

TRANSFORMATIONAL LEADERSHIP, PSYCHOLOGICAL  
EMPOWERMENT, AND STAFF RETENTION IN MICROFINANCE  
INSTITUTIONS, NAIROBI CITY COUNTY, KENYA

KARIUKI JOSPHAT KAMAU

(POLD/14644/0/19)

A DISSERTATION SUBMITTED TO GRADUATE SCHOOL IN PARTIAL  
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF  
DOCTOR OF PHILOSOPHY IN ORGANIZATIONAL LEADERSHIP AND  
DEVELOPMENT

PAN AFRICA CHRISTIAN UNIVERSITY

2022

## DECLARATION

I, the undersigned, declare that this dissertation is my original work and has not been presented to any other university or college for academic credits.

Signature: .....

Date:

.....

JOSPHAT KAMAU KARIUKI

POLD/14644/0/19

We confirm that the work presented in this dissertation has been carried out by the candidate under our supervision as the appointed university supervisors

Signature: .....

Date:

.....

WILSON ODIYO, PhD

Department of Leadership

Pan Africa Christian University

Signature: .....

Date:

.....

EUNICE NGINA WANDIGA, PhD

Department of Leadership

Pan Africa Christian University

## DEDICATION

This work is dedicated to my wife Pearose Kamau for her immeasurable support and my children Michelle Kamau, Joy Kamau, Precious Kamau, and Chris Kamau for their great moral support throughout the academic journey.

## ACKNOWLEDGMENT

I heartily thank the Almighty God for the Grace to pursue the PhD course and the renewal of my strength from the commencement to the end.

Secondly, I appreciate beyond words the enormous support and guidance accorded to me by my supervisors Dr. Wilson Odiyo and Dr. Eunice Ngina Wandiga. Your incredible insights, feedback and critique improved the quality of this dissertation to the expected academic standards.

I am grateful to the lecturers who laid a strong foundation for this dissertation during course work. These are: Dr. Truphena Oduol, Dr. David Oginde, Dr. Clare Gakenia, Dr. Percy Opio, Dr. Edward Nzinga, Dr. James Kilika, Dr. Jane Chiroma and Dr. Munyao Solomon among others. Gratitude also goes to Dr. Jane Kinuthia and Prof. Dan Kihika Kiambi for organizing very impactful academic seminars that added skills needed for a quality doctoral dissertation. I would not forget to thank my 2019 PhD colleagues for the enormous moral support in the PhD journey.

Finally, I sincerely appreciate the sacrifice made by my wife Pearose and my children Michelle, Joy, Precious and Chris that enabled me to bring this dissertation to its successful completion.

## ABSTRACT

In the modern competitive world, the success of microfinance institutions is largely dependent on retention of their well talented and experienced staff. However, these institutions face challenges such as inappropriate leadership, low loyalty and poor staff engagement, which have led to poor staff retention. Notably, extant literature has tended to focus more on staff turnover than staff retention. Empirical studies on transformational leadership and staff retention have laid emphasis on transformational leadership as a unidimensional construct with little attention paid to its four dimensions of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. This study therefore investigated the effect of transformational leadership on staff retention in microfinance institutions in Nairobi City County, Kenya. Specifically, it explored the effect of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration on staff retention in microfinance institutions in Nairobi City County, Kenya. Further, the study determined the mediating effect of psychological empowerment on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya. The study was underpinned by Transformational Leadership Theory, Leader-Member Exchange Theory, Social Exchange Theory, and Resource-Based View Theory. The study was founded on the positivism philosophy and guided by the descriptive and explanatory research designs. The target population was the 12 microfinance institutions licenced by the Central Bank of Kenya in Nairobi City County. Through census, a total of 298 respondents was obtained for data collection. The unit of analysis was the head offices of the 12 microfinance institutions, while the unit of observation comprised of employees drawn from the senior management level, middle management level, and lower-level management staff of the functional departments of these institutions. Primary data was collected using structured questionnaires. Data was analysed through descriptive and inferential statistics. Hypothesis testing was done at 5% significance level using the multiple linear regression model. All ethical considerations were adhered to. The study will benefit microfinance institutions, achievement of the Kenya's vision 2030 and academia with new frontiers of knowledge. The study established that transformational leadership is a significant predictor of staff retention through idealized influence, intellectual stimulation and individualized consideration and the relationship is partially mediated by psychological empowerment. The study concludes that transformational leadership has a significant effect on staff retention mediated by psychological empowerment. The study recommends that policy makers and strategists in the microfinance institutions in Nairobi City County, Kenya should align the transformational leadership practices with the strategic goals that have been formulated for sustainable staff retention. Being a regulator of the microfinance institutions in Nairobi City County, Kenya, policy makers at CBK should closely monitor the leadership of these institutions as well as the staff retention practices in place as all these to some extent can contribute to overall soundness and stability of these institutions. The Human Resource managers working in the microfinance institutions in Nairobi City County, Kenya should constantly review and align organizational commitment practices so as to retain more staff.

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## ABBREVIATIONS AND ACRONYMS

|         |                                                              |
|---------|--------------------------------------------------------------|
| AC      | : Affective Commitment                                       |
| AMFI-K  | : Association of Microfinance Institutions Kenya             |
| ANOVA   | : Analysis of Variance                                       |
| CBD     | : Central Business District                                  |
| CBK     | : Central Bank of Kenya                                      |
| CC      | : Continuance Commitment                                     |
| CFA     | : Confirmatory Factor Analysis                               |
| CSE     | : Core Self-evaluation                                       |
| EE      | : Employee Engagement                                        |
| ER      | : Employee Retention                                         |
| ESU     | : Employee Strengths Use                                     |
| FA      | : Factor Analysis                                            |
| HRM     | : Human Resource Management                                  |
| IC      | : Individualized Consideration                               |
| ICT     | : Information and Communication Technology                   |
| II      | : Idealized Influence                                        |
| IM      | : Inspirational Motivation                                   |
| IS      | : Intellectual Stimulation                                   |
| IT      | : Information Technology                                     |
| ITES    | : Information Technology Enabled Services                    |
| LMX     | : Leader-Member Exchange                                     |
| MFI     | : Microfinance Institution                                   |
| MLQ     | : Multifactor Leadership Questionnaire                       |
| NACOSTI | : National Commission for Science, Technology and Innovation |

|      |                                               |
|------|-----------------------------------------------|
| NC   | : Normative Commitment                        |
| OC   | : Organizational Commitment                   |
| OCB  | : Organizational Citizenship Behaviour        |
| OCQ  | : Organizational Commitment Questionnaire     |
| RBV  | : Resource-Based View                         |
| SDGs | : Sustainable Development Goals               |
| SEM  | : Structural Equation Model                   |
| SET  | : Social Exchange Theory                      |
| SLC  | : Savings and Loans Company                   |
| SME  | : Small-Medium Enterprise                     |
| SPSS | : Statistical Package for the Social Sciences |
| TCM  | : Three-Component Model                       |
| TL   | : Transformational Leadership                 |
| TLT  | : Transformational Leadership Theory          |
| VIF  | : Variance Inflation Factor                   |
| VUCA | : Volatile, Uncertain, Complex and Ambiguous  |

## OPERATIONAL DEFINITION OF TERMS

|                             |                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Microfinance institutions   | Institutions that offer financial services to the poor and other population who are not served by the mainstream banking (Rasel & Win, 2020).                                                                                                                                                                                                                                              |
| Transformational leadership | Denotes an engagement between the leader and follower that results to a mutual change in interest from self-aggrandizing to collective interests, and pursuit of organizational goals with more clarity, motivation, and morality (Ma et al., 2020). It is conceptualized using idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. |
| Idealized influence         | A dimension of transformational leadership through which a leader creates an emotional attachment with the followers, thus making the followers to admire them as role models and shift from self-interests to collective interests (Okoli et al., 2021).                                                                                                                                  |
| Inspirational motivation    | A dimension of transformational leadership where a leader articulates the vision of the organization to followers clearly in order to make the followers more enthusiastic about their tasks (Edirisooriya, 2020).                                                                                                                                                                         |
| Intellectual stimulation    | It is the dimension of transformational leadership by which a leader encourages the followers to think in new ways of completing tasks and solving problems (Hassan, 2019).                                                                                                                                                                                                                |

|                              |                                                                                                                                                                                                                                                                                                                                              |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individualized consideration | It is the dimension of transformational leadership where a leader provides mentorship and supportive environment to the followers for them to accomplish their tasks, recognizing their individual needs and abilities (Okoli et al., 2021).                                                                                                 |
| Staff retention              | Refers to the inspiration of staff by their leaders to remain in the organization for the longest period of time through creation of a conducive environment (Vu & Nwachukwu, 2020). It is operationalized through intention to stay, staff satisfaction, perceived organizational justice, organizational commitment, and staff engagement. |
| Psychological empowerment    | A mental state that reflects an employee's perception of their work with regard to their personal values and standards (Saira et al., 2021). It is conceptualized in terms of four cognitions namely meaning, competence, self-determination and impact.                                                                                     |

## CHAPTER ONE

### INTRODUCTION AND BACKGROUND TO THE STUDY

#### Introduction

Chapter one begins with a description of the background to the study, followed by statement of the problem, objectives of the study and the hypotheses, assumptions of the study, justification of the study, significance of the study, scope of the study, and finally limitations and delimitations of the study. The chapter ends with a conclusion of the aspects discussed in the chapter and description of aspects discussed in the subsequent chapters.

#### Background to the Study

The survival of organizations in today's volatile, uncertain, complex, and ambiguous (VUCA) environment has been strongly attributed to the organization's ability to retain their trained and experienced staff, often regarded as the most inimitable resource for competitive advantage (Cardy & Lengnick-hall, 2011; Hasija et al., 2019). It is an inimitable resource that is difficult to imitate (Boxall & Purcell, 2016). Poornima and Jesiah (2018) posit that although it is important to hire the right staff, it is even more important to retain the staff to ensure that the customers served by the organization are satisfied and the co-workers are not hurt and disrupted. However, retaining such desired staff is considered the greatest challenge facing organizations today (Swaroop & Sudhir, 2019). According to Pertiwi and Supartha (2021), staff retention is influenced by compensation, staff satisfaction in their jobs, and organizational commitment. Other antecedents identified by Nawaz et al. (2012) include work environment, work-life balance, support from the leaders, incentives, prestige of the organization, and opportunity for career advancement. Researchers such as Lyria et al. (2017), M. Shah and Asad (2018), and Arasanmi and Krishna (2019)

among others recognize that, for a company to be successful, retaining the desired staff is a global, regional, and local challenge. Gan and Yusof (2019) assert that staff retention construct has been overlooked by previous studies as most studies have focused on staff turnover. This informs the choice of staff retention as a dependent variable in this study.

From a global perspective, Kundu and Lata (2017) as well as A. Gupta and Singh (2018) among other researchers perceive staff retention as the greatest challenge faced by organizations in the VUCA context worldwide. This consequentially affects the performance of such organizations when they lose their experienced and talented staff. Anchoring the study in Sri Lanka's ICT industry, Edirisooriya (2020) avers that retention of desired staff is a global concern in different contexts, industries, and countries. The study associates lack of desired staff retention to tasks that do not challenge the staff and lack of personal development, presenting leadership as a viable retention strategy. The role of leadership in enhancing staff retention is reiterated in a study conducted by Bharath (2021) in the health sector.

At the regional level, Whatmore and Wiklef (2020) acknowledge the challenge of staff retention in Zimbabwe's Revenue Authority (ZINARA). They allude to the fact that failure to retain trained and experienced staff results to expensive exercise of hiring and training new staff to replace those who leave the organization. The study associates this staff retention challenge with ineffective leadership that is unable to articulate the organization's vision clearly and optimize on staff development. U. Khalid et al. (2021) classify costs associated with the leaving staff into abstract costs such as loss of employee's self-confidence and social capital, and concrete costs such as recruiting and training costs.

Locally, Nyasunda and Atambo (2020) acknowledge the challenge of retaining staff in microfinance institutions in Kenya, attributing it to the stiff competition among organizations due to globalization which makes mobility of staff from one organization to another very rampant. Gathondu et al. (2018b) establish that microfinance institutions in Kenya are wrestling with staff retention problem with a staff turnover of 25% – 30% and views it as a leadership issue. The study by Kariuki and Wachira (2017) on performance of microfinance institutions in Nairobi, Kenya, recommends deployment of transformational leadership in order to enhance staff retention among other desired organizational outcomes.

Extant literature presents staff retention as an outcome of transformational leadership, psychological empowerment, staff satisfaction and organizational commitment among other antecedents. Although there are numerous studies that have investigated the effect of transformational leadership on psychological empowerment (Abdulrab et al., 2020; AlKindy & Magd, 2021; Giang & Dung, 2021; Pradhan et al., 2017; Saira et al., 2021), transformational leadership on staff retention (Judeh & Abou-moghli, 2019; Tian et al., 2020), and psychological empowerment on staff retention (Jha, 2019; Panda & Sahoo, 2021), they are disjointed.

There is, therefore, a dearth of research linking the three constructs particularly in the microfinance context in a non-segmented form. This study sought to fill this gap by investigating the effect of transformational leadership on staff retention in microfinance institutions, mediated by psychological empowerment.

### *Transformational Leadership*

Transformational leadership refers to the process through which both the leader and the follower connect and engage in a manner that raises their morality and motivation mutually (Northouse, 2016). Additionally, Mwesigwa et al. (2020) perceive it as the ability of a leader to empower followers to achieve greater performance than they thought they could. It has also been defined from the self- versus collective interests, as a leadership style that raises the interests, attitudes and values of followers above those that are self-aggrandizing (Ma et al., 2020). This definition is furthered by Kasımoğlu and Ammari (2020) to depict a type of leadership that expands and broadens the interests of the followers to encompass those of the organization while raising their morale and motivation as they pursue those goals with more clarity. However, inasmuch as majority of the research presents transformational leadership as a leadership style that delivers desired organizational outcomes, there is another school of thought that criticize it as having dark side and undesired outcomes such as staff burnout and stress (Odumeru & Ifeanyi, 2013) thus being perceived as unethical (Eva et al., 2019). This elicits the need to consider the moral and ethical aspects of transformational leadership in its conceptualization.

Transformational leadership promises great potential in enhancing staff retention in organizations (Mugizi et al., 2019; Nuo & Hee, 2020; Tian et al., 2020). Wakabi (2016) establishes that transformational leadership is a powerful tool in increasing an organization's staff retention since transformational leaders portray behaviours that attract employees to remain working with them (Edirisooriya, 2020). It is on this note that scholars arguably state that staff quit leaders, not organizations (Ronald et al., 2016).

Transformational leadership has its conceptual roots in the work of Burns (1978), where the concept was used in the political context by leaders (Yukl, 2010). It was later extended by Bass (1985) to organizational context, a model with four dimensions (four Is) depicting a leader's behavioural characteristics (Chi & Pan, 2012): These are: Idealized influence (II), inspirational motivation (IM), intellectual stimulation (IS), and individualized consideration (IC). The dimensions have further been re-conceptualized by researchers, especially the idealized influence into idealized influence attributed and idealized influence behaviour (Afshari, 2021; Brown et al., 2017).

Idealized influence is the charismatic aspect of transformational leadership which makes the leader admirable to followers by creating emotional attachment that influences followers to identify with leader's values and goals (Felfe et al., 2004; Okoli et al., 2021). Le and Le (2021) opine idealized influence as the ability of a leader to inculcate in followers trust, self-esteem, pride, and respect. Idealized influence attributed focuses on followers' perception of the leader's abilities (DeDeyn, 2021; Hamid et al., 2020) while idealized influence behaviour focuses on the actual behaviour of the leader that makes the leader a role model to them (Brown et al., 2017).

Inspirational motivation is the process by which a leader makes the followers enthusiastic about their tasks (Okoth, 2018), articulates the organization's vision clearly and challenges them to perform better (Edirisooriya, 2020), and inspires and motivates them to pursue more challenging goals (Manesh et al., 2018). Therefore, this element raises followers above their self-interests to team spirit. Inspirational motivation suggests that leaders need to communicate their high expectations to their followers. They should also motivate and inspire them by giving them meaning and challenging

them to come up with a shared vision for the firm. Additionally, transformational leader's inspirational appeal encourages the followers to put in their best effort in terms of good work, harmony and charity in their tasks (Okoth, 2018).

Intellectual stimulation entails a leader encouraging followers to think in new ways of solving problems, without criticizing them publicly when they suggest different ideas from those of the leader (Hassan, 2019). It challenges the followers to adopt new viewpoints and question existing paradigms (Jerobon et al., 2016) as well as provoking their curiosity, imaginative thinking, and changing the status quo (Mwesigwa et al., 2020). It is therefore associated with creativity and innovation in an organization. Hassan (2019) indicate that leaders who are open-minded tend to intellectually influence their subjects. Such leaders will want to challenge the norm and make a case out of every argument; this encourages their subordinates to intellectually challenge themselves more.

According to Okoli et al. (2021), individualized consideration is an attribute of a leader to coach, support and encourage followers to achieve their goals, considering the diverse needs of each follower as an individual. Le and Le (2021) add that leaders with individualized consideration attribute seek to meet the needs of the individual staff. Inspirational motivation and idealized influence are together called charisma. Whereby, charismatic leaders have a positive influence on their followers and can change the self-focus of employees from negative to a positive focus. The result is that subordinates become more involved with the vision of the leader and are willing to make more sacrifices for that vision leading to commitment to their organizations and achievement of organizational goals.

Empirically, a Pakistan-based study by Shah et al. (2021) in commercial and microcredit banks found negative effect of transformational leadership on employee engagement, which was attributed to employees' perception of lack of organizational justice. The results concur with the argument by Odumeru and Ifeanyi (2013) that transformational leadership can have negative effect on organizational outcomes due to pressure put on the staff to perform thus experiencing burnout and stress. To the contrary, Khaola and Rambe (2021) conducted an empirical study in Lesotho on the serial mediation of organizational justice and affective commitment on the relationship between transformational leadership and organizational citizenship behaviour, yielding a positive and significant relationship between transformational leadership and organizational justice. The results were attributed to creation of an environment of perceived fairness by the leaders.

Within the context of Africa, Hassi (2019) carried out a study on the effect of transformational leadership and transactional leadership on organizational outcomes such as job satisfaction. The results showed that some dimensions of transformational leadership such as personal recognition as operationalized in the study had positive effect on job satisfaction and other outcomes, while charisma and intellectual stimulation did not have significant effect on the outcomes. This points towards the need for more empirical studies on the respective dimensions of transformational leadership than on the general transformational leadership construct as unidimensional, although critiques of this approach argue that the dimensions are ambiguously correlated to each other hence the choice by some researchers to use the unidimensional construct (Abouraia & Othman, 2017).

