, but rather seeks to change them.

Transformational leadership occurs when leaders and followers raise one another to higher levels of values and motivations (Burns, 1978). According to Burns, the result of transformational leadership is a relationship of mutual stimulation and elevation that converts followers into leaders and may convert leaders into moral agents, thus resulting in a transforming effect on both leaders and followers. It redesigns perceptions and values, and changes expectations and aspirations of employees. It is based on the leader's personality, traits and ability to make a change through example, articulation of an energizing vision and challenging goals. Transforming leaders are idealized in the sense that they are a moral exemplar of working towards the benefit of the team, organization and/or community.

Bass (1985) extended the work of Burns (1978) by explaining the psychological mechanisms that underlie transformational and transactional leadership. He added to the initial concepts of

Burns (1978) to help explain how transformational leadership could be measured, as well as how it impacts follower motivation and performance. The extent to which a leader is transformational is measured first, in terms of his influence on the followers. The followers of such a leader feel trust, admiration, loyalty and respect for the leader and because of these qualities; transformational leaders are willing to work harder than originally expected. These outcomes occur because the transformational leader offers followers something more than just working for self-gain; they provide followers with an inspiring mission and vision and give them an identity. The leader transforms and motivates followers through his or her idealized influence, intellectual stimulation and individual consideration (Burns, 1978) In addition, this leader encourages followers to come up with new and unique ways to challenge the status quo and to alter the environment to support being successful.

Bass (1985) identified four key characteristics of a transformational leader: First, a transformational leader must display charismatic leadership traits, which include the ability to have a vision of important issues, and the ability to motivate others to move toward that vision through trust and confidence. Second, a transformational leader must manifest inspirational leadership using simple and clear communication. This trait gives a person the sense that he or she can achieve more than what was originally thought possible. The inspirational leader motivates others by creating a sense that he or she has experienced similar issues in the past and can therefore provide a clear road map to reach the newly stated goals. In effect, these leaders offer new solutions to old problems. Third, a transformational leader must display individualized consideration, where each employee or customer is treated as an individual. This type of leadership instills a feeling of mentoring and builds trust with the employee or customer. Last, the transformational leader must provide intellectual stimulation. Under this scenario, the leader encourages employees to use new and innovative ideas to solve existing or old problems. Any program that requires massive change in either organizational dynamics or process will require transformational leadership.

In addition, transformational leaders are able to motivate followers in three unique ways (Bono, 2006). First, by increasing social identification within a group, since when one feels pride in belonging to a group, one is likely to increase productivity performance outputs in order to not let the group down. Second, by providing a clear vision the transformational leader instills confidence in each member of the group that goals can be achieved. Third, by building congruency among the individual group members the transformational leader helps each person believe strongly that his or her part is meaningful in achieving team goals (Bono,2006).Overall, transformational leaders, regardless of the task, display various traits that are focused outward and more concerned with the group or team outcome.

Links between Transformational Leadership and Change Management

There is the implied belief that change must be accomplished without any lessening of day to day performance. In other words, people in organizations are expected to both change and perform well at the same time. Working continuously to meet high performance expectations in a context of change is a recipe for burnout and exhaustion. Even when people are committed to change and are highly motivated to support it, they can be overwhelmed by a performance context of change. They may feel the need to pause, refresh, and consolidate their energies and accomplishments before rejoining the eager rush toward an uncertain future. The result is lack of fit, causing stress, devaluation of the change experience and adverse motivational implications (Taylor-Bianco and Schermerhorn, 2006).

Consequently, Court (2011) notes that frequently the technical specifications of what needs to change are well understood, described and scoped. It is relatively easy to specify the processes, IT systems and tangible elements that make up a particular change program. Where leaders should play a greater role is in drawing out the behavioral aspects of the change, making the connections between the organizational change and the 'individuals' transition.

By helping colleagues to ''stand in the future'' and describe what they will see differently in the way the organization operates both technically and behaviorally will help to ensure the transition for the individuals involved is also described and scoped. Conversations on how teams and individuals will have to behave in the future when a new process or system is installed can reveal the challenges ahead for those involved and what skills they will have to learn and also drop (Court, 2011).

