

## Effect of Transformational Leadership on Organizational Performance of Micro Finance Institutions in Kenya

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### ABSTRACT

Transformational leadership has attracted extensive attention in management research. The influence of transformational leadership on organizational performance is an important aspect. Given the background where greater attention is being paid to transformational leadership in the banking industry, this research aimed to establish the degree of the influence of transformational leadership on organizational performance of micro finance institutions in Kenya. Questionnaires were used for data collection. They were analyzed via structural equation modeling. The findings reveal that organizational performance is positively influenced by transformational leadership ( $\beta = 1.505$ ;  $p < 0.05$ ). These findings remind managers of the need to pay close attention to transformational leadership, to cultivate organizational performance, and thereby to eventually improve employee's sustainable performance.

**Keywords:** Transformational Leadership, Organizational Performance, Effectiveness, Efficiency.

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