Locally, Ogolla and Senaji (2018) investigated the effect of transformational leadership on performance of State Corporations in Kenya. The study indicated that the individual dimensions had varying influence on the organizational performance. While the other three dimensions of transformational leadership had positive and significant effect, the study found no significant effect of inspirational motivation on organizational performance, recommending further investigation on the cause of this observation.

Although review of extant literature on dimensions of transformational leadership presents some variations such as personal recognition (Nuo & Hee, 2020), this study adopted the four Bass's (1985) dimensions of transformational leadership outlined above as idealized influence, inspirational motivation, intellectual stimulation, and individual consideration since most researchers have tended to focus on these dimensions than the other variations.

### *Psychological Empowerment*

Reviewed studies present a link between psychological empowerment and transformational leadership (AlKindy & Magd, 2021; Ambad et al., 2021; Giang & Dung, 2021; Saira et al., 2021). However, some scholars argue that not all the four dimensions of transformational leadership are connected to it (Stanescu et al., 2020). With reference to the definition by Spreitzer (1995), psychological empowerment has been conceived as a state of the mind that reflects an employee's perception of their work with regard to their personal values and standards, and measured in terms of four cognitions namely meaning, competence, self-determination and impact (H. Li et al., 2018; Minai et al., 2020; Saira et al., 2021). Although some scholars refer to psychological empowerment as a phenomenon where managers and followers share

equally the responsibility of organizational results and maximization of the followers' contribution to the achievement of the vision and mission of the organization (Yasodara, 2019), this definition lacks the element of employee's individual perception of the phenomenon. Thus, this study conceptualizes psychological empowerment as the staffs' state of mind regarding their work in line with their individual values and standards (Saira et al., 2021).

The meaning cognition of psychological empowerment refers to the extent to which an individual perceives his work as important and valuable (Alotaibi et al., 2020; Bharadwaja & Tripathi, 2021), as assessed from the individual's perspective and standards (AlKindy & Magd, 2021; X. Li & Lin, 2020). On the other hand, competence is the perception by an individual as being able to perform tasks proficiently (H. Li et al., 2018; T. A. Shah et al., 2019), thus being used synonymously with self-efficacy (Bharadwaja & Tripathi, 2021; Minai et al., 2020). Self-determination, also conceptualized by Meira and Hancer (2021) as choice, relates with decision-making process and is defined as an employee's feeling of autonomy or freedom to initiate and/or sustain tasks relating to their work roles (AlKindy & Magd, 2021; Stanescu et al., 2020). The last cognitive dimension, impact, refers to an employee's perception of themselves as having the ability to significantly influence the strategies, operations and management of their organization (X. Li & Lin, 2020; Panda & Sahoo, 2021; T. A. Shah et al., 2019). Since omission of any of the four cognitions would reduce the overall effectiveness of psychological empowerment and should therefore be combined additively in empirical studies (Pradhan et al., 2017; Turnipseed & VandeWaa, 2020), this study conceptualizes psychological empowerment as a function of the four cognitions.

Psychological empowerment has been regarded as an antecedent to low turnover, high organizational commitment, increased staff satisfaction and intention to stay, work engagement and creativity (Al Harbi et al., 2019; Alotaibi et al., 2020; Ambad et al., 2021; Bharadwaja & Tripathi, 2021; H. Li et al., 2018; Safari et al., 2020). Since organizational commitment, staff satisfaction, intention to stay and work engagement *inter alia* emerge as measures of staff retention (Jerez-Jerez & Melewar, 2020; U. Khalid et al., 2021; Yao & Huang, 2020), this study considered psychological empowerment as a mediating variable between transformational leadership and staff retention.

### *Staff Retention*

The challenge of staff retention has been a serious concern in organizations since 1970s, resulting from job mobility due to globalization (Wakabi, 2016). Staff retention has been defined by researchers such as Devi (2020), Kaur (2017), Mwita et al. (2018) and Kiptoon and Kipkebut (2019) as inspiration of the staff to remain in the organization where they work for the longest period possible. On the other hand, Wambede and Bisaso (2020) define staff retention as the attraction of the desired employees onto the organizations they are working for the longest period. Vu and Nwachukwu (2020) perceive staff retention as the creation of a conducive environment that influences the staff to stay in the organization for the longest period. Fahim (2018) emphasises the intentionality of such practices as opposed to random strategies. Drawing from these perspectives, staff retention can be conceptualized as deliberate inspiration and motivation of desired staff by leaders to remain in their organizations for the longest period of time. Nyasunda and Atambo (2020) attribute staff retention to reward management, while other researchers such as Whatmore and Wiklef (2020)

opine that remuneration alone is not adequate for effective staff retention, attributing staff retention challenge to ineffective leadership that fails to clearly articulate organization's vision to the staff.

Staff retention plays a critical role in the success of an organization. The famous industrialist Andrew Carnegie illustrates this importance in his sentiment that if he lost his factories, money, and everything else but retained his key staff, he would recover all these in two or three years (Aguenza & Som, 2012). One of the most targeted benefits of staff retention is enhanced competitive advantage of the organization since losing such staff to a competitor implies transferring the competitiveness to the competitor (Cardy & Lengnick-hall, 2011; Lyria et al., 2017; Butt et al., 2020). Two, there is smooth running and stability of an organization since there are no disruptions otherwise caused by hiring and training new staff to replace those leaving the organization (Wijesiri et al., 2019). Thirdly, leaving staff members create psychological pain to the rest of the members with whom they had strong social bond, which further hurts their productivity in the organization (Fahim, 2018; Ghosh et al., 2013; Tariq et al., 2020). Consequently, there is loss of morale in the colleagues who are left behind especially due to the bond broken amongst them (Pandita & Ray, 2018) as well as leakage of confidential information to the organization's competitors (Bharadwaj & Yameen, 2020). Ongoing organizational projects are also disrupted as new staff get inducted to continue what was started by the staff who left (U. Khalid et al., 2021). Loss of desired staff also has financial implication (Biriowu & Kalio, 2020; Taheri, 2020) due to the high cost of recruiting and training new staff to fill those positions. The organization is also likely to lose its good image when good employees leave (Chepkosgey et al., 2019). However, some instances exist where staff retention

is counterproductive since not all staff are desired for retention as noted by Rombaut and Guerry (2020), since unproductive staff need to be replaced by more skilled and talented staff.

Different researchers have adopted different measures of staff retention. Steil et al. (2020) group these measures into objective measures such as the length a staff has worked in the organization and subjective measures such as the cognitions like intention to stay or to leave the organization (George, 2015). Additionally, existing literature presents common staff retention indicators such as staff satisfaction (Hurley & Estelami, 2007; Yao & Huang, 2020), staff loyalty (De Vos & Meganck, 2009), staff engagement in the organization (Dessler, 2014; Jerez-Jerez & Melewar, 2020; Pandita & Ray, 2018), perceived organizational justice (A. Gupta & Singh, 2018), staff motivation (Bode et al., 2015), organizational commitment (U. Khalid et al., 2021; Lee et al., 2018), *inter alia*. Since staff satisfaction and staff motivation are interrelated (De Sousa Sabbagha et al., 2018), staff satisfaction can suffice as a measure of staff retention as opposed to using both measures in one study.

In this study, intention to stay, staff satisfaction, perceived organizational justice, organizational commitment and staff engagement were considered as the measures of staff retention.

#### *Microfinance Institutions in Nairobi City County, Kenya*

Microfinance is a construct developed by Professor Yunus Muhammad in 1970s as a means of alleviating poverty by providing access to financial services for those left out by the mainstream banking (Rasel & Win, 2020; Sayvaya & Kyophilavong, 2015; Sinha & Ghosh, 2020). Since the target is the poorest of the poor, some researchers

have referred to microfinance as the ‘bank for the poor’ (Kumar & Divya, 2021). Microfinance Institutions (MFIs) goes beyond providing financial services to also educating the poor on how to manage the finances effectively (Munala & Korir, 2017). According to Khan et al. (2020), microfinance helps in fighting feminization of poverty, implying that women who are often regarded as the poorer gender can be empowered economically to match the male gender. It is noted that MFIs play a significant role in empowering the women who have purportedly been more disadvantaged than their male counterparts in accessing financial services from the commercial banks, thus enabling them rise in entrepreneurship (Rahman et al., 2017). This reduces financial exclusion and gender imbalance in access to financial services. Despite this critical role of Microfinance Institutions (MFIs) in poverty alleviation and financial inclusion, these institutions are faced with a number of challenges that hamper their optimal growth and achievements. Odunayo (2019) posits that there is a major challenge in staff retention in MFIs due to ineffective staff recruitment and selection practices such that there is mismatch between the staff employed and the roles they are employed to play. According to Nyasunda and Atambo (2020), the difficulty in retaining staff in microfinance is heightened by the stiff competition within the industry and from mainstream banking institutions. Sustainability has been cited as another challenge facing microfinance institutions due to management and corporate governance ineffectiveness (Kayembe et al., 2021), as well as huge staff-related costs contributing 29% of total expenses in MFIs in the year 2020 (Central Bank of Kenya, 2020a).

The reviewed literature establishes a variety of success factors used to measure the success of microfinance. R. L. Meyer and Nagarajan (2006) consider the broad criteria of outreach to the poor and sustainability through profitability, although the

initial goal of the microfinance was purely outreach to the poor. Sustainability is linked to staff retention as noted by Kayembe et al. (2021) who argue that high turnover would reduce profitability and hence sustainability of microfinance institutions due to the high cost of advertising and training new staff members to replace those who quit. S. Ahmed (2009) regards leadership quality as a key success factor because it determines how the microfinance institutions are operated. On the other hand, Ashta and Fall (2012) opine that corporate governance influences the microfinance's sustainability. Another success factor suggested by Kamukama and Natamba (2013) is social intermediation, a process through which microfinance removes barriers from their clients that would hinder effective utilization of the financial services rendered through strategies such as educating them. This aims at ensuring that clients do not misappropriate funds intended for their development which would jeopardize the effort to alleviate poverty and sustain the microfinance operations. The clients are therefore able to develop the desired managerial attitudes and self-reliance that microfinance can trust in place of the asset collateral that would otherwise be required in the formal banking sector (Babajide et al., 2017)

From a global perspective, Abuzaid et al. (2019) investigates the influence of transformational leadership on the effectiveness of strategic decisions in microfinance institutions in Jordan. The findings of the study confirm positive effect of transformational leadership on the effectiveness of strategic decisions by paying attention to followers' individual needs and ideas. The study by Das (2019) attributes the staff retention challenge in microfinance in India to low staff engagement and loyalty, which consequentially hurts the organizational performance.

At the regional level, Remer and Kattilakoski (2021) aver that microfinance can achieve its dual functions of self-sufficiency and outreach to the poor without compromising each other. The study avers that cost management is one of the challenges that MFIs have to overcome in order to achieve this balance, yet staff attrition exacerbates this challenge due to the cost of hiring and training new staff to replace those quitting (U. Khalid et al., 2021). Odunayo (2019) seeks to investigate the effect of HRM practices on employee retention in the context of Nigeria's microfinance, confirming a positive influence of human resource recruitment and selection on staff retention.

In the local context, microfinance institutions emerged in the 1980s (Odongo et al., 2016), and are regulated by the Microfinance Act of 2006 and the Association of Microfinance Institutions Kenya (AMFI-K). Karuga and Jagongo (2020) note that microfinance institutions are useful in achieving the Kenya Vision 2030, a developmental plan by the Kenyan government to make Kenya an industrialized, middle-income country by the year 2030 through three pillars: Economic, social, and political pillars (The Ministry of Planning and Devolution, 2007). Microfinance supports the economic pillar by serving the poor thus alleviating poverty. This sentiment is echoed by Muithya and Muathe (2020) who reiterate the usefulness of Kenya's microfinance institutions in positively impacting the economy. There were 14 licensed microfinance institutions in Kenya as at the time of this study (Central Bank of Kenya, 2020b). Thirteen of these were within the Nairobi City County but one was in receivership. Studies on the influence of leadership styles on outcomes such as organizational commitment, satisfaction, and performance among others have been conducted in the context of microfinance institutions in Kenya (Gathondu et al., 2018b;

Kariuki & Wachira, 2017). However, staff retention has not received sufficient attention yet Gathendu et al. (2018a) contend that retention of staff is a critical success determinant in Kenya's microfinance sector. The study attributes attrition of staff to employment of young people who do not align their mission with the microfinance's goal of alleviating poverty, but rather consider microfinance as a bridge to the mainstream banking jobs.

Besides the notably numerous studies focusing on the constructs of transformational leadership (Arora & Singh, 2018; Muriuki & Ombaba, 2018), psychological empowerment (Khan et al., 2020) and staff retention (Das, 2019; Odunayo, 2019) in the context of microfinance, extant literature presents fragmented results, calling for the need to have a holistic study that integrates the three constructs in one study.

#### Statement of the Problem

While numerous studies recognize staff retention as one of the most crucial determinants of an organization's success (Biriowu & Kalio, 2020; Butt et al., 2020; Suifan et al., 2017; Yusliza et al., 2020), most organizations are still experiencing a major challenge of retaining their experienced and trained staff required for maintaining competitive advantage due to globalization and the consequential workforce mobility (Dechawatanapaisal, 2018; Sintoyia & Iravo, 2018; Yelamanchili, 2018; Yukongdi & Shrestha, 2020). MFIs face challenges such as inappropriate leadership styles, ineffective management and corporate governance practices, low loyalty and staff engagement, and inappropriate staff recruitment and selection which have led to poor staff retention (Das, 2019; Kayembe et al., 2021; Odunayo, 2019; Sintoyia & Iravo, 2018).

Nyasunda and Atambo (2020) observe that managers of the microfinance institutions in Kenya have difficulty in retaining their desirable staff. The study links this challenge to the stiff competition in the industry especially from mainstream banking due to globalization that makes it easy for employees to hop from one institution to another in search of better remuneration as also alluded to by Wairimu and Osieko (2020). Staff retention is a major challenge in MFIs with a turnover rate of 25% to 30% (Gathondu et al., 2018a), a scenario attributed to employment of young staff who are believed to lack commitment to the poverty alleviation mission of microfinance institutions. This attrition trend cannot be ignored given the fact that microfinance is one of the key sectors in promoting Kenya's vision 2030 financial services agenda (AMFI-K, 2020), as well as the global sustainable development goals (SDGs) (Javeed et al., 2021).

Most studies aimed at addressing the question of staffing in these organizations have tended to focus on staff turnover and have overlooked staff retention (Gan & Yusof, 2019), yet the two variables are not equivalent. Very little scientific investigation has been done on staff retention in the context of microfinance in Kenya (Nyasunda & Atambo, 2020). While Nyasunda and Atambo (2020) attempted to partially fill in the contextual gap, their study creates a conceptual gap in that they considered reward management as the remedy and did not consider transformational leadership as well as the mediating variables which other researchers such as Nuo and Hee (2020) consider significant.

There is a conceptual problem on how transformational leadership is conceptualized in that it's "four Is" are ambiguous on what their distinct roles are (Odumeru & Ifeanyi, 2013), thus calling for a better conceptual framework for further

research on the construct. Although most studies relate transformational leadership with the broader aspects of organizational performance, staff turnover, psychological empowerment and other variables such as staff satisfaction and organizational commitment (Afshari, 2021; Chebon et al., 2019; Hasija et al., 2019; Kimeto et al., 2017; Muriuki & Ombaba, 2018; Njiraini et al., 2018; Nwadike, 2020; Otieno et al., 2019a, 2019b), there are scanty studies on the impact of the individual “Is” on these outcomes. Whereas a number of studies have investigated the relationship between transformational leadership and psychological empowerment, they have treated psychological empowerment as the dependent variable without investigating its mediating effect on the relationship between transformational leadership and staff retention (Al Harbi et al., 2019; Stanescu et al., 2020).

Empirical studies relating transformational leadership and staff retention in microfinance institutions are scanty (Gathondu et al., 2018b). Other studies on these constructs are theoretical studies which lack empirical support (Nuo & Hee, 2020; Odumeru & Ifeanyi, 2013). Kariuki and Wachira (2017) recommend creation of an environment in microfinance institutions where transformational leadership can be deployed, but the actual effect of transformational leadership on staff retention in this context has hardly been investigated. This study sought to fill these gaps by investigating the effect of transformational leadership on staff retention in microfinance institutions in Nairobi City County, Kenya.

## Objectives of the Study

### *General Objectives*

The broad objective of the study was to investigate the effect of transformational leadership on staff retention in microfinance institutions in Nairobi City County, Kenya.

### *Specific Objectives*

The specific objectives were:

1. To determine the effect of idealized influence on staff retention in microfinance institutions in Nairobi City County, Kenya.
2. To assess the effect of inspirational motivation on staff retention in microfinance institutions in Nairobi City County, Kenya.
3. To evaluate the effect of intellectual stimulation on staff retention in microfinance institutions in Nairobi City County, Kenya.
4. To establish the effect of individualized consideration on staff retention in microfinance institutions in Nairobi City County, Kenya.
5. To determine the mediating effect of psychological empowerment on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya.

### Hypotheses

The null hypotheses that were used to test the relationship between the study's variables were:

H<sub>01</sub>: Transformational leadership has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

H<sub>0</sub>2: Idealized influence has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

H<sub>0</sub>3: Inspirational motivation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

H<sub>0</sub>4: Intellectual stimulation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

H<sub>0</sub>5: Individualized consideration has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

H<sub>0</sub>6: Psychological empowerment has no significant mediating effect on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya.

#### Assumptions of the Study

This study assumed that the data collected from the participants was valid besides being self-reported. This assumption was made because participants might or might not have responded to questionnaire items in an absolutely honest manner. The second assumption was that the length of stay by staff was representative of staff retention, although it did not necessarily inform the researcher how long further the staff would remain in the organization. This assumption was necessary since the study was based on staff who were still working in the organization than those who had already completed their employment tenure. The third assumption was that all the MFIs' management would be willing to provide access to information without fear of information disclosure to competitors. The management was encouraged to provide

such information by assuring them of absolute confidentiality of the data collected. Finally, since the study was conducted during the Covid-19 pandemic, it was assumed that all the targeted respondents would be reached amid work related changes such as working in shifts by the staff.

### Justification of the Study

The need to conduct this study was pinned on a number of reasons. First was the quest by previous researchers to curb the exacerbating problem of retaining skilled, trained and experienced staff in organizations, particularly in the highly competitive sector of microfinance in Kenya due to globalization (Nyasunda & Atambo, 2020). The ability to reach many clients and to ensure microfinance sustainability are largely dependent on these staff. As noted by Wairimu and Osieko (2020), the competition from mainstream banking and other money transfer platforms such as Mpesa in Kenya is increasingly high, which threatens survival of the microfinance institutions. Consequently, saving the microfinance institutions from collapsing directly contributes to the economic pillar of reducing poverty in Kenya and beyond.