The dynamic and ever changing business environments therefore require novel responses from leaders and extraordinary effort and commitment from followers. Shamir and Howell (2005) assert that the charismatic leader's vision often brings to potential followers' attention the existence of opportunities for change, infuses them with hope and faith regarding that change, and mobilizes their energies to single mindedly devote themselves to the vision. Thus, a leader's ability to powerfully articulate a compelling and viable vision is critical for initiating organizational change by enhancing followers' openness toward change, collective efficacy to radically transform the status quo, and trust in the leader's vision (Burke, 2002).

Once the vision is developed, the leader must implement the necessary change. This could be done through intellectual stimulation, whereby the leader sets challenging goals for the employees and motivates them to rethink old ways of doing business. The leader frames the change by appealing to follower needs for achievement and growth that induces the follower to find the change attractive. The process may also be facilitated if the leader shows individualized consideration where he or she provides support, coaching and guidance to the employees. Coaching and guiding behaviors are particularly important in large-scale transformation and in the development of self-managing work teams. In short, the effectiveness of a leader's visionary behavior may be viewed, in part, as the magnitude of organizational changes that are facilitated in the organization (Ford and Ford, 1994).

Top leaders must therefore begin by becoming self-aware, learning to both recognize their dominant regulatory style and understanding when it is and is not useful. They can be trained to develop their complementary style as well; although we should have modest expectations for such training. Leaders who embrace this paradox will be well positioned to manage change and stability as they build regulatory environments that organizational members with differing regulatory orientations to identity with at least part of the effort and so cope with the uncertainties of change (Burke, 2002).

Even in periods of transformation, superior performance is therefore possible only by transforming followers' values, attitudes, and motives from a lower to a higher plane of arousal and maturity. Studies have found significant and positive relationships between transformational leadership and the amount of effort followers are willing to exert, satisfaction with the leader, ratings of job performance, and perceived effectiveness of leader (Bass, 1985).

Throughout the transformation process, the leader should therefore set high performance expectations and reward behaviors that are directed toward fulfillment of the vision. It is also important that the leader models the behaviors that are required to institutionalize the change and sets the standards for the rest of the organization to emulate. As Kotter (1995) argues, change sticks only when it becomes ``the way we do things around here'', when it seeps into the bloodstream of the corporate body. This is similar to Sastry's (1997) conclusion that enforcing a waiting period after every significant change in strategic orientation is necessary to maintain competence. The transformational leader can play a critical role in communicating how the changes have led to better performance and ensuring that the next generation of top management personifies the new approach (Kotter, 1995).

3.0 RESEARCH METHODOLOGY

This study adopted a descriptive research design. This study focused on microfinance firms in Kenya that have transformed to Deposit Taking Institutions since the operationalization of the Microfinance Act in 2008.The sampling frame for this study was a list of employees in the deposit taking section of the business of the Microfinance Institutions. This was provided by the various Human Resource Departments. The population for this study relates to the employees who were involved in the deposit taking section of the business only. This population consisted of 120 employees and considered a small number thus; a census study was carried out. A total of 120 questionnaires were therefore distributed across the five institutions. Data was collected from primary sources through the use of questionnaires which were structured. Data processing and analysis started in the field, with checking for completeness of data and performing quality control checks. The data was then sorted, coded and then captured into a Statistical Package for the Social Science (SPSS). Specific variables were presented using frequency tables. Means, standard deviations, coefficient alphas and correlations were among the variables that were measured. The data was then interpreted and presented using tables, graphs and charts.

4.0 RESULTS AND DISCUSSIONS

4.1 General Information

4.1.1 Response Rate

A total of 120 questionnaires were administered to employees in various microfinance institutions. After eliminating one response from due to missing values, 42 questionnaires were used for the analysis. This represents a response rate of 35%. A response rate of about 35% is a commonly achieved response rate as suggested by Bryman and Bell (2007) and Dillman, Smyth and Christian (2009).