Although various studies on staff retention have been conducted previously, they have focused on other contexts such as non-profit organizations (Almas et al., 2020), textile and clothing industry (Judeh & Abou-moghli, 2019), small and medium-sized enterprises (Tian et al., 2020), information technology sector (Lal & Viswanathan, 2017; Sharanya & Himabindu, 2017) and educational sector (Mugizi et al., 2019) *inter alia* than microfinance context. Studies investigating microfinance sector have been based on organizational performance and not the more important antecedent namely staff retention, thus the dire need to investigate the construct of staff retention as an

outcome of transformational leadership mediated by psychological empowerment particularly in the Nairobi City County.

Another justification stemmed from the conceptual gap on how transformational leadership achieves the outcomes it claims to achieve. Odumeru and Ifeanyi (2013) alludes to this ambiguity, which the current study sought to clear using the outlined theoretical framework.

### Significance of the Study

The study is expected to benefit the microfinance institutions by increasing staff retention thus saving them monetary costs associated with advertising, recruiting, and training new staff to replace those leaving. In addition, the organization saves non-monetary costs such as loss of social capital for the organization. Secondly, the government of Kenya is expected to benefit from the study in its quest to achieve the economic pillar of vision 2030 through accelerated growth of microfinance institutions in Nairobi City County and beyond. This is so because staff are the bridge to reach out to potential and existing microfinance institutions' customers. If the gaps highlighted in this study were not urgently addressed, the microfinance institutions in Nairobi City County, Kenya, would be at the risk of increased loss of staff to competitors such as the mainstream commercial banks and subsequently could be phased out of the highly competitive market. This would further derail the achievement of Kenya's 2030 vision on poverty alleviation and the global sustainable development goals (SDGs).

The study presented new frontiers of knowledge on the deployment of transformational leadership on staff retention in the context of microfinance and thus a conceptual framework for advancement of research by scholars and researchers in this

field. More research can be conducted based on the individual dimensions of transformational leadership as conceptualized in Figure 2.1.

The study benefits academia with more knowledge on a wider application of Transformational Leadership Theory, Leader-Member Exchange (LMX) Theory, Social Exchange Theory (SET) and Resource Based View (RBV) Theory resulting to desirable organizational outcomes. This further clears the ambiguity on how the four dimensions of transformational leadership achieve the theoretically alluded roles such as role modelling and inspiring followers. The mechanism by which an institution's staff choose to stay in the institution has been clarified in terms of the social exchanges between the staff and the leadership.

#### Scope of the Study

The study was confined within microfinance institutions in Nairobi city county given that it was a cross-sectional study which was time constrained as is often the case for academic projects as opposed to longitudinal studies which takes relatively longer period (Saunders et al., 2007). Conceptually, the study focussed on staff retention as the dependent variable which is an outcome of transformational leadership, while transformational leadership was considered the independent variable and psychological empowerment the mediating variable in this relationship. This made the study tenable since the scope was neither too wide nor too narrow. The unit of analysis was comprised of the 12 MFIs within Nairobi city county out of the 14 licenced deposit taking MFIs in Kenya. The excluded two MFIs comprised of one which was outside Nairobi City County and one whose staff were not accessible due to receivership of the MFI. The entire target population of staff at different strata was identified using census for data collection since the population was relatively small. The unit of observation was

employees at the senior management level, middle management level and Lower level management staff in the 12 microfinance institutions described above.

#### Limitations and Delimitations of the Study

Limitations are the potential weaknesses of a study which are beyond the control of a researcher, while delimitations are the boundaries or confinements that the researcher consciously and deliberately sets for the study to make the scope achievable (Pyrzczak & Bruce, 2017; Theofanidis & Fountouki, 2018). In this study, the use of quantitative research method as opposed to mixed method limited the depth of responses provided by respondents. The use of self-reported measures in data collection resulted to potential method bias (Podsakoff et al., 2012), although the respondents were assumed to provide honest responses. A variety of the questionnaire's items were aligned with the rater form such that staff at different levels evaluated their leaders. Another limitation might have emerged from time constraint for every respondent to complete all the questionnaire items, given the tight schedules staff in such financial institutions are expected to work under. The transmittal letter accompanying every questionnaire sought to encourage the respondents to take their valued time to complete the questions.

Among the delimitations of the study was that it was narrowed down to only the head offices of microfinance institutions in the Nairobi City County which were licenced by the Central Bank of Kenya (CBK) bearing in mind that there were many others that were not licenced and would be challenging to obtain reliable data from them. Some of the MFIs also had branches within Nairobi City County but the branches were not considered in this study since their structural strata might not have been exactly the same as those of the head offices. Methodologically, the study was delimited

to collection of data only once as is the case of cross-sectional study, as opposed to the longitudinal study which would allow for cause-and-effect relationship over time. As an academic, time-bound research, the study adopted a cross-sectional design.

### Chapter Summary

Chapter one discussed the background of the study, including the problem statement, objectives of the study, testable null hypotheses, the assumptions made concerning the study, justification for the study, the study's significance, the scope of the study, and the limitations and delimitations of the study. Chapter two that follows reviewed theories relevant in supporting the study with regard to the research objectives and the independent, mediating and dependent variables. The chapter further presented a review of empirical studies based on the constructs of transformational leadership, psychological empowerment and staff retention, with a tabulation of the emerging gaps. Subsequently, a conceptual framework that guided the study was formulated, including the key indicators of the study's variables and directionality of the relationship between the variables. Chapter three presented the research methodology for the study, accounting for the research design opted for, population studied, computation of an appropriate sample size, and the sampling technique used. The chapter further explored the types of data collected, data collection methods and procedures employed, instrument pretesting procedure, testing of reliability and validity of the data collection tools, a plan of how data was analysed, and a description of how ethical concerns were addressed.

## CHAPTER TWO

### LITERATURE REVIEW

#### Introduction

This chapter reviewed literature on the key variables of the study including the indicators for each variable. The relevant theories to the study were explored, their authors, postulates and critiques identified, and applicability to the current study established. Previous empirical studies were analysed and a summary of emerging empirical research gaps presented. A conceptual framework describing the relationships among the variables was developed, explaining the directionality of these relationships.

#### Theoretical Framework

A theoretical framework is a set of theories that explain a phenomenon or a certain research problem (Sikawa et al., 2018). It is also perceived as a set of interrelated ideas, derived from and verified by data, that seeks to explain why things happen the way they do (Owuor et al., 2020). This study was underpinned by four theories namely Transformational Leadership Theory (TLT), Leader-Member Exchange (LMX) Theory, Social Exchange Theory (SET), and Resource-Based View (RBV) Theory.

#### *Transformational Leadership Theory*

Transformational Leadership Theory was authored by James Burns in 1978 where it was used in political context by leaders to influence their followers, and later extended to organizational context by Bernard Bass in 1985 (Lussier & Achua, 2010). The theory postulates that a leader is capable of motivating his followers to achieve more than what they initially thought they could, by altering their long-held attitudes, values, and belief system (Mwesigwa et al., 2020). The leader is seen as the change

agent capable of changing organizational outcomes such as staff retention among others. According to Bass and Riggio (2006), this postulation is achieved through the four components of transformational leadership, namely idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Idealized influence, which has two sub-dimensions of idealized influence behaviour and idealized influence attributed, makes leaders to be perceived by their followers as respectable, admirable, risk-takers, ethical, moral, role-model, consistent and persistent. Inspirational motivation enables a leader to communicate their expectations and envisioned better future clearly, emphasize team spirit, and to show up with optimism and enthusiasm. Intellectual stimulation postulates that leaders encourage their followers to be creative in problems solving such that they use new approaches to solve old problems, and question existing assumptions without being criticized for floating differing opinions from those of the leaders. Finally, individual consideration dimension holds that a leader plays the role of a coach and mentor, acknowledges the individual needs of each follower, creates a conducive learning environment and opportunities, and encourages a two-way communication with the followers.

Critiques of the transformational leadership theory accuse the theory of being partisan in highlighting only its positive organizational outcomes but saying nothing about its negative outcomes such as stress and burnout by followers who are motivated to strive for higher targets than they can achieve (Odumeru & Ifeanyi, 2013). Berkovich (2016) identifies conceptual weaknesses on the theory, noting that the theory presents a logical deductive loop by defining transformational leadership as effective yet it includes idealized influence attributed element which opens it up for followers' judgement. The four dimensions defining transformational leadership are themselves

ambiguous and the theory does not explicitly explain how they play their roles. Additionally, there lacks empirical distinctiveness in that the theory has been used in conjunction with other elements of leadership such as participative leadership and contingent reward (Berkovich, 2016), which is evidenced in how some previous studies have been conceptualized (Kariuki & Wachira, 2017). Okoth (2018) criticizes the theory on the basis of being trait oriented than process oriented, since followers are expected to role-model the behaviours and traits of the leader.

At the global level, Transformational Leadership Theory was used by Edirisooriya (2020) to establish the effect of transformational leadership on retention of talent in the ICT industry in Sri Lanka. The findings indicated that idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration had positive significance on talent retention in the industry.

In Uganda, Mugizi et al. (2019) used the theory in a study that examined the relationship between leadership style and teachers' retention, yielding a positive significant correlation between the two variables. This indicated that a transformational leader can increase the intended organizational outcomes such as retention of the followers. Transformational leadership is also considered by Odumeru and Ifeanyi (2013) to have been empirically proven to correlate with employee outcomes such as improved retention rates.

In the local context, the theory was used by Okoth (2018) to investigate the implementation of transformational practices in the curriculum in Siaya County in Kenya. The study depicted the head teacher as the transformational leader who influenced the other teachers into effective classroom instruction and improved

students' performance. According to this study, head teachers used idealized influence to ensure teachers work towards collective achievement for the school, inspirational motivation to trust the teachers' ability to handle challenges, intellectual stimulation to make decisions always, and individualized consideration to encourage individual students and teachers to work hard in school.

This study opted to use Transformational Leadership Theory over the other constituents of full range leadership model (transactional and laissez-faire), following the assertion by Walumbwa et al. (2008) that transformational leadership is empirically related with organizational outcomes such as work-related attitudes, trust, and identification with organization among others. The focus was on the four I's representing the components of The Transformational Leadership Theory, namely idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. The four sub-constructs guided the study on how transformational leadership influences staff retention in microfinance institutions.

#### *Leader-Member Exchange Theory*

The Leader-Member Exchange (LMX) Theory describes the relationship that develops over time between the leader and each subordinate (Yukl, 2010). Its formulation started in form of vertical dyad linkage that exists between a superior person and a follower, a relationship that Yukl (2010) contends that it affects organizational performance. The key contributors to this theory are Graen and Cashman in 1975 who argued that exchange relationships between parties depend on how compatible and dependable the parties are, and Dansereau, Graen, and Haga in 1975 who introduced concepts like personality factors to the relationship (Dansereau et al., 1975; Yukl, 2010). Walumbwa et al. (2005) posit that the LMX relationship is often

not based on formal and institutional rules but on personal understanding between the transformational leader and the follower. The relationship results to a form of exchange currency characterized by employees' contribution, respect, and affection to the leaders (Adero & Odiyo, 2020). Consequently, there emerges two groups of followers from this kind of a relationship: In-group (those members with whom the leader has high-quality relationship) and out-group (those members with whom the leader has low-quality relationship). Northouse (2016) explores two ways in which the LMX works in relation to these group formations, which are valuable to leaders adopting transformational leadership style: Descriptive and prescriptive. Descriptive aspect of LMX describes that some followers (in-group) do more and get more from the leaders while others (out-group) perform at the contractual level and only get the contractually agreed benefits. Prescriptively, LMX prescribes leadership as a situation where leaders strive to make high-quality exchanges with all followers thus moving the out-group members into the in-group, a process called leadership making. This prescription can be a valuable tool for transformational leaders in influencing all members charismatically to improve their loyalty to them and to the organization. Out of this relationship, the subordinates are expected to work harder on organizational tasks and be more loyal to the leader (Walumbwa et al., 2005), similar to the expected outcome of the idealized influence dimension of transformational leadership style. A healthy leader-member exchange relationship is required between a leader and follower for the follower to adopt the organization's shared vision willingly (Kariuki, 2020).

The study by Nandedkar and Brown (2017) used the leader-member exchange theory in investigating the relationship between organizational citizenship behaviour and employees' turnover. The findings indicated that employees with high LMX with supervisors feel valued and get satisfied so that they are more inclined to stay in the

organization. To the contrary, employees with low LMX with their supervisors feel unvalued and are more inclined to leave the organization due to dissatisfaction.

Locally, the study by Kanake and Kemboi (2020) investigating the relationship between employee empowerment and innovative work behaviour was anchored on the LMX Theory. The study showed that the exchange between the leaders and employees is positively moderated by the kind of relationship that exists between them.

In this study, LMX Theory was used to establish the nature of relationship that transformational leaders form with their staff to the extent that the staff trust and respect them. This trust is expected to be the basis on which the leader uses the four dimensions of transformational leadership to influence and inspire the staff to perform more than they would ordinarily perform.

#### *Social Exchange Theory*

The key proponents of Social Exchange Theory are Blau in 1964, Homans in 1958, Thibaut and Kelley in 1959, Hollander in 1958 and Jacobs in 1970. The theory proposes that followers feel obliged to give back for what they receive from the leaders and organization such as support (Pattnaik & Sahoo, 2021). The followers reciprocate the leader's behaviours such that if leaders are perceived as supportive and caring, the followers become more committed and loyal in exchange (Bouraoui et al., 2019). Chiu et al. (2020) reiterate the relevance of social exchange theory in explaining how organizational commitment is developed in followers. According to Walumbwa et al. (2005), followers can be influenced to adopt certain attitudes and trust based on the leader's past behaviours, which is one way through which the idealized influence is explained. In this case, the follower is exchanging trust for admirable leader's behaviour. Noticeably, followers exhibit desirable job attitudes such as job satisfaction

and organizational commitment when they feel psychologically empowered by their leaders (Minai et al., 2020; Stanescu et al., 2020).

Scholars have criticized Social Exchange Theory on the ground of self-interest as opposed to altruism (Muldoon et al., 2018). Those in power are seen as influencing followers for selfish gain rather than mutual gains, thus becoming opportunists and creating dependence of followers on leaders.

A study by Saira et al. (2021) based in Pakistan was anchored on the social exchange theory in exploring the relationship between transformational leadership and employee outcomes, mediated by psychological empowerment. The study found a positive significant influence of transformational leadership on psychological empowerment, which results to followers' reciprocation with positive behaviours and attitudes such as satisfaction and desire to stay. In their investigation of the relationship between transformational leadership and organizational commitment, Mesu et al. (2015) used the social exchange theory to explain how these two variables relate. The current study used this theory to illustrate that the nature of exchange between the leader and followers goes beyond the formerly agreed economic exchange.

In Nigeria, Liman et al. (2020) used Social Exchange Theory (SET) as the underpinning theory in investigating the moderating effect of job satisfaction on the relationship between multi-level marketing and retention of distributors. The theory was used in the study to explain the reciprocity of both tangible and intangible exchanges between the leadership and the distributors. The tangible exchange is often in terms of monetary rewards while intangible exchange is in form of praise and recognition among others (Liman et al., 2020).

A study conducted by Nkatha (2017) in the context of microfinance used the social exchange theory to establish the determinants of employee engagement. The

study noted that employees perform cost-benefit analysis to determine whether to maintain a relationship or to exit. If the benefits outweigh the costs, the employees consider the relationship as positive and stick, but if the costs outweigh benefits, the relationship is termed as negative and the employees contemplate quitting.

In this study, the theory supported staff retention variable by explaining how the staff decide to stay in the organization due to the perceived benefits and good treatment they receive from the psychologically empowering leaders and the organization. Guzeller and Celiker (2020) opine that staff will not contemplate leaving the organization if they perceive organizational justice. The theory was also considered important in explaining how the idealized influence attributed component of transformational leadership serves to make the leader a role model to the employees. This follows from the conceptualization of idealized influence into idealized influence attributed and idealized influence behaviours (Passakonjaras & Hartijasti, 2019).

#### *Resource-Based View (RBV) Theory*

Resource-based view (RBV) theory postulates that a company's survival is determined by its tangible resources such as land, equipment, and technology, intangible resources such as human and social capital, and capabilities (Lu et al., 2021; Shahzad et al., 2020). The theory has been used widely in analysing how competitive advantage is created and sustained by organizations (Gaya & Struwig, 2016). It was authored by Barney (1991) with the argument that an organization should have resources that are value-adding. This means they increase the efficiency and effectiveness of organization. The resources are rare that they are not available to every organization; imperfectly imitable, so that they are not duplicated in many organizations; and hard to substitute, such that no other factors can enhance an

equivalent performance in the organization. The theory incorporates the ideas by Penrose (1959) that a firm is an administrative body comprised of productive resources with potential services and the assertion by Wernerfelt (1984) and Rumelt (1984) that strategy is the utilization of existing resources as well as development of new resources (Armstrong, 2014; Zubac et al., 2010). Existing staff in an organization are in this context the existing resources that should be retained.

The theory has been criticized on the basis of not being clear on what qualifies as resource based view and what does not (Gaya & Struwig, 2016) and is therefore abstract (Chumphong et al., 2020). It has also been criticized for not explaining how the competitive advantage is achieved, as well as being ambiguous on what resources ought to be combined for the achievement of competitive advantage in a firm (Burvill et al., 2018; Gitahi & K'Obonyo, 2018), yet Enriquez de la O (2015) recommends combination of resources if sustainable competitive advantage has to be realized. As noted by Lu et al. (2021), researchers find the theory elusive on which among tangible and intangible resources are more important in ensuring the success of an organization, although numerous studies have tended to incline on the significance of intangible resources in the era of globalization due to staff mobility from one organization to another (A. Ahmed et al., 2018; Butt et al., 2020; Min et al., 2016).

At the global level, Tayal et al. (2021) conducted a study on transformational leadership as an antecedent of effectiveness in banks in India, anchoring the study on resource-based view (RBV) theory, noting that organizations need to combine resources and capabilities such as leadership skills and innovation in order to be distinctively competent. This is seen as a strategy to being more competitive compared with competitors. Min et al. (2016) employed the theory in a microfinance context in

investigating total quality management practices in Yemen. The findings showed that resources of the organization are a source of sustainable competitive advantage. Yusliza et al. (2020) utilized the RBV theory in their investigation of the effect of supportive work environment on employee retention among academic staff in the context of Malaysian public universities. The theory was used to demonstrate the significance of staff as possessing non-substitutable, rare and unique qualities which should be preserved by retaining the employees.

Using The Resource-Based View Theory, Sabiu et al. (2019) conducted a study in Nigeria on the relationship between human resource management, ethical climates, and performance in organizations. The study used this theory to explain how tangible and intangible resources are developed and how they influence performance of the organization, noting that internal resources of an organization can be a source of competitive advantage against competing organizations.

Locally, Gitahi and K'Obonyo (2018) conducted a study exploring the relationship between organizational resources and performance of firms enlisted in Nairobi Stock Exchange based on The Resource-Based View Theory. The study used both tangible and intangible indicators of resources, such as financial resources, physical facilities, technology, and employees' skills. The study argued that there should be heterogeneity and immobility of resources across organizations for competitive advantage to exist.

In this study, The Resource-Based View (RBV) Theory was used to explain the relevance of staff retention which is the dependent variable in the study. This follows the assertion by Luna-Arocas et al. (2020) that committed and talented staff are a

resource for sustainable competitive advantage for an organization. The theory justifies the need to invest in strategies that ensure retention of staff from moving to competing organizations. The well trained and experienced staff are considered in this study as rare, difficult to imitate, value adding, and non-substitutable resources.

### Empirical Literature Review

#### *Transformational Leadership and Staff Retention*

The need to attract and retain an organization's experienced and well trained employees from quitting and working for competing organizations cannot be overemphasized in today's highly competitive world of business. The discourse asserting that staff leave or stick to their leaders and not the organization (Ronald et al., 2016) points to the major role that leaders have in retaining their staff through their behaviour and attributes. Inasmuch as some staff members may quit due to unachievable high performance expectation set by transformational leaders leading to stress (Parveen & Adeinat, 2019), research has showed a strong correlation between transformational leadership and staff retention (Nuo & Hee, 2020; Odumeru & Ifeanyi, 2013). Besides the numerous empirical studies conducted around the construct of transformational leadership and its outcomes when deployed in organizations, there is still scarcity of studies investigating similar outcomes based on the individual dimensions of transformational leadership.

A study by Judeh and Abou-moghli (2019) explored the relationship between transformational leadership and employee's intent to stay mediated by self-efficacy, treating transformational leadership as a unidimensional construct. The study was carried out in a textile, clothing and leather industry, where participants comprised of employees sampled using convenience sampling technique. The study was supported

by The Transformational Leadership Theory, Self-Efficacy Theory, and Leader-Member Exchange Theory. A quantitative, cross-sectional design was used as the research design. Data was analysed through descriptive statistics, Pearson correlations and reliability coefficients. The findings confirmed that transformational leadership had a positively significant effect on both employee's intents to stay and self-efficacy. A positive effect of self-efficacy on intent to stay was also confirmed, but was found to partially mediate the relationship between transformational leadership and the intent to stay. The study had a limitation in that it used self-report questionnaires for data collection hence imposing common method bias, a methodological limitation as posited by Podsakoff et al. (2012). Research gaps emerge from the need to investigate the effect of adding to the model other antecedents to intention to stay such as employee's wellbeing, psychological empowerment, satisfaction and commitment in addition to self-efficacy which has been filled by the current study. The use of convenience sampling has the potential of hindering generalizability since the respondents are not systematically but rather haphazardly identified (Kombo & Tromp, 2006), a gap that was remedied by the current study by use of census.

Almas et al. (2020) investigated the influence of transformational leadership on retention of volunteering employees in non-profit organizations in Spain. The study included investigation of mediation of this relationship by staff satisfaction, organizational commitment, and role identity of the volunteer employees. Quantitative approach was adopted for the study, where participants were identified from heterogeneous contexts such as health, education, sports, social welfare, etc. For data collection, the Multifactor Leadership Questionnaire (MLQ) by Bass and Avolio (1995) was adopted. The instrument's reliability was computed using Cronbach's alpha value

as 0.93. Data analysis was done through correlation analysis, path analysis and multiple regression analysis. The results confirmed a positive and significant effect of transformational leadership on volunteer's intention to stay in the organization, similar to the findings by Judeh and Abou-moghli (2019). Satisfaction was found to partially mediate the influence of transformational leadership on intention to stay through organizational commitment and role identity, noting that organizational commitment and role loyalty do not mediate the relationship between transformational leadership and intention to stay directly. The response rate of 28% was a key limitation since it was quite low for a quantitative study which requires higher rates for generalization of the results. The current study sought for a higher response rate by explaining the purpose and benefits of the study to the participants. The study also lacked a detailed theoretical framework to guide the research, a methodological gap that was resolved by use of transformational leadership theory to explore transformational leadership outcomes, social exchange theory to explain how staff decide to stay in their organizations, LMX theory to explore the relationship between the leader and staff that results to influence between them, and RBV theory to account for the relevance of staff retention in the MFIs.

The study by Tian et al. (2020) investigated the impact of transformational leadership on employee retention in SMEs. Unlike the study by Judeh and Abou-moghli (2019), the study used random sampling to obtain 600 employees from manufacturing SMEs as the sample. It yielded 84.16% response rate which was much higher than that obtained in the study by Almas et al. (2020). The instrument's reliability was computed using Cronbach alpha value ( $\alpha = 0.931$  for transformational leadership and  $\alpha = 0.926$  for employee retention). The study used transformational leadership theory. Data was

analysed through correlation analysis, with the findings showing a positive and significant correlation between transformational leadership (TL) and employee retention (ER). The organizational citizenship behaviour and communication had positive and significant mediating and moderating effects respectively on the TL and ER relationship. Northouse (2016) concluded in 57 public sectors in the United Kingdom revealed that transformational leaders could influence how followers perceive their work activities and that these perceptions resulted in an increase in the followers' job satisfaction, commitment, and performance. Contextual gap arose from anchorage of the study on Chinese and UK culture, calling for replication of the study in other contexts as well as use of a larger sample.

In the context of IT sector in Hyderabad in India, Sharanya and Himabindu (2017) conducted a study on the impact of transactional and transformational leadership on employee retention. The study used a quantitative approach with structured questionnaires for data collection. A sample of 100 IT employees was identified through random sampling technique. Data analysis was done through descriptive statistics such as standard deviation and correlational analysis such as Pearson Correlation. A significant and positive correlation of 0.967 was found between transformational leadership and employee retention, similar to results confirmed in the studies by Almas et al. (2020), Judeh and Abou-moghli (2019) and Tian et al. (2020). The study lacked a theoretical foundation to support the variables; a methodological gap that was filled by the current study by utilizing appropriate theories to explain the study's variables.

Lal and Viswanathan (2017) conducted a quantitative study exploring the impact of transformational leadership and its dimensions on employee retention, based

on the information technology enabled services (ITES) companies in Bangalore, India. Two hundred and fifty executives at operational level were sent questionnaires, with a response rate of 79.60 being achieved. The results revealed a significant and positive relationship between idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration on employee retention, with the intellectual stimulation having the least impact. The study exhibited methodological gap in that it did not explain the research design used such as sampling technique. It also lacked theoretical foundation. The current study used descriptive and explanatory research design.

A related study to that done by Lal and Viswanathan (2017) was conducted by Mir et al. (2020) to investigate the effect of transformational leadership and its dimensions (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration) on employee retention, focusing on the talented staff in Pakistan banks. A sample of 155 respondents was used. Closed-ended questionnaires were used as the primary data collection instrument. The instrument had all the data items above the reliability threshold of Cronbach's Alpha 0.7 (Hair et al., 2019). Data analysis was done using the structural equation modelling. Discriminant validity measures were calculated for all the constructs. The results showed that individualized consideration and idealized influence had significant and positive effect on retention of employees, but the relationship was mediated by job psychological ownership and satisfaction. This indirect relationship was not significant for inspirational motivation and intellectual stimulation. The study lacked rigor that would be achieved through regression analysis of the data among other inferential statistics. A methodological gap on sampling technique and sample computation existed since these methodological

aspects were not explained in the study. The current study undertook both descriptive and inferential statistics. It adopted census sampling since the target population was not very large (Lune & Berg, 2017).

Regionally, Mugizi et al. (2019) investigated the effect of transformational leadership and other leadership styles on the retention of teachers in Bushenyi-Ishaka, Uganda. The study utilized Transformational Leadership Theory and Transactional Leadership Theory. A cross-sectional and correlational approach was adopted for the study, while simple random sampling technique was used to select a sample of 107 teachers as the respondents to fill in self-administered questionnaires. The data was analysed through descriptive, correlational and regression analysis. Validity of the data was established through factor analysis (FA) while its reliability was tested through Cronbach alpha ( $\alpha$ ). The results of correlational analysis showed a positive and significant relationship between transformational leadership and teachers' retention, with the value of 0.582, indicating that transformational leadership is imperative in impacting teachers' retention. The percentage of staff retention explained by each dimension of transformational leadership was not accounted for, a gap that was filled by the current study through inferential statistics such as adjusted R squared values.

Kebede (2019) conducted a study investigating the relationship between transformational leadership and its dimensions and employee's job performance, with research site being the Amhara National Regional State Bureaus in Ethiopia. The study was quantitative and cross-sectional in approach and used correlational and descriptive survey design. A sample size of 373 was obtained using stratified and simple random sampling techniques. Self-administered questionnaires were used to collect primary data and the questionnaire's validity was tested by subjecting it to experts,

academicians, and factor analysis. The instrument yielded Cronbach Alpha reliability values above 0.7 for all the transformational leadership dimensions as required for acceptable threshold (Hair et al., 2019). Data analysis was conducted using both descriptive statistics (mean and standard deviation) and inferential statistics (Pearson correlation moment and regression analysis). The study considered both unidimensional and multidimensional regression analysis for the transformational leadership (TL) construct, to obtain the aggregate role of each dimension in addition to the TL itself. Multicollinearity and other assumptions of regression such as normality of distribution were tested, verifying that multicollinearity was not a problem for the investigation. Individualized consideration and inspirational motivation had strong positive and significant correlation with performance, while idealized influence and intellectual stimulation had moderately positive correlation. Individualized consideration and inspirational motivation had significant effect on performance while idealized influence and intellectual stimulation did not have significant effect. One of the study's limitations was the use of self-reported data which is subject to common method bias. The current study sought to investigate whether the dimensions had similar effect on staff retention. The study also recommended investigation of other organizational outcomes such as staff satisfaction and organizational justice, which were investigated by the current study as indicators of staff retention in a different context of microfinance.

Gathondu et al. (2018a) conducted a study on staff satisfaction effect on performance, considering staff satisfaction as an outcome of transformational leadership and a factor that influences staff to continue working in the microfinance sector. As aforementioned, staff satisfaction was conceptualized in the current study as

a staff retention indicator, unlike the conceptualization by Almas et al. (2020) as a mediator, hence the relevance of this study to the current study. The study used a descriptive research design, where questionnaires were used to collect data from senior, middle, and other staff in 37 microfinance institutions. Using stratified random sampling, a sample size of 385 was computed using the Cochran's formula, and the response rate was 79.5%. Data analysis yielded a simple linear regression model for the relationship between the variables. A reliability Cronbach Alpha value of 0.861 was obtained. Correlational analysis indicated a positive and significant effect of staff satisfaction on organizational performance while regression analysis indicated that staff satisfaction explained 2.9% of variation in organizational performance. In this study, staff satisfaction was used as an independent variable while the current study used it as a dimension of the dependent variable, staff retention.

Another study in the Kenyan microfinance context was conducted by Muriuki and Ombaba (2018) on the effect of transformational leadership on organizational performance. The study adopted descriptive survey design. Data was collected through structured questionnaires which were administered to 148 respondents sampled through stratified random sampling. A response rate of 73.1% was achieved for the data analysis. The instrument's validity and reliability were tested through experts' scrutiny and Cronbach Alpha coefficient respectively, with the Cronbach Alpha value being 0.781. Descriptive statistics such as normality of distribution were examined through skewness and kurtosis measures, while multicollinearity of the variables was conducted using the variance inflation factor (VIF). To test the hypotheses, Pearson product moment correlation was conducted and yielded a positive and significant relationship between transformational leadership and organizational performance. Regression

analysis was used to test the effect of transformational leadership on organizational performance which was found to be positive and significant. The study focused on the direct relationship between transformational leadership and organizational performance, but the current study incorporated psychological empowerment as a mediating variable and extended the study to staff retention as the dependent variable in place of organizational performance in the same context of microfinance.

#### *Idealized Influence and Staff Retention*

The impact of the dimensions of transformational leadership on staff retention has been investigated though insufficiently as noted by Edirisooriya (2020) who conducted a study on the impact of transformational leadership on retention in the context of ICT in Sri Lanka. The study conceptualized transformational leadership into the “four I’s” namely idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. The participants were drawn from nine ICT companies focussing on executive ICT employees. Similar to the study by Judeh and Abou-moghli (2019), the participants were identified through convenience sampling technique which resulted to a sample size of 300 employees. Questionnaires were electronically disseminated with a response rate of 90.7%. The internal consistency of the instrument’s items was established using Cronbach’s alpha and was above 0.7 for all items except for individualized consideration and employee retention which were below 0.7. Data analysis was done through descriptive and inferential statistics. Multicollinearity test indicated no multicollinearity between independent variables. Regression results revealed direct and significant relationship between the four dimensions of transformational leadership and employee retention. The combined dimension of transformational leadership effect on talent retention was also strong and

positive. The use of convenience sampling introduced a limitation of results generalizability since it is a non-probability design (Kombo & Tromp, 2006), a gap that was filled by use of census sampling.

In Australian and Iranian contexts, Afshari (2021) conducted a study on the impact of idealized influence on organizational commitment. Questionnaires were issued to two manufacturing organizations, one from Australia and the other from Iran, using census of the entire population rather than sampling. The response rate was 56.7%. Both the attributed and behaviour sub-dimensions of idealized influence were measured using the Bass and Avolio (1995) MLQ instrument. The organizational commitment was measured using the J. P. Meyer et al. (1993) instrument. The study used structural equation modelling in testing the hypotheses. From the findings, both idealized influence attributed and behaviour had significant influence on organizational commitment in Iranian context, but only idealized influence behaviour had significant impact on organizational commitment in the Australian context. One of the limitations of the study was that it tested only one aspect of transformational leadership namely idealized influence, but the current study tested all the “four I’s”. Secondly, the study was restricted to manufacturing industry context which results to a contextual gap that was addressed by the current study by extending it to microfinance context.

In Pakistan, Shafi et al. (2020) investigate the effects of transformational leadership on employee creativity: Moderating role of intrinsic motivation. Data was collected from 164 supervisor-employee dyads of 31 Pakistani software firms. A three-step approach to SEM was applied to examine mediator and moderator variables. The findings indicated that the idealized influence, intellectual stimulation, and inspirational motivation have a great influence on intrinsic motivation and employee creativity but

individual consideration was not found to be significantly related to intrinsic motivation and employee creativity. The findings further proved the positive and significant moderating effect of intrinsic motivation for transformational leadership and employee creativity. The study was limited to employee creativity, this study extended the study to employee retention.

Within the context of commercial banks in Kenya, Njiraini et al. (2018) investigated the effect of idealized influence as well as inspirational motivation on employees' job satisfaction. The job satisfaction variable is relevant to the current study because it is one of the staff retention indicators established from previous studies' conceptualizations (Yao & Huang, 2020). The study adopted a descriptive correlational design and positivist philosophy. The sample size was computed as 424 employees through stratified random sampling. Data was collected using structured questionnaires, with a response rate of 82%. The study used descriptive and inferential statistics for data analysis, with the findings confirming a positive and significant effect of idealized influence and inspirational motivation on employees' job satisfaction. Since the study was limited to only two dimensions of transformational leadership, the current study extended the investigation to all the four dimensions.

In the context of energy sector in Kenya, Otieno et al. (2019a) investigated the effect of idealized influence on employee engagement in parastatals. The study used positivist philosophy and a correlational research design similar to the study by Njiraini et al. (2018). A sample of 176 respondents was obtained through stratified random sampling. Self-administered questionnaires were used to collect data. Data analysis was conducted using inferential statistics such as correlation and regression analysis. Pearson correlation revealed a statistically significant correlation between idealized

influence and employee engagement. A conceptual gap emerged in that the study did not investigate the factors through which idealized influence influences employee engagement, as well as a contextual gap since the study was constrained to only energy sector. The current study conceptualized employee engagement as an indicator of staff retention.

In Kenya, Nyokabi et al. (2017) conducted a study on the effect of idealized influence and inspirational motivation of the Chief Executive Officer (CEO) on the performance of senior managers in the private sector in Kenya. The study adopted the positivism research philosophy and descriptive correlational research design. The target population consisted of senior managers reporting to the CEOs of private sector companies under the umbrella of the Kenya Private Sector Alliance (KEPSA). Data was analysed using descriptive statistics namely frequencies, means, and standard deviation. Inferential statistics were also used in the analysis. Results indicated that CEO's idealized influence significantly predicted performance of senior managers and inspirational motivation of the CEO significantly predicted the performance of senior managers. However, this study was limited in that it determined performance of senior managers while the current study was conceptualized in terms of staff retention.

The study by Kimeto et al. (2017) investigated the influence of idealized influence and individualized consideration on organizational commitment in the context of commercial banks in Kenya. The study used quantitative approach and was anchored on positivist philosophy. It adopted a descriptive correlational design to establish the relationship between the variables. Using questionnaires, primary data was collected from a sample of 150 senior managers who were sampled through stratified random sampling. A response rate of 93% was achieved. Data analysis was done using

descriptive statistics and inferential statistics. The results showed that both the idealized influence and individualized consideration have significant and positive effect on organizational commitment, and that organizational culture significantly moderates this relationship. One of the limitations of this study was that it omitted the inspirational motivation and intellectual stimulation dimensions of transformational leadership in its conceptualization.

#### *Inspirational Motivation and Staff Retention*

A study on the influence of inspirational motivation on employee engagement in an educational context in India was conducted by Hasija et al. (2019). The study adopted a correlational study approach to establish the correlation between the independent variable (inspirational motivation) and the dependent variable (employee engagement). MLQ instrument was used to collect data for the inspirational motivation while Gallup Q<sup>12</sup> instrument was used to measure employee engagement. A sample size of 215 faculties from different institutions that offer business management programs was used. Pearson Correlation was computed to test the hypothesis. The results indicated a positive and significant correlation between the inspirational motivation and the employee engagement. The correlation was strong:  $r = 0.468$  at  $p < 0.01$  for a 2-tailed correlation. The study was limited to a single indicator of employee retention (employee engagement), while the current study sought to extend and include other indicators such as perceived organizational justice, staff satisfaction, organizational commitment and intention to stay.

In Iran, Vismeh (2021) explored the effect of inspirational motivation on participatory decision making mediated by ergonomic climate. The study used a descriptive and cross-sectional design to investigate the causal relationship between the

variables. A closed questionnaire was used to collect data. Confirmatory factor analysis was used to determine the validity of the questionnaire while Cronbach alpha was used to measure its reliability. The study confirmed the direct effect of inspirational motivation on participatory decision making. Although regression analysis was done to identify the effect above, the study did not present critical analysis values such as adjusted R squared to inform the percentage through which the inspirational motivation explains participatory decision making. The current study included these statistics as well as descriptive statistics to depict data distribution.