4.1.2 Gender of Respondents

The findings indicate that majority of the respondents (52%) were female while (48%) were male. These findings seem to imply that the organization gender was predominantly female as shown in figure 1 below.
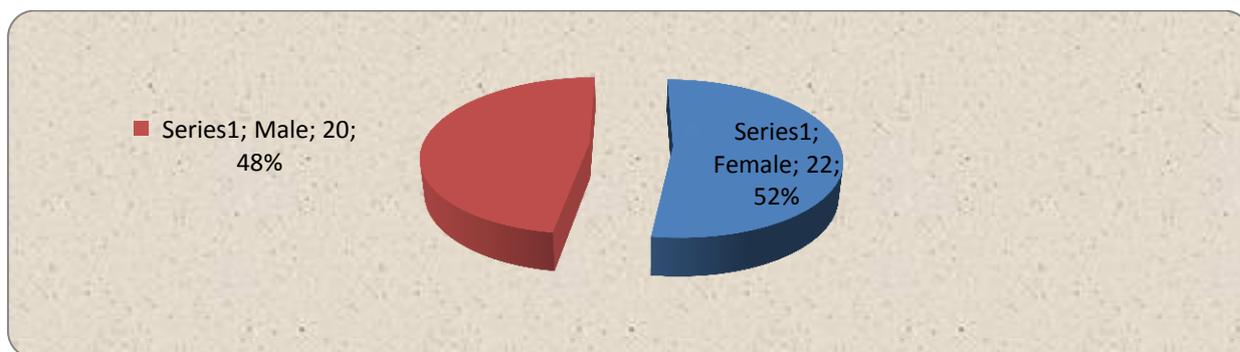
Figure 1: Gender

4.1.3 Age of Respondents

As illustrated in figure 2 below, the findings revealed that a majority (38%) of the respondents were aged between 30-34 years, followed by (29%) respondents whose age was between 35 to 39 years while (24%) of the respondents aged between 25 to 29 years. Only 9% of the respondents were over 40 years old. These findings seem to imply that the respondents of the study were youthful and might have been the reason behind the successful transformation in all the organizations as we shall see later on this study. Younger people are generally less rigid and more open to change as compared to the older people.
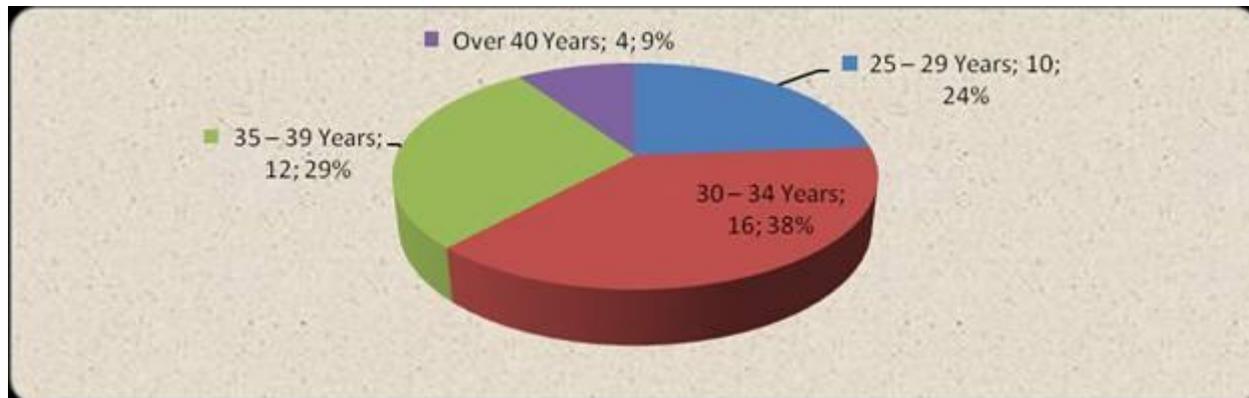