In the academic context in Nigeria, Nwadike (2020) conducted a study on principals' transformational leadership perceived influence on job commitment of teachers in secondary schools, with River State as the research site. The study adopted a descriptive survey design where data was collected from a sample of 705 respondents using a 20-item questionnaire. The sample was obtained through the proportionate simple random sampling technique. The instrument's validity was tested by academic experts while reliability was evaluated using Cronbach Alpha yielding a coefficient reliability value of 0.8. Descriptive statistics such as the mean and standard deviation were used to analyse the data while the Z-test statistics were used to test the null hypotheses. The findings informed that inspirational motivation and intellectual stimulation had significant and positive influence on teachers' job commitment. The limitation of the study was the lack of in-depth data elicitation since it used quantitative data only than integration of quantitative and qualitative data as recommended by Creswell and Clark (2018).

Regionally, Komakech et al. (2021a) investigated the effect of inspirational motivation on public health workers' performance in Uganda with Lira district as the

research site. The study used mixed methods and a cross-sectional survey design. Stratified random sampling and simple random sampling were used to obtain the sample size of 164 respondents. Questionnaires were used for the quantitative data collection. Descriptive statistics (the means, standard deviations, and coefficient of variation) and inferential statistics were carried out (linear regressions). The assumptions of normality, homoscedasticity, and multicollinearity were tested and found not to be violated. The findings showed that inspirational motivation had a positive and significant effect on the public health workers' performance, confirming the results of the study by Chebon et al. (2019). The limitation of the study was that it focused on only one of the four dimensions of transformational leadership. The current study filled this gap by investigating the four dimensions of transformational leadership as well as investigating the mediation of the relationship and extending the study to staff retention than performance.

In Tanzania, Golyama et al. (2018) investigated the effects of inspirational motivation behaviour on performance in Tanzania. Quantitative research methods were employed using survey design to obtain 360 respondents. Multi stage sampling technique involved in selecting public sector organization in Tanzania, whereby each zone represented by one public sector. Data analysis was done quantitatively using structural equation modelling. The inspirational motivation was found to have significant effects on public sector performance. It was concluded that other factors which hinder the effectiveness of inspirational motivation should be traced and resolved to promote good services delivery to the people. The limitation was that this study focused on performance, the present study focused on staff retention.

Within the local context, Chebon et al. (2019) conducted a study on the effect of inspirational motivation and idealized influence on employee performance, with Moi Teaching and Referral Hospital in Eldoret as the research site. The study used descriptive research design and stratified random sampling technique to draw a sample of 463 respondents. Self-administered structured questionnaires with Likert scale were used to collect primary data. Descriptive statistics such as means and frequencies were conducted, as well as inferential statistics to establish the relationship between the variables. The results of the study indicated a positive and significant correlation between both inspirational motivation and idealized influence with the employee performance. Similar results were obtained by Anyiko-Awori et al. (2018). There was a conceptual gap in the study because it omitted the effect of intellectual stimulation and individualized consideration on employee performance, which are also dimensions of the transformational leadership. The current study considered all the four dimensions thus bridging this gap.

A related study in the local context was conducted by Anyiko-Awori et al. (2018) focusing on the effect of inspirational motivation on employee performance considering regulatory state corporations as the research site. Descriptive correlation design was adopted for the study. A sample of 130 respondents was obtained through proportionate random sampling technique. Structured questionnaires were used to collect the data, which was then analysed using Pearson's correlation and regression analysis. The results indicated a significant correlation between inspirational motivation and employee performance. The study did not account for how the sample size was computed. The current study used the census sampling since the target population was relatively small.

### *Intellectual Stimulation and Staff Retention*

Similar to the study by Hassi (2019), Waris et al. (2018) established that intellectual stimulation does not have significant relationship with employee commitment. The study sought to investigate the leadership qualities impact on employees' job commitment in multi project based organizations. The research site was Gilgit-Baltistan organizations in Asia. The population was the employees of Gilgit-Baltistan organizations. Similar to the study by Edirisooriya (2020), this study used convenience sampling technique to obtain a sample of 250 respondents from which quantitative data was collected for analysis. The multifactor leadership questionnaire was used as the data collection instrument, which is regarded as the best-validated leadership instrument (Bass & Riggio, 2006). The instrument's reliability was evaluated through Cronbach's Alpha whose value was obtained as 0.824. The variables' correlation was examined through descriptive statistics and multiple regressions to test the hypothesis. The results indicated that the intellectual stimulation and calculative commitment relationship was not significant. The use of cross sectional design instead of longitudinal design posed the limitation of lack of causal relationships.

A study investigating the relationship between intellectual stimulation and follower creativity was conducted by Thuan (2020) in the IT context in Vietnam. The study employed a longitudinal approach by collecting data via questionnaires at two different times as opposed to cross-sectional study where data is collected ones at a single point. Qualitative aspects were incorporated through in-depth interviews to supplement the quantitative study. The intellectual stimulation questionnaire items had a Cronbach Alpha value of 0.79. Confirmatory factor analysis was used to verify discriminant validity while the structural equation modelling (SEM) was used to test

the hypotheses. The results confirmed direct relationship between intellectual stimulation and follower creativity. A key limitation of the study is that it was constrained to only one of the four dimensions of transformational leadership. The current study sought to investigate the effect of all the four dimensions.

In Morocco, Hassi (2019) conducted a study to examine the impact of transformational and transactional leadership styles on organizational citizenship behaviour, affective commitment and satisfaction in diverse industries, yielding contradicting results for intellectual stimulation from most research findings on the dimension. Questionnaires were used to collect primary data, with a low response rate of 11%. Data was analysed through structural equation modelling to test the hypotheses, similar to the approach used by Thuan (2020). Descriptive statistics such as the mean and standard deviation were carried out. Normality test was also done using Z-tests to establish the skewness and kurtosis of the data. Intellectual stimulation in the context of Morocco was found not to have significant effect on affective commitment, organizational citizenship behaviour, and job satisfaction of the staff. In contrast, only recognition, considered as a transformational leadership dimension in this study, had a positive and significant influence on the dependent variables. The same sources of data were involved, thus raising the probability of having common method bias. The study separated independent and dependent items in the questionnaire with control variable items to control the bias. To enrich the findings of the study, the current study included inferential statistics in the data analysis. The study also sought to obtain a larger response rate than the 11% for generalizability of the results by explaining to participants the benefits of the study in order to win their trust and cooperation.

In Uganda, Komakech et al. (2021b) examined the effect of intellectual stimulation on the middle level healthcare employees' performance in Lira district. The study was based on mixed methods approach and used the cross-sectional survey design. A sample size of 164 respondents was obtained using a combination of stratified random sampling, purposive sampling and simple random sampling techniques. A questionnaire with Likert-type scale of 5-point rating was used to collect data. Data analysis entailed both descriptive statistics and inferential statistics. Diagnostic tests such as normality, homoscedasticity, and multicollinearity of residuals were tested. The regression showed that intellectual stimulation explained only 14.4% variance of employee performance in relation to the four dimensions of transformational leadership which jointly explained 33.1% as determined from adjusted R-squared values, revealing that intellectual stimulation does not significantly influence employee performance. The Pearson correlation analysis indicated a positive and significant correlation between the intellectual stimulation and employee performance, while earlier results by Kebede (2019) found the correlation to be moderately positive and significant.

A study on the effect of intellectual stimulation on employee engagement which is a staff retention indicator (Jerez-Jerez & Melewar, 2020) was conducted by Otieno et al. (2019b) in the context of Kenyan energy sector parastatals. It was based on 10 parastatals in Kenya, with a sample size of 176 obtained through stratified random sampling technique. The study adopted a positivist philosophy and a descriptive correlational research design, where data was collected using self-administered questionnaires. From the data analysis, correlational analysis showed a significant and positive relationship between intellectual stimulation and employee engagement. The

use of purely quantitative research design limits elicitation of in-depth information that would be obtained by complementing with qualitative aspects. Also, self-administered questionnaires for data collection introduces self-reported data bias (Podsakoff et al., 2012). The current study used rater-form instead of leader-form to reduce the bias. It also used other measures of staff retention such as staff satisfaction, organizational commitment and perceived organizational justice in addition to the employee engagement.

An investigation by Nyakomitta et al. (2018) investigated the influence of intellectual stimulation on the performance of commercial banks in Kenya. The study employed mixed research design, which included both qualitative and quantitative methods. The study target population was all tier 1 commercial banks in Kenya. Results revealed that intellectual stimulation affects the performance of commercial banks in Kenya. This can be explained by the regression results which showed that the effect was positive and also showed the magnitude by which intellectual stimulation influenced the performance of commercial banks. This study was limited since it was about performance of banks; the current study was on staff retention.

An evaluation by Otieno et al. (2019b) focused on the influence of intellectual stimulation on employee engagement in parastatals in the energy sector in Kenya. This study targeted the 10 parastatals within the energy sector in Kenya with a population of 315 middle-level managers. The study adopted a positivist research philosophy. A correlational research design was conducted. The findings showed that employee engagement has a statistical significant relationship with creativity and innovation, job design, and employee involvement. Multiple linear regression analysis revealed that employee motivation positively and significantly moderates the relationship between

intellectual stimulation and employee engagement. The current study sought to investigate the effect of all the four dimensions.

#### *Individualized Consideration and Staff Retention*

From a global perspective, Ding and Li (2020) clustered individualized consideration and intellectual stimulation into individual-focussed transformational leadership and investigated their association with the employee strengths use with positive affect and core self-evaluation as the mediating and moderating variables respectively. Quantitative data was collected using self-administered questionnaires administered in three phases separated by 2-weeks intervals to reduce common method bias. Using convenience sampling technique, 390 participants were identified from diverse organizations in China and response rates of 78.97%, 89.94%, and 88.81% respectively were obtained for the three phases. The Cronbach alpha value for individualized consideration was 0.84 while that of intellectual stimulation was 0.86. For the data analysis, both descriptive and inferential statistics were utilized. Both individualized consideration and intellectual stimulation were positively correlated with positive affect and employee strengths use. Confirmatory factor analysis was conducted to test discriminant validity of the variables. Multiple regression analyses were conducted to test the study hypotheses. The results showed that individualized consideration, as well as intellectual stimulation, was positively correlated with the employee strengths use through partial and positive mediation of positive affect but no moderation of core self-evaluation. The study admitted that there was a limitation of a small. A research gap emerged from the choice of only two of the four dimensions of transformational leadership, a gap that the current study addressed by considering the

effect of all the four dimensions of transformational leadership on staff retention in a different context of microfinance.

The study by Golyama et al. (2018) focused specifically on the effect of individualized consideration dimension of transformational leadership on performance in Tanzania's public sector. It adopted a quantitative and descriptive survey design. Multi stage sampling and simple random sampling techniques were used to obtain a sample of 360 respondents. The research site comprised of regional commissioners' offices in Tanzania. Data was collected through questionnaires. Data analysis entailed checking normality of the data, validating constructs using factorial analysis, and testing of hypotheses using structural equation model (SEM). The findings resulted to acceptance of the hypothesis that individualized consideration has a positive and significant influence on Tanzania's public sector performance. The study did not investigate the effect of any mediator or moderator in the relationship between individualized consideration and performance. The current study used psychological empowerment as the mediating variable and staff retention in place of performance as the dependent variable. Regression analysis statistics will also be conducted to ascertain the percentage contribution of IC to performance variance.

In Kenya, a study by Ogola et al. (2017) sought to establish the influence of individualized consideration on employee performance. The research site was the top KPMG 100 SMEs of 2014 in Kenya. The target population was 553 managers, while the sample size was 226 respondents. The SMEs were sampled through stratified random sampling. Purposive sampling was then used to sample the unit of analysis from the top management team from each of the 100 companies. The methodology adopted was quantitative design where a closed-ended questionnaire was used to collect

data. Data was then analysed through both descriptive statistics (standard deviation and mean) and inferential statistics (such as chi square, multiple regression and Pearson's correlation). The chi square test was used to test the strength of the association between the individualized consideration and employee performance. The results showed strong association between the two variables. Regression results showed significant variance in employee performance, which resonates with the results of the study by Golyama et al. (2018). The study's limitation was that the focus was only on one sector, SMEs, and only one dimension of transformational leadership. The second limitation was that the target sample was only the top managers and ignored the lower level employees, making it prone to self-report data bias. Since performance is often considered as an ultimate outcome of staff retention (Lyria et al., 2017), the current study considered staff retention as the dependent variable than performance used in this study.

An investigation by Ngaithe et al. (2016) looked at the effect of individualized consideration and intellectual stimulation on organizational performance. Data was collected from 170 senior managers from 34 commercial state corporations in Kenya using self-administered questionnaire. Using ordinary linear regression, the results showed that individualized consideration had a significant and negative effect on organization performance implying that discouraging individual consideration in a commercially owned enterprise would improve organization performance. However, intellectual stimulation did not have any significant effect on organization performance. Njiraini et al. (2018) conducted a study on the influence of individualized consideration on job satisfaction among employees. The study used a positivism research philosophy and a descriptive correlation research design. The target population consisted of 10,310 managerial employees in the commercial banks in Kenya. Data was collected using

structured questionnaires. A response rate of 82% was obtained. Data was analyzed using descriptive statistics and inferential statistics. Correlation analysis found that individualized consideration and job security were positively and significantly correlated to job satisfaction respectively. Multiple linear regression results showed that individualized consideration significantly influenced job satisfaction of the employees. The study did not account for how the sample size was computed. The current study used the census sampling since the target population was relatively small.

#### *Transformational Leadership, Psychological Empowerment, and Staff Retention*

In the textile industry in Pakistan, Saira et al. (2021) investigated the mediating role of psychological empowerment in the relationship between transformational leadership and both organizational citizenship behaviour and turnover intention. The study used The Social Exchange Theory to examine how transformational leadership results to desired organizational outcomes such as reduced turnover and organizational citizenship behaviour through psychological empowerment. It also used a cross-sectional design and survey to collect primary data from 316 respondents drawn from 10 textile industries, with a response rate of 79%. The results confirmed a strong relationship between transformational leadership and psychological empowerment. While psychological empowerment showed a positive relationship with organizational citizenship behaviour, it showed a negative relationship with turnover intention. The mediation of psychological empowerment on the above relationship was found to be partial. The study did not account for the sampling technique used, creating a methodological gap that was filled by use of census sampling in the current study. The current study also extended the study to microfinance context and investigated the effect of the individual dimensions of transformational leadership as opposed to using

it as a unidimensional construct. Further, staff retention was considered as the dependent variable in place of staff turnover and organizational citizenship behaviour since staff retention is the preferred behaviour for organizations and not turnover.

A similar study was conducted by Stanescu et al. (2020) in Romania to investigate the mediating role of psychological empowerment on the relationship between transformational leadership and innovative work behaviour. A relatively small sample of 139 respondents was obtained through purposive convenience sampling technique and self-reported data collected through structured questionnaires. The data analysis yielded a positive and significant correlation between transformational leadership and innovative work behaviour as well as between psychological empowerment and innovative work behaviour. The study confirmed mediation of the relationship by psychological empowerment. The use of self-reported data collection questionnaire presented a common method bias, a weakness that was remedied in the current study by use of the MLQ Rater Form than the MLQ Self Form for followers to rate their leaders. Additionally, the small sample limits generalization of results, which was remedied by use of census to increase the sample size in the current study.

At the regional level, Samuel and Engelbrecht (2021) assessed the influence of transformational leadership on employee's intention to quit an organization through the constructs of psychological empowerment, psychological contract violation, and affective commitment. The study was based on various private and public sectors in South Africa and anchored on a correlational research method. Similar to the study by Saira et al. (2021), this study utilized The Social Exchange Theory (SET) to explain the relationships amongst the aforementioned study's constructs. Data was collected using six-point Likert Scale items questionnaires, from 232 respondents conveniently

sampled. Using the structural equation modelling method, data was analysed yielding a negative relationship between transformational leadership and intention to quit through psychological empowerment, psychological contract violation, and affective commitment. The study had two methodological weaknesses namely common method bias due to the use of self-reported instrument and use of convenience sampling technique which limits generalizability of results of the quantitative study. The current study adopted census sampling technique to allow for results generalizability to the target population. The conceptual framework was enhanced to encapsulate organizational commitment as an indicator within staff retention.

In Nigeria, a study by Owan et al. (2020) sought to investigate the relationship between employee work-life policies, psychological empowerment and job commitment of universities' academic staff. The study was based on the UNICAL and CRUTECH universities in Cross River State. Anchored on the descriptive survey research design, data was collected through questionnaires from 315 academic staff who were sampled using multistage technique. Psychological empowerment was found to have a significant effect on all the three dimensions of commitment, with greater effect on affective commitment ( $\beta = 0.795$ ,  $p < 0.05$ ) than continuance commitment and normative commitment. The current study extended the study to include transformational leadership as an antecedent to psychological empowerment, while considering staff retention as an outcome of transformational leadership mediated by psychological empowerment.

Within the local context, Kivuva et al. (2019) conducted a study on the influence of Guest house supervisors' meaning cognition on job satisfaction within Mombasa County. The unit of analysis comprised of the 76 registered guest houses in the county.

The study was anchored on a descriptive survey research design and used census as the sampling technique for all supervisors in the 76 registered guest houses. Primary data was then collected using a semi-structured questionnaire. The results indicated a positive and significant effect of meaning on job satisfaction ( $r = 0.765, p < 0.05$ ). A linear regression showed that meaning explained 58.5% change in job satisfaction ( $R^2 = 0.585$ ). The study was delimited to only one dimension of psychological empowerment namely meaning, but the current study considered the composite form that includes meaning, competence, self-determination and impact since omission of any of these reduces the overall effect of psychological empowerment on the outcomes (Pradhan et al., 2017; Turnipseed & VandeWaa, 2020).

### Research Gaps

Table 2.1 summarizes the gaps emerging from the empirical studies reviewed as well as an account of how the current study bridged the gaps.

*Table 2. 1: Research gaps*

| Author/Year                 | Study's Title                                                                                                             | Findings                                                                                                           | Gap(s)                                                                                                                                                                        | Focus of the current study                                                                                                                                                                                                                                           |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Judeh & Abou-moghli (2019). | Transformational leadership and employee intent to stay: Mediating effect of employee self-efficacy                       | Positive relationship between transformational leadership and intents to stay; partially mediated by self-efficacy | <ul style="list-style-type: none"> <li>• Use of convenience sampling limits generalizability of results</li> <li>• Investigated self-efficacy as the only mediator</li> </ul> | <ul style="list-style-type: none"> <li>• Use of census survey to ensure generalizability of results</li> <li>• It explored mediation of psychological empowerment</li> </ul>                                                                                         |
| Almas et al. (2020)         | Direct and indirect effects of transformational leadership on volunteers' intention to remain at non-profit organizations | Positive and significant effect of transformational leadership on volunteer's intention to remain                  | <ul style="list-style-type: none"> <li>• A relatively small sample of 28%</li> <li>• Transformational leadership (TL) conceptualized as unidimensional</li> </ul>             | <ul style="list-style-type: none"> <li>• Census was used for generalizability</li> <li>• It investigated the four TL dimensions discretely</li> <li>• It incorporated perceived organizational justice, organizational commitment, and staff satisfaction</li> </ul> |

as other measures of staff retention in addition to intention to stay

|                             |                                                                                                                                                          |                                                                                                                                                                   |                                                                                                                                                              |                                                                                                                                                                                                              |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tian et al. (2020)          | The impact of transformational leadership on employee retention: Mediation and moderation through organizational citizenship behaviour and communication | TL had a positive and significant effect on employee retention; Organizational citizenship behaviour (OCB) positively and significantly mediated the relationship | <ul style="list-style-type: none"> <li>• Study based on SMEs context</li> <li>• Restricted to only OCB as mediator</li> </ul>                                | <ul style="list-style-type: none"> <li>• It extended study into microfinance context</li> <li>• It investigated psychological empowerment mediation in the relationship</li> </ul>                           |
| Sharanya & Himabindu (2017) | Impact of transactional and transformational leadership: A study on employees perception towards employee retention in IT sector                         | A strongly significant and positive correlation between transformational leadership and employee retention found                                                  | <ul style="list-style-type: none"> <li>• The study was limited to the direct relationship between TL and employee retention</li> </ul>                       | <ul style="list-style-type: none"> <li>• It explored psychological empowerment to establish its mediating effect in the relationship</li> </ul>                                                              |
| Mugizi et al. (2019)        | Leadership styles and retention of teachers in private primary schools in Bushenyi-Ishaka Municipality, Uganda                                           | The study found a positive and significant correlation between transformational leadership and teachers' retention                                                | <ul style="list-style-type: none"> <li>• Used transformational leadership as unidimensional</li> </ul>                                                       | <ul style="list-style-type: none"> <li>• It explored the effect of each of the four TL dimensions</li> </ul>                                                                                                 |
| Gathondu et al. (2018a)     | Influence of staff satisfaction as a transformational leadership outcome on the performance of microfinance institutions' staff in Kenya                 | Positive and significant correlation between staff satisfaction and performance was established                                                                   | <ul style="list-style-type: none"> <li>• Focused on transformational leadership's outcome (staff satisfaction) as the independent variable</li> </ul>        | <ul style="list-style-type: none"> <li>• It focused on the TL and its dimensions as the independent variables</li> <li>• Staff satisfaction was conceptualized as an indicator of staff retention</li> </ul> |
| Muriuki & Ombaba (2018)     | Effect of transformational leadership on organizational performance of microfinance institutions in Kenya                                                | The study showed a positive and significant relationship between the variables. The TL explained 51.9% variance of the performance                                | <ul style="list-style-type: none"> <li>• The study did not account for the percentage of organizational commitment explained by each TL dimension</li> </ul> | <ul style="list-style-type: none"> <li>• The current study sought to explore the percentage of variance in staff retention by each of the four dimensions</li> </ul>                                         |
| Edirisooriya (2020)         | The impact of transformational leadership on talent                                                                                                      | The study found significant and positive                                                                                                                          | <ul style="list-style-type: none"> <li>• Convenience sampling could restrict</li> </ul>                                                                      | <ul style="list-style-type: none"> <li>• The current study utilized census survey to ensure</li> </ul>                                                                                                       |

|                          | retention: With special reference to information communication technology industry in Sri Lanka                                 | relationship between transformational leadership and its dimensions and employee retention                                                                   | generalizability of results                                                                                                                                                         | results generalizability                                                                                                                                                                                                         |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Afshari (2021)           | Idealized influence and commitment: A granular approach in understanding leadership                                             | Idealized influence attributed and behaviour had significant effect on commitment in Iran; only behaviour had significant effect on commitment in Australia. | <ul style="list-style-type: none"> <li>• The resulting phenomenon from deployment of idealized influence and organizational commitment in organizations was not explored</li> </ul> | <ul style="list-style-type: none"> <li>• The current study extended the study to include staff retention as an outcome of TL dimensions through psychological empowerment. It also included the other three Is of TL.</li> </ul> |
| Lal & Viswanathan (2017) | Leadership in the changing world: An impact of transformational leadership on employee retention in ITES companies              | Significant and positive relationship between the TL dimensions and employee retention was confirmed                                                         | <ul style="list-style-type: none"> <li>• Sampling technique was not accounted for</li> <li>• It did not establish the indirect relationship between the variables</li> </ul>        | <ul style="list-style-type: none"> <li>• The current study used census survey technique</li> <li>• It investigated the indirect relationship between TL and staff retention</li> </ul>                                           |
| Njiraini et al. (2018)   | Effect of idealized influence and inspirational motivation on job satisfaction among employees in commercial banks in Kenya     | Both idealized influence and inspirational motivation correlated significantly and positively with staff's job satisfaction                                  | <ul style="list-style-type: none"> <li>• The study focused on only two dimensions of TL</li> <li>• The context of study was the mainstream banking sector only</li> </ul>           | <ul style="list-style-type: none"> <li>• The current study incorporated all the four TL dimensions</li> <li>• The study focused on microfinance sector</li> </ul>                                                                |
| Otieno et al. (2019a)    | Influence of idealized influence on employee engagement in parastatals in the energy sector in Kenya                            | Idealized influence correlated significantly with employee engagement and explained 44.4% of it.                                                             | <ul style="list-style-type: none"> <li>• Limited to only one dimension of TL</li> <li>• Indirect relationship not investigated</li> </ul>                                           | <ul style="list-style-type: none"> <li>• The study focused on the four TL dimensions</li> <li>• The study considered staff engagement as an indicator of staff retention</li> </ul>                                              |
| Kimeto et al. (2017)     | The influence of idealized influence and individualized consideration on organizational commitment in commercial banks in Kenya | Both idealized influence and individualized consideration had significant and positive effect on organizational commitment (OC)                              | <ul style="list-style-type: none"> <li>• Effect of inspirational motivation and intellectual stimulation was omitted</li> <li>• Focus: Mainstream banking</li> </ul>                | <ul style="list-style-type: none"> <li>• It included inspirational motivation and intellectual stimulation dimensions</li> <li>• Focus: Microfinance</li> </ul>                                                                  |

|                            |                                                                                                                                                     |                                                                                                                         |                                                                                                                                                                                         |                                                                                                                                                                                        |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hasija et al. (2019)       | A study of inspirational motivation by leader on employee engagement                                                                                | Found significant and positive correlation between inspirational motivation and employee engagement (EE)                | <ul style="list-style-type: none"> <li>• Lack of regression analysis to measure percentage of EE explained by inspirational motivation</li> </ul>                                       | <ul style="list-style-type: none"> <li>• The study incorporated both descriptive and inferential statistics</li> </ul>                                                                 |
| Vismeh (2021)              | The effect of inspirational motivation on participatory decision making due to the mediating role of ergonomic Climate                              | Results showed a positive and significant relationship between the variables                                            | <ul style="list-style-type: none"> <li>• The study lacked an account of the percentage of variance explained by inspirational motivation</li> </ul>                                     | <ul style="list-style-type: none"> <li>• The study computed the actual percentage of variance in staff retention explained by each dimension</li> </ul>                                |
| Nwadike (2020)             | Perceived influence of principals' transformational leadership style on teachers' job commitment in public senior secondary schools in Rivers State | The study showed significant and positive correlation between transformational leadership and commitment                | <ul style="list-style-type: none"> <li>• The study lacked inferential statistics</li> <li>• Study restricted to academic sector</li> </ul>                                              | <ul style="list-style-type: none"> <li>• The study undertook inferential statistics</li> <li>• The study expanded into microfinance context</li> </ul>                                 |
| Komakech et al. (2021a).   | Efficacy of inspirational motivation on the performance of public health workers in mid-north of Uganda                                             | Inspirational motivation was found to have positive and significant effect on performance                               | <ul style="list-style-type: none"> <li>• Investigated only inspirational motivation.</li> <li>• The focus was on performance as the outcome, leaving out all other outcomes.</li> </ul> | <ul style="list-style-type: none"> <li>• All the four TL dimensions were investigated</li> <li>• The dependent variable of focus was staff retention as the desired outcome</li> </ul> |
| Chebon et al. (2019)       | Effect of inspirational motivation and idealized influence on employee performance at Moi Teaching and Referral Hospital, Eldoret, Kenya            | Both inspirational motivation and idealized influence correlated positively and significantly with employee performance | <ul style="list-style-type: none"> <li>• The study investigated only two of the four TL dimensions</li> <li>• Lacked mediator explaining the relationship</li> </ul>                    | <ul style="list-style-type: none"> <li>• It considered all the four TL dimensions</li> <li>• The study incorporated psychological empowerment as a mediating variable</li> </ul>       |
| Anyiko-Awori et al. (2018) | Inspirational motivation on employee performance in regulatory state corporations in Kenya                                                          | Inspirational motivation significantly correlated with performance; Explained 80% of its variance                       | <ul style="list-style-type: none"> <li>• Methodological gap – Sample size computation was not explained</li> </ul>                                                                      | <ul style="list-style-type: none"> <li>• The current study used census survey</li> </ul>                                                                                               |
| Waris et al. (2018)        | Impact of leadership qualities on employee commitment in multi-project-based organizations                                                          | Intellectual stimulation had no significant correlation with calculative commitment                                     | <ul style="list-style-type: none"> <li>• The study was narrowed down to only the direct relationship</li> </ul>                                                                         | <ul style="list-style-type: none"> <li>• The study was enriched with a mediating variable</li> </ul>                                                                                   |

|                         |                                                                                                                                         |                                                                                                                                                                              |                                                                                                                                                                                                      |                                                                                                                                                                                                                     |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Thuan (2020)            | Motivating follower creativity by offering intellectual stimulation                                                                     | The study confirmed direct relationship between intellectual stimulation and follower creativity                                                                             | <ul style="list-style-type: none"> <li>• The study was narrowed down to only the direct relationship</li> </ul>                                                                                      | <ul style="list-style-type: none"> <li>• The study explored the relationship as mediated by psychological empowerment</li> </ul>                                                                                    |
| Hassi (2019)            | “You get what you appreciate”: Effects of leadership on job satisfaction, affective commitment and organisational citizenship behaviour | Intellectual stimulation did not have significant effect on staff satisfaction, affective commitment and organizational citizenship behaviour                                | <ul style="list-style-type: none"> <li>• The response rate was too small, 11% only</li> <li>• The study did not perform inferential statistics</li> </ul>                                            | <ul style="list-style-type: none"> <li>• It endeavoured to achieve a greater, generalizable response rate through respondents’ persuasion</li> <li>• Regression analysis was carried out</li> </ul>                 |
| Komakech et al. (2021b) | Intellectual stimulation and employee performance: Reflections on mid-level healthcare workers in Lira district, Uganda                 | Intellectual stimulation correlates positively with performance, but its effect on employee performance is small (14.4% in relation to the TL dimensions)                    | <ul style="list-style-type: none"> <li>• The study investigated effect of intellectual stimulation on performance leaving out other outcomes</li> </ul>                                              | <ul style="list-style-type: none"> <li>• It pursued the effect of intellectual stimulation (and the other three dimensions of TL) on staff retention.</li> </ul>                                                    |
| Otieno et al. (2019b)   | Influence of intellectual stimulation on employee engagement in parastatals in the energy sector in Kenya                               | There was a significant and positive correlation between intellectual stimulation (IS) and employee engagement                                                               | <ul style="list-style-type: none"> <li>• The magnitude through which IS affects employee engagement was not defined</li> </ul>                                                                       | <ul style="list-style-type: none"> <li>• Regression analysis was used to compute the effect of IS on staff retention</li> </ul>                                                                                     |
| Mir et al. (2020)       | Transformational leadership style and talent retention in Pakistan banks                                                                | Individualized consideration and idealized influence had significant and positive effect on employee retention but not inspirational motivation and intellectual stimulation | <ul style="list-style-type: none"> <li>• The study lacked methodological rigor since inferential statistics were not conducted</li> <li>• The conceptual focus was on talented staff only</li> </ul> | <ul style="list-style-type: none"> <li>• Inferential statistics was conducted</li> <li>• The focus was on staff retention since different staff members have different contributions to the organization</li> </ul> |
| Ding & Lin (2020)       | Individual-focused transformational leadership and employee strengths use (ESU): The roles of positive                                  | Individualized consideration and intellectual stimulation correlated positively with ESU mediated by                                                                         | <ul style="list-style-type: none"> <li>• It was limited to only two TL dimensions.</li> <li>• Very small sample hindering generalizability of results</li> </ul>                                     | <ul style="list-style-type: none"> <li>• The current study was broadened to all the four TL dimensions</li> <li>• A larger sample size was sought by use of census</li> </ul>                                       |

|                               |                                                                                                                                     |                                                                                                                                                    |                                                                                                                                                                                                                                                             |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               | affect and core self-evaluation (CSE)                                                                                               | positive affect; no CSE moderation                                                                                                                 | <ul style="list-style-type: none"> <li>• Positive affect was used as the only mediator</li> <li>• Psychological empowerment was used as the mediator</li> </ul>                                                                                             |
| Kebede (2019)                 | The relationship between transformational leadership and job performance in Amhara National Regional State Bureaus, Ethiopia        | IC and IM had strong positive and significant correlation with performance; IS and II had moderate positive correlation                            | <ul style="list-style-type: none"> <li>• Narrowed to performance.</li> <li>• The current study incorporated perceived organizational justice and staff satisfaction as indicators of staff retention</li> </ul>                                             |
| Golyama et al. (2018)         | Influence of individualized consideration behaviour on public sector performance in Tanzania                                        | The study found positive and significant correlation between individualized consideration (IC) and performance                                     | <ul style="list-style-type: none"> <li>• The study used confirmatory factor analysis and not regression analysis</li> <li>• Regression analysis explored the variance of staff retention by individualized consideration among the other TL “Is”</li> </ul> |
| Ogola et al. (2017)           | The influence of individualized consideration leadership behaviour on employee performance in small and medium enterprises in Kenya | Individualized consideration had positive and significant correlation with performance and had significant effect on it (explained 85.5% variance) | <ul style="list-style-type: none"> <li>• The study used performance as the dependent variable</li> <li>• The current study considered staff retention as the dependent variable since performance is an ultimate outcome</li> </ul>                         |
| Saira et al. (2021)           | Transformational leadership and employee outcomes: The mediating role of psychological empowerment                                  | Psychological empowerment positively relates with OCB but negatively with turnover intention                                                       | <ul style="list-style-type: none"> <li>• Sampling technique was not accounted for, thus a methodological gap</li> <li>• The current study used census survey for sampling</li> </ul>                                                                        |
| Stanescu et al. (2020)        | Transformational leadership (TL) and innovative work behaviour: The mediating role of psychological empowerment (PE)                | Positive and significant correlation between TL and innovative work behaviour and between PE and innovative work behaviour                         | <ul style="list-style-type: none"> <li>• The study used self-reported data, hence common method bias</li> <li>• The current study used the MLQ rater form</li> </ul>                                                                                        |
| Samuel and Engelbrecht (2021) | How transformational leadership, psychological contract violation, empowerment and affective commitment influence                   | There was a negative relationship between transformational leadership and intention to quit                                                        | <ul style="list-style-type: none"> <li>• Use of convenience sampling inhibiting generalizability of results</li> <li>• The current study used census survey to achieve sufficient sample for generalizability of results</li> </ul>                         |

|                      |                                                                                                                                                              |                                                                                                            |                                                                                                                                                                                   |                                                                                                                                                                                                                                                           |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                      | employee's intention to quit an organization                                                                                                                 |                                                                                                            |                                                                                                                                                                                   |                                                                                                                                                                                                                                                           |
| Owan et al. (2020)   | Validation of an instrument and measurement of employee work-life policies, psychological empowerment, and job commitment of academic staff in universities. | Psychological empowerment was found to have a significant effect on all the three dimensions of commitment | <ul style="list-style-type: none"> <li>• The study did not establish the antecedents of psychological empowerment</li> <li>• The study lacked theoretical underpinning</li> </ul> | <ul style="list-style-type: none"> <li>• Transformational leadership (TL) was introduced as an antecedent to psychological empowerment</li> <li>• The SET theory was used to explain the relationship between TL and psychological empowerment</li> </ul> |
| Kivuva et al. (2019) | Guest house supervisors' meaning cognition and its influence on job satisfaction in the context of Mombasa County, Kenya                                     | Positive and significant effect of meaning on job satisfaction                                             | <ul style="list-style-type: none"> <li>• The study focused on only one of the four cognitions of psychological empowerment, that is meaning</li> </ul>                            | <ul style="list-style-type: none"> <li>• The current study considered all the four cognitions of psychological empowerment as the mediating variable.</li> </ul>                                                                                          |

### *Conceptual Framework*

A conceptual framework is a graphical or narrative explanation of how concepts and sub-concepts interrelate with each other (Roberts, 2010). It indicates the key concepts to be explored as well as their proposed interrelationships thus providing the researcher with a clear roadmap (Miles et al., 2014). Additionally, a conceptual framework presents a sequence of logical propositions upon which research is grounded (Ravitch & Riggan, 2017).

The current study's concepts were anchored on three key constructs, transformational leadership as the independent variable, staff retention as the dependent variable, and psychological empowerment as the mediating variable. The indicators for transformational leadership as they emerged from extant and empirical literature were idealized influence (II), inspirational motivation (IM), intellectual stimulation (IS), and individualized consideration (IC). Psychological empowerment was conceptualized and represented in terms of meaning, competence, self-determination, and impact as

depicted in the Spreitzer (1995) psychological empowerment model. The key emerging measures of staff retention that guided this study were staff's intention to stay, staff satisfaction, perceived organizational justice, organizational commitment, and staff engagement. The study was based on the microfinance context. Figure 2.1 shows the directionality of the relationships among the variables.