Figure 2: Age of Respondents

4.1.4 Number of Years

As illustrated in figure 3 below, the findings revealed that a majority (45%) of respondents had been in the organization for a period of 3-4 years, while 26% of the respondents indicated that they were in the organization for 5-10 years and 22% were in the organization for 1-2 years. Only 7% of the respondents had been in the organization for over 10 years.
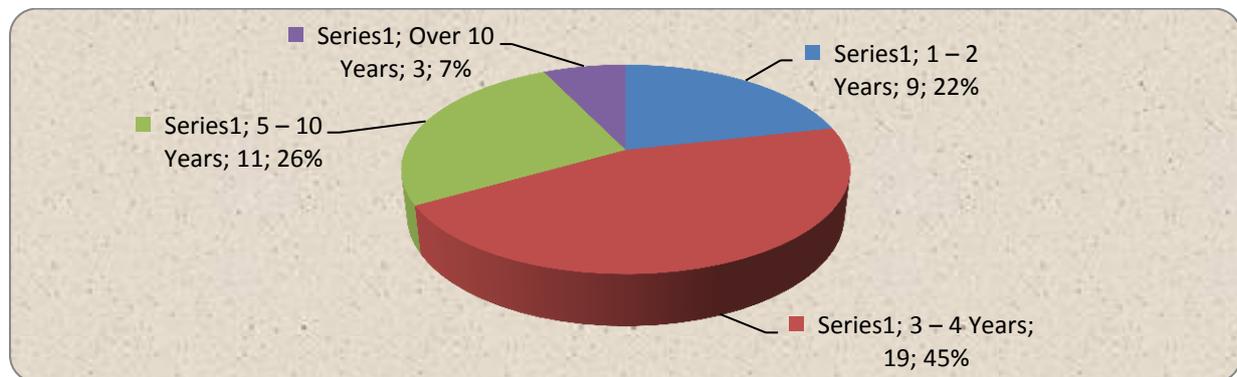
Figure 3: Number of Years in Employment

4.2 Descriptive Statistics

4.2.1 Frequency Distribution on the Role of Leaders in the Transformation Process

Appropriate Communication

The study findings in table 1 indicate that a majority (55%) of the respondents agreed with the statement that there was appropriate communication regarding why the organization needed to transform to a DTM while the remaining 45% strongly agreed with this statement.

Table 1: Appropriate Communication

Question	Scale	Distribution	
		f	**%**
There was appropriate communication regarding why the organization needed to transform to a DTM	Strongly Disagree	0	0%
	Disagree	0	0%
	Neutral	0	0%
	Agree	23	55%
	Strongly Agree	19	45%
	Total	42	100%

Commitment by the Leaders

The findings in table 2 also revealed that 57% of the respondents strongly agreed with the statement that the leadership of the organization was committed to the overall change process while the remaining 43% agreed with this statement meaning that generally, commitment by the leadership was heavily felt within the organization.

Table 2: Commitment by the Leaders

Question	Scale	Distribution	
		f	**%**
The leadership of the organization was committed to the overall change process	Strongly Disagree	0	0%
	Disagree	0	0%
	Neither agree nor disagree	0	0%
	Agree	18	43%
	Strongly Agree	24	57%
	Total	42	100%

Involvement of Leaders in the Change process

As illustrated in table 3, a majority (62%) of the respondents agreed that the leadership of the organization was actively involved in the change process while the remaining respondents (38%) strongly agreed with this statement.

Table 3: Leadership Involvement

Question	Scale	Distribution	
		f	**%**
The leadership of the organization was actively involved in the change process	Strongly Disagree	0	0%
	Disagree	0	0%
	Neither agree nor disagree	0	0%
	Agree	26	62%
	Strongly Agree	16	38%
	Total	42	100%

Leaders Support of the Organization's Transformation

Furthermore, the findings in table 4 indicated that 52% of the respondents agreed that the key members of the organization were supportive of the change process, while another 33% strongly agreed with the statement, bringing the total of those who agreed with this statement to 85%.