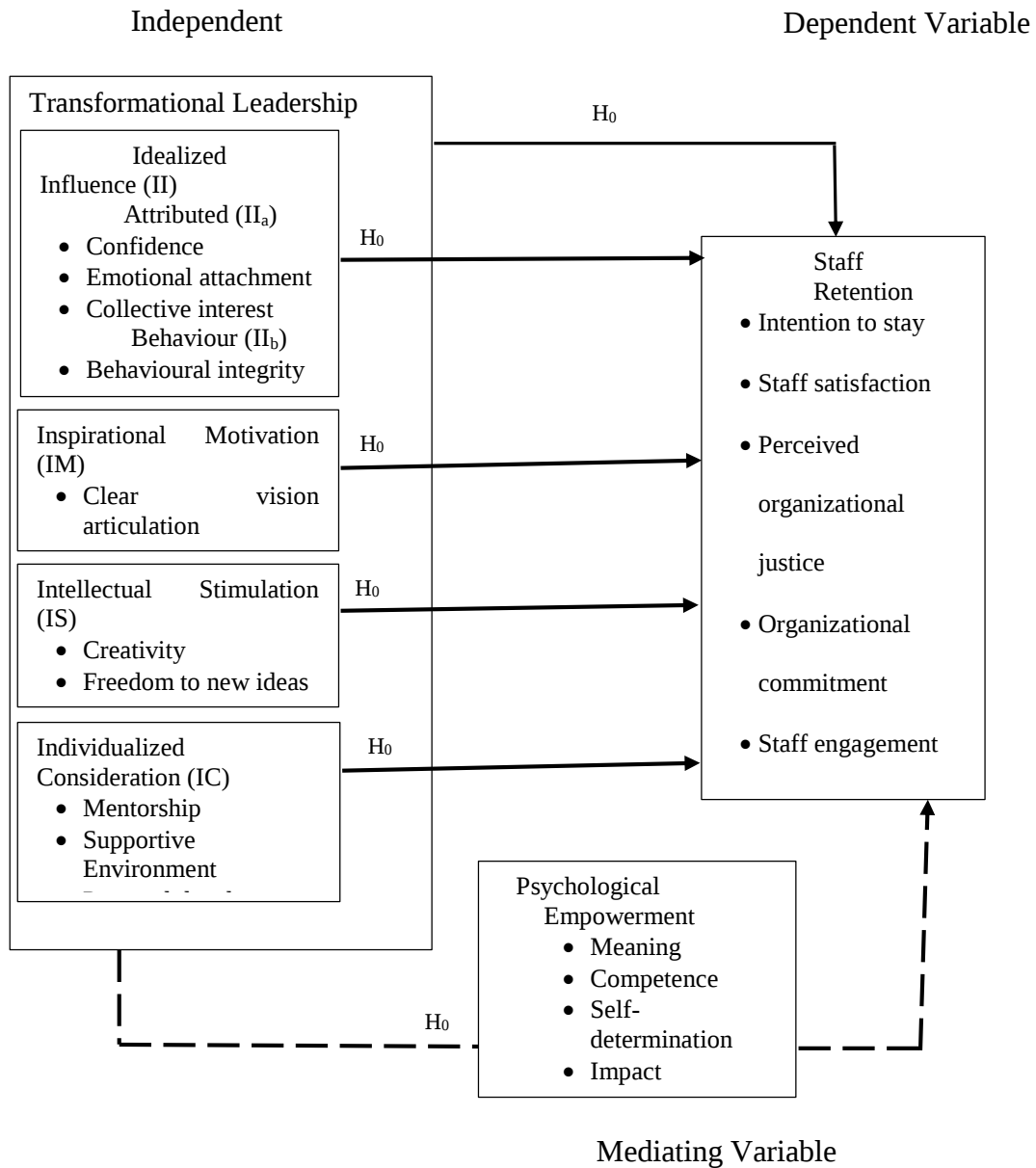


Figure 2. 1: *Conceptual Framework*

## Chapter Summary

Chapter two discussed the theoretical framework focusing on the relevant theories to the current study namely transformational leadership theory, leader-member exchange theory, social exchange theory, and resource-based view theory. Thirty-four empirical studies on the key constructs were reviewed under the empirical literature section, followed by an identification of research gaps from these studies. The chapter concluded with a formulation of a conceptual framework that guided the research. Chapter three discussed the research methodology that was utilized by the current study, with justification for the methods opted for.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### Introduction

Research methodology, which is informed by the research objectives (Saunders et al., 2007), is a precise description and justification of the steps that the research will follow to solve a research problem (Al-Riyami, 2008; Kothari, 2004). Roberts (2010) classifies methodologies into either quantitative or qualitative, arguing that the choice of a methodology should be anchored on the nature of problem being investigated, the purpose of that study, theories underpinning the study, methods of collecting data, and the researcher's skills with regard to that methodology. In general, it comprises of the research methods and techniques used and justification of why such methods and techniques are preferred over others (Denzin & Lincoln, 2018). As such, this chapter focused on the research philosophy most relevant to the current study, the research design that guided the study, and the population and sample used for data acquisition and the sampling methods used to obtain the sample. The chapter ended with an account of the data collection methods, data analysis and ethical considerations observed.

#### Research Philosophy

Philosophical beliefs influence how research problems and data collection are approached (Creswell & Poth, 2018) and ensure that methods and techniques used are essentially justifiable (Grix, 2019). The key philosophical considerations for research are either ontological or epistemological (Bryman, 2012). Ontology deals with the nature of reality, as either independent or dependent on the research participants' perceptions, giving rise to objectivism and subjectivism respectively (Maxwell, 2013; Patton, 2015; Saunders et al., 2007). While in subjectivism participants are the research instrument (Morgan, 2014), objectivism uses external instruments such as

questionnaires for data collection. In the current study, the phenomenon studied was viewed as external to the researcher, thus opting for objectivism than the subjectivism. Objectivism is the position preferred for a research that seeks to explain why a phenomenon occurs as it does (Saunders et al., 2007), which is the case in the current study. The MFIs and their structures were considered as independent social entities from social actors who were the respondents, as expected of objectivist approach (Bryman, 2012; Patton, 2015).

Epistemology, on the other hand, deals with what constitutes knowledge, how that knowledge is acquired, and how it is understood and passed to others (Uzun, 2016). Epistemological considerations can either be positivism or interpretivism (Bryman, 2012). While positivism holds the position that knowledge can be deduced and exists outside the consciousness of actors, interpretivism holds that a researcher should interpret actions from the participants' point of view (Bryman, 2012; Lan, 2018). Wandiga et al. (2019) reiterate that positivism entails knowledge based on facts, observations and neutrality as opposed to abstractions. Since the current study adopted quantitative research approach and used deductive approach from theoretical point of view than inductive approach, it was anchored on the positivism paradigm. This was in line with the recommendation by Matthews and Ross (2010) to use positivist epistemology where knowledge can be observed and recorded than subjective understandings of the respondents, data can be tested using hypotheses derived from theory, and the researcher has no influence over the data being collected. Grix (2010) adds that positivism is more useful in a study that utilizes theory to formulate hypothesis which can be empirically tested as was the case of the current study. Further, the study

adopted positivism position so as to yield results that were generalizable to the entire population as required of quantitative study (Lan, 2018).

### Research Design

Creswell (2014) defines research design as a form of inquiry that specifies the direction followed by the research procedures, while Punch (2014) consider it as the strategy through which research questions are connected to the data being collected, as well as what tools and procedures will be used to respond to those questions. This ensures that research is conducted in a systematic manner (Rugg & Petre, 2007). As such, the rigor of a scientific research is largely determined by the research design adopted as alluded by Sekaran (2003). According to Sekaran (2003), a research design is described in terms of the purpose of the study (either descriptive or exploratory), type of investigation (either causal or correlational), the extent to which the researcher interferes with the study settings, and the duration of time the study takes among other factors.

A descriptive study seeks to ascertain characteristics of interest of variables of the study, while exploratory study is often carried out where little is known about the phenomenon so as to provide insights to a problem (Amjad et al., 2020; Kothari, 2004). In establishing the effect of an independent variable on a dependent variable, explanatory research design is preferable (Creswell, 2012; K. Khalid et al., 2012). The current study, therefore, used quantitative method and adopted a descriptive and explanatory research design to describe the characteristics of the population being studied and to investigate the effect of transformational leadership on staff retention in microfinance institutions in Nairobi City County, Kenya respectively. As recommended by Gratton and Jones (2010), the descriptive aspect of the current study

entailed reporting of the phenomenon as it were, while the explanatory aspect endeavoured to explore why the phenomenon occurred as it did as well as the causal relationships among the variables transformational leadership, psychological empowerment, and staff retention.

### Target Population

Population refers to the aggregate of all individuals that possess a common characteristic and meet a certain specification (Mugenda & Mugenda, 2019). Sekaran and Bougie (2016) consider population to be the entire group of people that the researcher seeks to investigate and make inferences from. The term target population, also referred to by Creswell (2012) as the sampling frame, refers to the accessible population to which a researcher wishes to generalize results of their study. There were 14 MFIs licenced by the Central Bank of Kenya (Appendix IV), with 13 of these being within Nairobi City County. One of these 13 was in receivership at the time of this study, and therefore staff were inaccessible leaving 12 as the unit of analysis for the study. The unit of observation was employees at the senior management level, middle-management level, and the lower level management staff in the head offices of the 12 MFIs. The choice of MFIs within the Nairobi City County was informed by the fact that most MFIs were situated in urban centres (Central Bank of Kenya, 2020a), and had head offices in the Nairobi City County. Table 3.1 shows the target population from these MFIs.

Table 3. 1: *Summary of Target Population*

| Strata                       | Total number of staff | Percentage |
|------------------------------|-----------------------|------------|
| Senior management staff      | 26                    | 8.72%      |
| Middle management staff      | 48                    | 16.11%     |
| Lower-level management staff | 224                   | 75.17%     |
| Total                        | 298                   | 100%       |

Source: Field data

### Sampling Method

Sampling is the procedure by which a researcher identifies a subset of respondents sufficient to represent the entire population for the purpose of survey fairly (S. C. Gupta & Hooda, 2012; Mugenda & Mugenda, 2019). Given that the target population of 298 respondents was relatively small, census survey was opted for in this study as opposed to a sample survey. Census entails collection of data from every accessible member of the population who fits a specific characteristic and location (Bryman, 2012; Kothari, 2004; Lune & Berg, 2017; Saunders et al., 2007; Sekaran & Bougie, 2016; K. Singh, 2007). Although census is more expensive and time consuming compared with a smaller sample (Johnson & Christensen, 2014), it is often more accurate since there are no sampling errors (Sahu, 2013). It also permits conclusions to be drawn about the entire population (Creswell, 2012). The study by Sammut et al. (2021) on the relationship between distributed leadership and staff satisfaction used the census survey method to collect data from 350 nurses. Similarly, Gitahi and K'Obonyo (2018) used this method for a small population of 62 companies in investigating the relationship between organizational resources and firm performance of NSE companies while Owuor et al. (2020) utilized it in their study on the influence of microfinance services on the performance of microfinance institutions in Siaya County, Kenya, targeting 36 respondents.

### Data Collection Instruments

The study collected primary data using a structured questionnaire, due to the fact that questionnaires are preferable for descriptive research than other instruments like interview guides (Saunders et al., 2007). This is also necessitated by the suitability of questionnaires for a large sample and saving time (Kombo & Tromp, 2006). Additionally, more objective responses are obtained since there is minimal subjective

bias as opposed to interviews (Bryman, 2012). The questionnaire was divided into four sections, one for demographic information and three for the independent variable, mediating variable, and dependent variable data collection respectively as shown in appendix I.

#### *Instrument Pre-testing and Piloting*

As required of research instruments, the questionnaire was pretested and piloted to improve its validity before the actual data collection (Al-Riyami, 2008). Although some authors use the two terms interchangeably (Dawson, 2009; Roberts, 2010; Sekaran & Bougie, 2016), pretesting entails checking suitability of the instrument's items early in the developmental phase of the instrument while piloting is done on the fully completed instrument and administered to a different but identical sample to the actual sample to identify any ambiguity and aspects that need improvement (Mugenda & Mugenda, 2019). The two serve a common purpose of revising and fine-tuning the questionnaire. As part of the experts consulted for pretesting, the questionnaire was presented to five university dons in the field of leadership including the two supervisors and the feedback was incorporated. Piloting was done in the Rafiki microfinance Biashara street branch. This branch was chosen because the respondents were similar to those in the actual study but were not included in the study's sample as required of piloting sample (Gratton & Jones, 2010; Roberts, 2010; Somekh & Lewin, 2005). Roberts (2010) proposes a number between five to ten respondents for piloting purpose. This informed the selection of six (50%) of the sample size at Rafiki Microfinance Biashara Street branch across the three strata (employees at the senior management level, middle-level management, and lower-level management staff).

### *Reliability and Validity*

Validity and reliability are measures used to test the goodness of data collected by use of the data collection instrument (Sekaran, 2003). Validity refers to the degree to which the instrument measures what it is meant to measure, while reliability refers to the extent to which an instrument presents consistent and stable results (Gray & Kinnear, 2012; Jenkins-Smith et al., 2017; Taherdoost, 2016). Internal validity was achieved through proper operationalization of the variables while external validity was achieved via use of acceptable sample size, which is 298 respondents using census survey technique. In addition to the face validity where the questionnaire's items were scrutinized to ensure they were readable, well formatted and clear, content validity was assessed by involving field experts in accordance to the Lawshe's (1975) method (Taherdoost, 2016):

$$CVR = \frac{n_e - (\frac{N}{2})}{\frac{N}{2}}, \text{ where}$$

CVR is the content validity ratio,

$n_e$  is the number of experts regarding it as “essential”,

N is the total number of experts evaluating the questionnaire.

$$\begin{aligned} CVR &= \frac{5 - (\frac{5}{2})}{\frac{5}{2}} \\ &= \frac{5 - (\frac{5}{2})}{\frac{5}{2}} \\ &= \frac{2.5}{2.5} = 1 \end{aligned}$$

(greater than the 0.99 recommended for five experts)

Before the actual data collection, construct validity, a measure of degree to which data collected from the questionnaire accurately represented the theoretical concepts of the study (Creswell & Clark, 2018; Mugenda & Mugenda, 2019), was also ensured. The operationalization of the variables in table 3.2 ensured that the abstract concepts were conceptualized in measurable items captured in the questionnaire, so that the items measured the constructs of transformational leadership, psychological empowerment and staff retention as intended.

After conducting the pilot study, important changes were incorporated to the final questionnaire before implementation with the actual study respondents. Cronbach's alpha ( $\alpha$ ), a reliability coefficient, was then used to test the internal consistency of the questionnaires' items to ensure the questionnaire is reliable. This was helpful in enhancing the consistency, repeatability, and reliability of the results in identical situations as expected of a quantitative study (Mohajan, 2017; Pyrczak & Bruce, 2017). Hair et al. (2019) recommend a Cronbach's alpha value above 0.7, which was used as the threshold in the current study. The decision criteria for reliability was:  $\alpha \geq 0.7$ , *acceptable reliability*;  $\alpha < 0.7$  *low reliability* (Field, 2013).

#### *Data Collection Procedure*

The researcher personally administered the questionnaires with assistance of trained research assistants in order to present an opportunity to build rapport and motivate the respondents to complete them so as to increase the response rate as alluded by Sekaran and Bougie (2016). With support of a transmittal letter (Mugenda & Mugenda, 2019), the respondents were assured of data confidentiality and freedom to withdraw from participation if need arose. The NACOSTI permit (Appendix VII) and Ethics Review Committee certificate (Appendix VI) were obtained from the

Government of Kenya and PAC University respectively prior to data collection exercise to confirm adherence to the research ethical requirements. Research assistants were trained on ethical and effective data collection process. The demographic section of the questionnaire generated nominal and ordinal data such as gender and age limits respectively, while the rest of the sections which were based on a 5-point Likert-type scale generated interval and ratio data to facilitate both descriptive and inferential statistics during data analysis. The respondents were thanked for participation at the end of the data collection exercise.

#### Operationalization of Variables

Operationalization refers to the development of indicators that will be used to empirically measure the theoretical concepts so as to produce data related to those concepts (Blaikie, 2010; Bryman, 2012). It makes the hypotheses testable by representing abstract concepts in more concrete and empirically measurable way (Johnson & Christensen, 2014; Patton, 2015; Sekaran & Bougie, 2016; Walliman, 2006). The variables were operationalized as detailed in Table 3.2.

Table 3.2: *Operationalization of variables*

| Variable                 | Variable type | Variable operationalization                                                                                                                                                                                                 | Indicators                                                                                                                                                                                                                                                    | Measurement in the questionnaire (Appendix I)                                                    |
|--------------------------|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Idealized Influence      | Independent   | The process by which an institution's leadership creates an emotional attachment with the staff so as to influence the staff to adopt values and goals of the organization                                                  | Attributed (II <sub>a</sub> ) <ul style="list-style-type: none"> <li>• Confidence</li> <li>• Emotional attachment</li> </ul> Behaviour (II <sub>b</sub> ) <ul style="list-style-type: none"> <li>• Behavioural integrity</li> <li>• Role modelling</li> </ul> | Section B, Questions 1 – 8;<br><br>Section D, Question 3                                         |
| Inspirational Motivation | Independent   | The process by which an institution's leadership articulates the institution's vision clearly so that the staff are inspired to pursue the institution's goals enthusiastically and optimistically with a collective spirit | <ul style="list-style-type: none"> <li>• Clear vision articulation</li> <li>• Excitement Arousal</li> <li>• Enthusiasm</li> </ul>                                                                                                                             | Section B, Questions 9-14;<br><br>Section D, Questions 4, 10, & 37                               |
| Intellectual Stimulation | Independent   | The process by which an institution's leadership encourages the staff to creatively and innovatively address issues from diverse viewpoints                                                                                 | <ul style="list-style-type: none"> <li>• Creativity</li> <li>• Freedom to new ideas</li> <li>• Job autonomy</li> </ul>                                                                                                                                        | Section B, Questions 15-20;<br>Section C, Questions 6-8<br><br>Section D, Questions 17, 40, & 41 |

|                              |             |                                                                                                                                                                  |                                                                                                                                                                                                                  |                                                                                                  |
|------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Individualized Consideration | Independent | The process by which leaders in an institution provide mentorship and support to the staff at the individual level to achieve their goals                        | <ul style="list-style-type: none"> <li>• Mentorship</li> <li>• Supportive Environment</li> <li>• Personal development</li> <li>• Inclusivity</li> </ul>                                                          | Section B, Questions 21-26;<br><br>Section D, Questions 15, 38, & 41                             |
| Psychological Empowerment    | Mediating   | A mental state that reflects an employee's perception of their work with regard to their personal values and standards                                           | <ul style="list-style-type: none"> <li>• Meaning</li> <li>• Competence</li> <li>• Self-determination</li> <li>• Impact</li> </ul>                                                                                | Section C, Questions 1-11;                                                                       |
| Staff Retention              | Dependent   | The inspiration of staff by the institution's leadership to remain in the institution for the longest period of time through creation of a conducive environment | <ul style="list-style-type: none"> <li>• Intention to stay</li> <li>• Staff satisfaction</li> <li>• Perceived organizational justice</li> <li>• Organizational commitment</li> <li>• Staff engagement</li> </ul> | Section D, Question 1-41<br><br>Section C, Question 1 & 3<br><br>Section B, Question 3, 24, & 25 |

### Data Analysis and Presentation

Data analysis phase entails analysis of numerical data for the purpose of describing a phenomenon (Teddlie & Tashkkori, 2009). It also involves testing the hypothesis so as to draw statistical inferences from the data collected (Kothari, 2004). In order to analyse the data collected from the questionnaires, pre-analysis of the data was done through the steps of data cleaning such as editing and coding of the data and handling any missing data as guided by Sekaran (2003). SPSS version 20 was used to

aid analysis of the quantitative data since it is capable of producing descriptive and inferential statistics for the data collected.