Table 4: Support by the Leaders

Question	Scale	Distribution	
		f	%
Key organizational members were supportive of the change	Strongly Disagree	0	0%
	Disagree	0	0%
	Neither agree nor disagree	6	14%
	Agree	22	52%
	Strongly Agree	14	33%
	Total	42	100%

Leaders' Provision of Clear Road Maps

On the contrary, as indicated in table 5, a majority (36%) of the respondents disagreed about being provided with a clear road map to reach the newly stated goals. 33% of the respondents were neutral while 21% and 10% agreed and strongly agreed respectively with this statement.

Table 4: Clear Road Maps

Question	Scale	Distribution	
		f	%
Key members of the organization provided us with a clear road map to reach the newly stated goals	Strongly Disagree	0	0%
	Disagree	15	36%
	Neither agree nor disagree	14	33%
	Agree	9	21%
	Strongly Agree	4	10%
	Total	42	100%

Information by the Leaders about Major Milestones

Furthermore, the results findings as per table 6 also revealed that a majority (45%) of the respondents disagreed with the statement that key organizational members regularly informed them of the major milestones on a timely basis while 26% of the respondents were neutral and 19% and 10% agreed and strongly agreed respectively with the statement.

Table 5: Information about Major Milestones

Question	Scale	Distribution	
		f	**%**
Key organizational members regularly informed us of the major milestones on a timely basis	Strongly Disagree	0	0%
	Disagree	19	45%
	Neither agree nor disagree	11	26%
	Agree	8	19%
	Strongly Agree	4	10%
	Total	42	100%

Recognizing and Awarding Key Achievements in the Transformation Process

Moreover, the study findings as per table 7 further indicated that 55% of the respondents disagreed with the statement that success in achieving change was recognized and rewarded while 33% of the respondents were neutral and 12% agreed with the statement.

Table 6: Recognizing and Awarding Key Achievements

Question	Scale	Distribution	
		F	**%**
Success in achieving change was recognized and rewarded	Strongly Disagree	0	0%
	Disagree	23	55%
	Neither agree nor disagree	14	33%
	Agree	5	12%
	Strongly Agree	0	0%
	Total	42	100%

Coaching and Training about Key Expectations

Finally, the study findings as per table 8 revealed that 57% of the respondents agreed about receiving adequate coaching and training to help them with the transformation process while another 10% strongly agreed. Only 33% of the respondents were neutral about the coaching and training they received from key organizational members to aid with the transformational process.

Table 7: Coaching and Training

Question	Scale	Distribution	
		F	%
We were well coached and trained about what was expected of us during this transformational process	Strongly Disagree	0	0%
	Disagree	0	0%
	Neither agree nor disagree	14	33%
	Agree	24	57%
	Strongly Agree	4	10%
	Total	42	100%

4.3 Inferential Statistics

4.3.1 Correlation between Leadership and Success in Transforming MFIs to DTMs

The research sought to find out if there is any correlation between leadership and success in transforming MFIs to DTMs. The correlation analysis in Table 9 indicates that there was a positive and significant correlation between leadership and success in transformation. The findings were supported by a correlation coefficient of 0.658 and a probability value (p value) of 0.000. This implied that there is a significant positive relationship between leadership and transformation of MFIs to DTMs: r=0.658, p<0.01.

Table 8: Correlation between Leadership and Success in Transforming MFIs to DTMs

		Leadership	Successful Transformation
Leadership	Pearson Correlation	1	.658[**]
	Sig. (2-tailed)		.000
	N	42	42
Successful Transformation	Pearson Correlation	.658[**]	1
	Sig. (2-tailed)	.000	
	N	42	42

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

4.3.2 Regression between Leadership and Success in Transforming MFIs to DTMs

Results in table 10 revealed that the coefficient of determination (R^2) was 0.433. This implies that 43.3% of variances in transformation success are explained by the variances in leadership effectiveness. This further shows that the goodness of fit of the model is satisfactory. Regression analysis in table 10 further indicated that there was a positive and significant relationship between leadership and success in transformation. The findings were supported by a regression coefficient of 0.156 significant at $p<.01$. The finding implies that an increase in leadership effectiveness by one unit leads to increase in transformational success.

Table 9: Regression between Leadership and Success in Transforming MFIs to DTMs

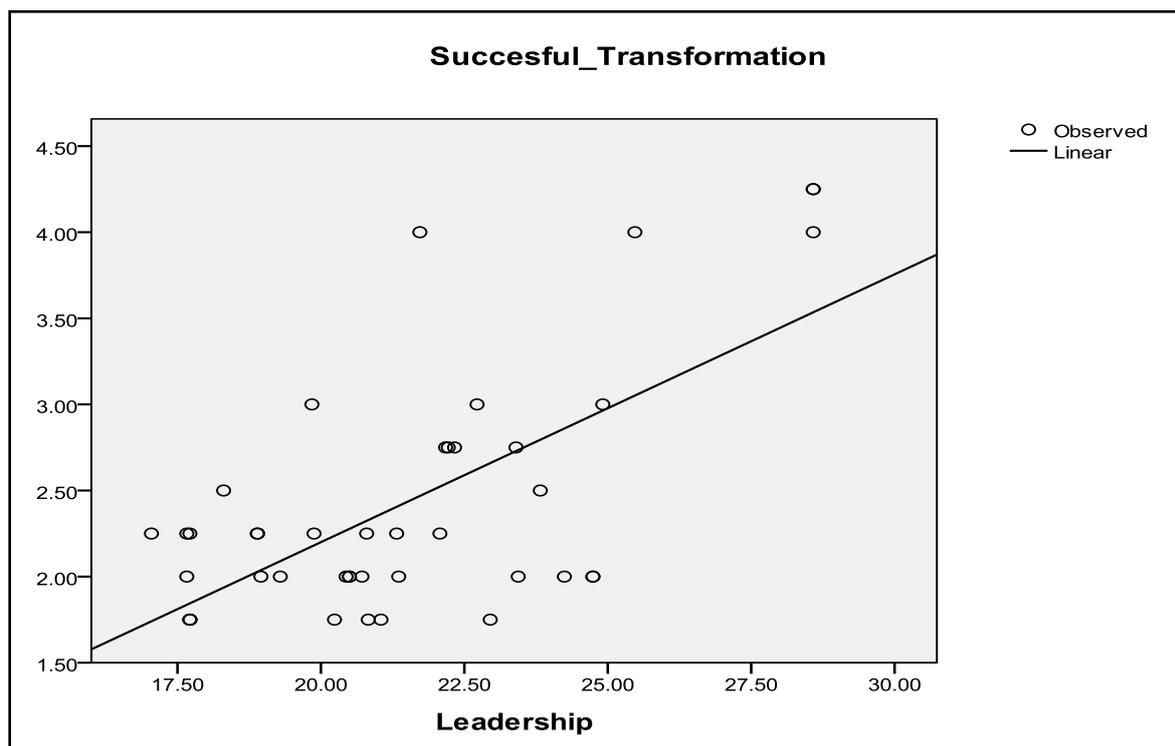| The independent variable is Leadership	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.433	30.517	1	40	.000	-.911	.156

Figure 4: Regression between Leadership and Success in Transforming MFIs to DTMs

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion

The objective of the study was to evaluate the role of leadership in the transformation process. Results revealed that a majority of the respondents (55%) agreed with the statement that stated there was appropriate communication regarding why the organization needed to

transform to a DTM while 45% of the respondents strongly agreed with the statement. The findings further indicated that 57% of the respondents strongly agreed with the statement that stated the leadership of the organization was committed to the overall change process while the remaining 43% agreed with this statement. These findings are comparable to Kotter (1995) who asserted that communication is the key factor for successful change. He also focused on the importance of creating clear and realistic visions with an appropriate change team. These findings can also be compared to the findings by Court (2011) who noted that by communicating to colleagues and describing what they will see differently in the way the organization operates both technically and behaviorally will help to ensure the transition for the individuals involved. Conversations on how teams and individuals will have to behave in the future when a new process or system is installed can reveal the challenges ahead for those involved and what skills they will have to learn and also drop (Court, 2011).

The study findings also revealed that key members of the organization were actively involved in the change process and were also supportive of the change. A majority of the respondents (62%) agreed with the statement that stated the leadership of the organization was actively involved in the change process while the remaining 38% strongly agreed. In addition, 52% of the respondents agreed that the key organizational members were supportive of the change process, while 33% of them strongly agreed and only 14% were neutral about the support of the key organizational members. These findings clearly indicate that the leadership of these organizations was very supportive and actively involved in the change process towards transforming their MFIs into DTMs. From the review of literature, the leader must frame the change by appealing to follower needs for achievement and growth that induces the follower to find the change attractive. This process may also be facilitated if the leader shows individualized consideration where he or she provides support, coaching and guidance to the employees. Coaching and guiding behaviors are particularly important in large-scale transformation and in the development of self-managing work teams (Ford and Ford, 1994).

On the contrary, a majority of the respondents either disagreed or were neutral about being provided with a clear road map to reach the newly stated goals, thus attracting 36% and 33% for disagree and neutral respectively. Results further revealed that 45% of the respondents disagreed with the statement that stated that key organizational members regularly informed them of the major milestones on a timely basis while 26% were neutral about that statement.

Consequently, 55% of the respondents disagreed that success in achieving change was recognized and rewarded while 33% were neutral about it. Only 12% of the respondents agreed that success in achieving the change was appropriately recognized and rewarded while no respondent strongly agreed with this statement. Perhaps the transforming MFIs would have been more successful if appropriate behavior and success was rewarded and if they took the time to pause and celebrate when particular milestones were achieved. As Kotter (1995) argues that throughout the transformation process, the leader should set high performance expectations and reward behaviors that are directed toward fulfillment of the vision. This is similar to Sastry's (1997) conclusion that enforcing a waiting period after every significant change in strategic orientation is necessary to maintain competence. The transformational leader can play a critical role in communicating how the changes have led to better performance and ensuring that the next generation of top management personifies the new approach (Kotter, 1995).

Lastly, the correlation analysis also indicated that there was a positive and significant correlation between leadership and success in transformation. This implied that there is a significant positive relationship between leadership and transformation of MFIs to DTMs: r=0.658 (p<0.01). Moreover, the regression analysis indicated that 43.3% of variances in transformation success are explained by the variances in leadership effectiveness, implying leadership to be a key factor in the transformation process of organizations.

5.2 Conclusions

The study concluded that leadership plays a positive role in the transformation success. This conclusion was supported by correlation results which revealed that there is a positive correlation between leadership and transformation success. Therefore an increase in the effectiveness of leadership is associated with an increase in transformation success. The conclusions were also supported by regression results that revealed a positive and significant relationship between leadership and transformation success.

5.3 Recommendations

Following the study results, the role of leadership clearly comes out as being very significant especially during periods of major transformations. The researcher recommends to the leaders of transforming organizations to be on the front line in communicating to subordinates, supporting them and being actively involved in the change initiatives. Top leaders should however begin by becoming self-aware, learning to recognize both their dominant leadership styles and understanding when it is and it is not useful to use certain leadership styles as well as assessing whether it is congruent with the organizational culture. The researcher believes that leaders are not born, but are made and therefore top organizational members should attend leadership and governance seminars as well as doing leadership courses to build better leaders for the future. It is critical for leaders to recognize that they should have superior performance during the transformation process as this transforms followers' values, attitudes and motives from a lower to a higher place of arousal and maturity.

5.4 Areas for Further Research

This study evaluated the role of leadership in the transformation process of microfinance organizations in Kenya into deposit taking institutions. Future studies may therefore be conducted on the same topic and take into account additional factors that might affect the transformation. For example, the study may seek to analyze the organizational structure of MFIs and how it influences the transformation of MFIs to DTMs. Studies may also be conducted to investigate the role of organization politics and the role of the choice of competitive strategy and the impact they may have on the successful transformation of MFIs to DTMs.

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