### *Descriptive Statistics*

Descriptive statistics refers to the measures that describe and summarize the sample in terms of how scores are distributed, guided by whether the scale of measurement used is nominal, ordinal, interval or ratio (Gravetter & Wallnau, 2017; Mugenda & Mugenda, 2019). Such statistics include distribution frequency, histogram, pie charts, line graph etcetera (Gratton & Jones, 2010; Matthews & Ross, 2010). Descriptive statistics are important in research process for enabling replication of a study (Zadrozny et al., 2016) as well as interpretation of other statistical data analysis (Whittemore & Melkus, 2008). This study included such analysis as measures of central tendency, standard deviation and frequency of distribution to establish how the scores are distributed.

### *Inferential Statistics*

Inferential statistics, also referred to by Weiers (2011) as inductive statistics, utilizes the information obtained from a small sample to draw inferences regarding the larger population through hypothesis and assumptions testing (Ruscio, 2017; N. Singh & Singh, 2015). It is the derivation of knowledge about a population based on a sample of that population (Jenkins-Smith et al., 2017). In the current study, census was used as the sampling technique since the target population was small in size. By testing for statistical significance, inferential statistics verifies that the sample predicts the population parameters accurately and not just by chance (K. Singh, 2007). Since relationships and predictions among variables are best analysed through correlation and regression techniques respectively (Mugenda & Mugenda, 2019), the current study

utilized correlation analysis, simple linear regression analysis, and multiple linear regression analysis to establish the relationship between the variables and to test the study's hypothesis.

For the correlation analysis, the study adopted Pearson Product-Moment correlation to establish the strength and direction of the relationship among the variables since the data collected through Likert-type scale was interval/ratio (Greener, 2008; Matthews & Ross, 2010; Saunders et al., 2007; Wagner, 2015). F-test and p-values were used to ascertain the statistical significance of the relationship among the variables as proposed by Saunders et al. (2007).

Regression analysis is the prediction of a dependent variable by one or more independent or explanatory variables (Mugenda & Mugenda, 2019; Sahu, 2013). This analysis was significant in the current study because it both predicts and explains the variation in the dependent variable due to a unit change in the independent variable (Thompson, 2006).

#### Empirical Model

An empirical model presents a relationship between a dependent variable and independent variables to be tested empirically (Field, 2013; Zhao et al., 2010).

#### *Empirical Model for Direct Relationship*

The multiple linear regression model that was used to establish the relationship between the transformational leadership and staff retention is given below (Hanneman et al., 2013; Jenkins-Smith et al., 2017; Mackinnon, 2008; Prado et al., 2014):

$$SR = \beta_0 + \beta_1 II + \beta_2 IM + \beta_3 IS + \beta_4 IC + \varepsilon$$

Where:

|                                                   |                                                |
|---------------------------------------------------|------------------------------------------------|
| $SR$                                              | = Composite index for Staff Retention          |
| $\beta_0$                                         | = Constant                                     |
| $\beta_1, \beta_2, \beta_3, \text{ and } \beta_4$ | = Beta coefficients                            |
| $II$                                              | = Composite index for Idealized Influence      |
| $IM$                                              | = Composite index for Inspirational Motivation |
| $IS$                                              | = Composite index for Intellectual Stimulation |
| $IC$                                              | = Composite index for Individual Consideration |
| $\varepsilon$                                     | = Error Term                                   |

To determine the effect of each element of Transformational Leadership namely Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration on Staff Retention, the following simple linear regression model was adopted as recommended by Field (2013) and Weiers (2011):

|                                                                            |            |
|----------------------------------------------------------------------------|------------|
| $SR = \beta_0 + \beta_1 II + \varepsilon$ for idealized influence          | Equation 1 |
| $SR = \beta_0 + \beta_2 IM + \varepsilon$ for inspirational motivation     | Equation 2 |
| $SR = \beta_0 + \beta_3 IS + \varepsilon$ for intellectual stimulation     | Equation 3 |
| $SR = \beta_0 + \beta_4 IC + \varepsilon$ for individualized consideration | Equation 4 |

#### *Empirical Model for the Mediated Relationship*

Before introduction of the mediating variable, the direct relationship between transformational leadership and staff retention through path C is represented in Figure 3.1 below. This forms the step 1 of the Baron and Kenny (1986) mediational chain steps.

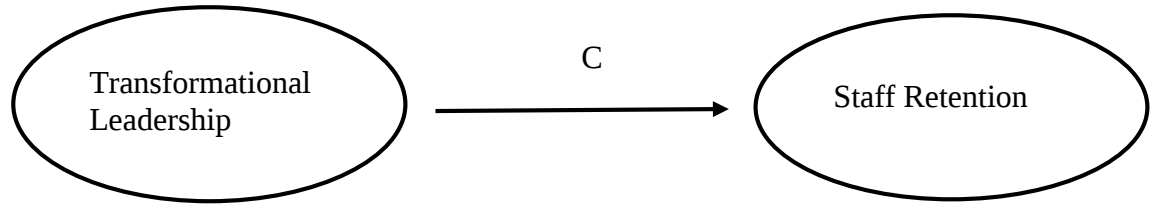


Figure 3. 1: Direct relationship between transformational leadership and staff retention  
The direct relationship is represented by the following regression model:

$$SR = \beta_0 + \beta_T TL + \varepsilon$$

Where:

$SR$  = Composite index for Staff Retention

$\beta_0$  = Constant

$\beta_T$  = Beta coefficient

$TL$  = Composite index for transformational leadership

$\varepsilon$  = Error Term

A mediation model helps in explaining how a mediator acts as an intermediate between an independent variable and a given outcome (Fairchild & Mackinnon, 2009). The mediating effect of psychological empowerment on the effect of transformational leadership on staff retention was tested using the path diagram mediation model by Baron and Kenny (1986) as illustrated in Figure 3.2 below. This entails four regression steps.

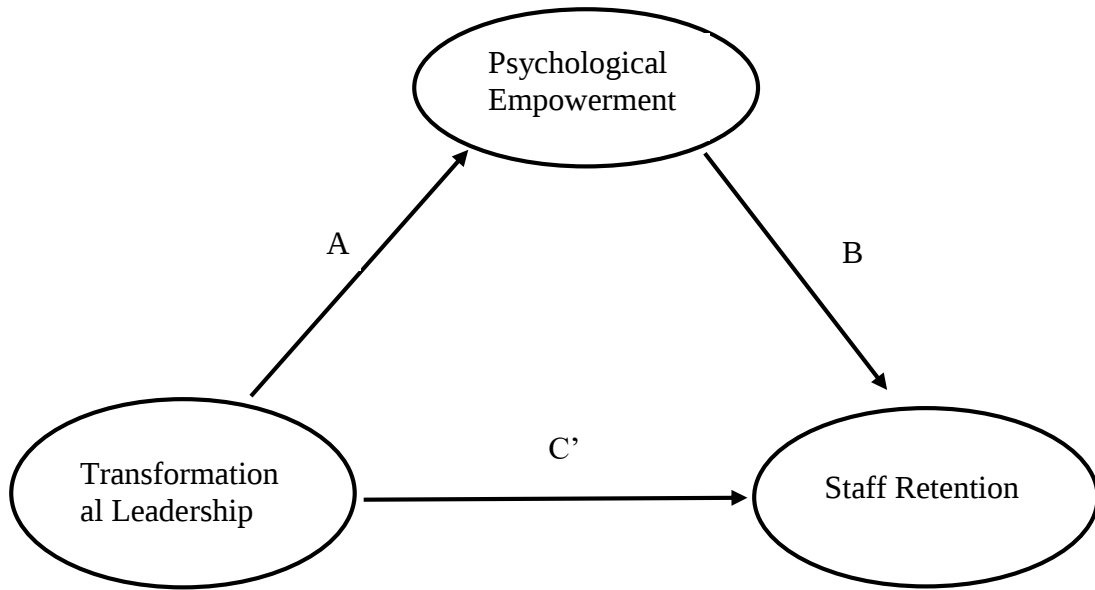


Figure 3. 2: Mediation of psychological empowerment on the effect of transformational leadership on staff retention

Model 3.1: Staff retention was regressed on transformational leadership through path C to establish the significance of this direct relationship. This helped in establishing the amount of change in staff retention explained by transformational leadership.

$$SR = \beta_0 + \beta_1 TL + \varepsilon$$

Model 3.2: Psychological empowerment was regressed on transformational leadership through path A to establish the significance of this relationship. This helped in establishing the amount of change in psychological empowerment predicted by transformational leadership

$$PE = \beta_0 + \beta_2 TL + \varepsilon$$

Model 3.3: Staff retention was regressed on psychological empowerment through path B to establish the significance of this relationship. This helped in establishing the amount of change in staff retention explained by psychological empowerment.

$$SR = \beta_0 + \beta_3PE + \varepsilon$$

Model 3.4: Staff retention was regressed on transformational leadership and psychological empowerment through path C' to establish the significance of this indirect relationship. This helped in establishing the amount of change in staff retention as a result of the combined prediction by transformational leadership and psychological empowerment.

$$SR = \beta_0 + \beta_4TL + \beta_5PE + \varepsilon$$

Where:

$SR$  = Composite index for Staff Retention

$\beta_0$  = Constant

$\beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  = Beta coefficients

$TL$  = Composite index for Transformational Leadership

$PE$  = Composite index for Psychological Empowerment

$\varepsilon$  = Error Term

The criteria used in testing for mediation of the relationship was summarized in Table 3.3 below.

Table 3.3: *Decision Criteria for Testing Mediation*

| Model      | Beta coefficient significance |                 | Conclusion                                                  |
|------------|-------------------------------|-----------------|-------------------------------------------------------------|
| Model 3.1  | $\beta_1$                     |                 | There is no conclusion on the mediation of the relationship |
|            | $(p > 0.05)$                  |                 |                                                             |
| Model 3.2  | $\beta_2$                     |                 | The relationship is mediated                                |
|            | $(p \leq 0.05)$               |                 |                                                             |
| Model 3.3  | $\beta_3$                     |                 | The relationship is mediated                                |
|            | $(p \leq 0.05)$               |                 |                                                             |
| Model 3.4a | $\beta_4$                     | $\beta_5$       | There is partial mediation of the relationship              |
|            | $(p \leq 0.05)$               | $(p \leq 0.05)$ |                                                             |
| Model 3.4b | $\beta_4$                     | $\beta_5$       | There is full mediation of the relationship                 |
|            | $(p > 0.05)$                  | $(p \leq 0.05)$ |                                                             |

Source: Baron and Kenny (1986)

### Test of Hypotheses

This study used the empirical models in Table 3.4 below to test the research hypotheses outlined in Section 1.4. The F-statistic was computed to determine whether one or more independent variables predicted the dependent variable significantly given a set probability level (Kothari, 2004; Mugenda & Mugenda, 2019).

Table 3.4: *Test of Hypotheses*

| Null Hypotheses                                                                                                   | Statistical Test                                                                 | Inference                                                                            |
|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| $H_01$ : Transformational leadership has no significant effect on staff retention in microfinance institutions in | $SR = \beta_0 + \beta_1 II + \beta_2 IM + \beta_3 IS + \beta_4 IC + \varepsilon$ | Record the values of $R^2, \beta_1, \beta_2, \beta_3, \beta_4$ and $F$ for the model |

|                                                                                                                                                                                    |                                                            |                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nairobi City County, Kenya                                                                                                                                                         |                                                            | Reject $H_01$ if $p < 0.05$ ,<br>Accept $H_01$ if $p > 0.05$                                                                                            |
| $H_02$ : Idealized influence has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya                                               | $SR = \beta_0 + \beta_1 II + \varepsilon$                  | Record the values of $R^2, \beta_1$ and $F$ for the model<br><br>Reject $H_02$ if $p < 0.05$ ,<br>Accept $H_02$ if $p > 0.05$                           |
| $H_03$ : Inspirational motivation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya                                          | $SR = \beta_0 + \beta_2 IM + \varepsilon$                  | Record the values of $R^2, \beta_2$ and $F$ for the model<br><br>Reject $H_03$ if $p < 0.05$ ,<br>Accept $H_03$ if $p > 0.05$                           |
| $H_04$ : Intellectual stimulation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya                                          | $SR = \beta_0 + \beta_3 IS + \varepsilon$                  | Record the values of $R^2, \beta_3$ and $F$ for the model<br><br>Reject $H_04$ if $p < 0.05$ ,<br>Accept $H_04$ if $p > 0.05$                           |
| $H_05$ : Individualized consideration has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya                                      | $SR = \beta_0 + \beta_4 IC + \varepsilon$                  | Record the values of $R^2, \beta_4$ and $F$ for the model<br><br>Reject $H_05$ if $p < 0.05$ ,<br>Accept $H_05$ if $p > 0.05$                           |
| $H_06$ : Psychological empowerment has no significant mediating effect on the relationship between transformational leadership and staff retention in microfinance institutions in | Model 3.1<br><br>$SR = \beta_0 + \beta_1 TL + \varepsilon$ | Record the values of $R^2, \beta_1$ and $F$ for the model<br><br>If $\beta_1$ is significant, it will denote existence of a relationship to be mediated |
|                                                                                                                                                                                    | Model 3.2                                                  | Record the values of $R^2, \beta_2$ and $F$ for the model                                                                                               |

|                               |                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nairobi City County,<br>Kenya | $PE = \beta_0 + \beta_2 TL + \varepsilon$                               | If $\beta_2$ is significant, it will denote that $TL$ affects $PE$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                               | <p>Model 3.3</p> $SR = \beta_0 + \beta_3 PE + \varepsilon$              | <p>Record the values of <math>R^2, \beta_3</math> and <math>F</math> for the model</p> <p>If <math>\beta_3</math> is significant, it will denote that <math>PE</math> mediates the relationship between <math>TL</math> and <math>SR</math></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                               | <p>Model 3.4</p> $SR = \beta_0 + \beta_4 TL + \beta_5 PE + \varepsilon$ | <p>Record the values of <math>R^2, \beta_4</math> and <math>F</math> for the model when <math>PE</math> is controlled.</p> <p>The changes in beta coefficients of transformational leadership are noted (<math>\beta_4 - \beta_1 &lt; 0</math>).</p> <p>If <math>\beta_1</math> and either <math>\beta_2</math> or <math>\beta_3</math> is significant, then this denotes presence of some mediation of the relationship.</p> <p>If <math>\beta_4</math> is not significant when <math>PE</math> is controlled, then there is full mediation of the relationship.</p> <p>If <math>\beta_4</math> is significant when <math>PE</math> is controlled, then there is partial mediation of the relationship.</p> |

#### *Generation of Variable Composite Indices*

For the purpose of testing the hypothesis, the data obtained from questionnaires was summarized through computation of composite indices for each variable for all the

microfinance institutions participating in this study as recommended by Kilika (2012) and adopted by Wandiga et al. (2019). According to S. C. Gupta and Hooda (2012) and Sahu (2013), harmonic mean is suitable for more mathematical treatment than the arithmetic mean and is given by the reciprocal of the arithmetic mean of the reciprocals of all non-zero values of a variable. This is mathematically represented as:

$$C_i = \sum_{i=1}^N \left( \left( \frac{n}{\sum_{i=1}^n \frac{1}{x_i}} \right) W_i \right)$$

Where:

$C_i$  is the composite index for each of the variables namely idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, psychological empowerment, and staff retention;

$N$  is the total number of items measuring a variable;

$n$  is the number of respondents who responded to the corresponding section of the questionnaire;

$x_i$  is the percentage mean score for each component for each microfinance institution, computed as a ratio of the actual score to the maximum possible score on the items for each variable;

$W_i$  is the relative weight given to each component in a given variable.

#### Diagnostic Tests

Diagnostic tests are assessments of whether a regression model complies with the assumptions made (Vetter & Schober, 2018). In this study, diagnostic tests were done on the data before analysis to verify that statistical assumptions were not violated. According to Field (2013), statistical assumptions are the assumptions that should hold true for the regression model to be valid and yield reliable results.

### *Normality*

According to Hair et al. (2019), normality is the shape of data representation for a metric variable. In this study, normality test was done to ascertain normal distribution of the multivariate independent variables. As recommended by Field (2013), histograms were used to test this assumption. A symmetrical and approximately bell-shaped histogram indicated that the data were normally distributed. Skewness measure was used to establish whether the distribution was symmetrical or asymmetrical while kurtosis measure was used to assess the peak level of the data compared to the normal curve (Kothari, 2004). If violation of this assumption was noted, the outlier data were removed to ensure normal distribution of the data.

### *Homoscedasticity*

Homoscedasticity is the extent to which the data values of independent variable have equal variances as the data values of the dependent variable (Saunders et al., 2007). Heteroscedasticity, which refers to unequal variances, is undesired and can be tested using Levene test. In this study, homoscedasticity assumption was tested to confirm equal variance of the dependent variable across the entire range of the independent variables' values. Any violation of homoscedasticity noted was resolved by use of weighted least squares regression (Field, 2013). The null hypothesis was set that the error term was constant such that if  $p \leq 0.05$ , the null hypothesis would be rejected implying there was heteroscedasticity and if  $p \geq 0.05$ , the null hypothesis would be accepted implying there was no heteroscedasticity.

### *Multicollinearity*

Multicollinearity refers to the association between the independent variables (Sahu, 2013). It is undesirable to have high multicollinearity because it complicates the

interpretation of the effect of each independent variable on the dependent variable (Hair et al., 2019). In this study, multicollinearity among the independent variables was tested using the tolerance ( $1 - R^2$ ) where  $R^2$  is the coefficient of determination and variance inflation factor (VIF) (inverse of tolerance) measures where each independent variable was regressed against the rest of the variables to establish the level of collinearity (Hair et al., 2019; Kothari, 2004; Vetter & Schober, 2018). The following decision points for the harmful VIF, derived from Hair et al. (2019), were adopted for the current study.

If *VIF is between 1 and 10*, there is no multicollinearity;

If *VIF > 10*, there is suspicion of multicollinearity

If *VIF > 100*, there is proof of multicollinearity

If a high multicollinearity existed in the this model, the stepwise regression recommended by Weiers (2011) where each variable is entered into the model one at a time was used to establish the most fitting model.

### *Linearity*

Linearity refers to a linear relationship between an independent variable and dependent variable (Stockemer, 2019). Linearity assumption was tested using scatter plots to verify whether a linear relationship existed between Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration with Staff Retention. Any parameters that lay significantly outside the straight line were transformed to attain a linear relationship as recommended by Hair et al. (2019) and Weiers (2011).

### Ethical Considerations

Research ethics refers to the behaviour of a researcher that should not harm others physically or psychologically (Cooper & Schindler, 2011), although this definition extends to other norms such as avoiding scientific misconduct like plagiarism (Neuman, 2009; Selvam, 2017). Connaway and Powell (2010) posit that observing research ethics is critical to all those who are concerned.

From research site access to data collection, analysis and reporting, caution was exercised to ensure that the participants' rights and values were not contravened. Falsification and fabrication of data was avoided, while the involvement of the participants was done in accordance to informed consent (Akaranga & Makau, 2016; Leavy, 2017). As recommended by Sekaran (2003), respondents were allowed to withdraw from participating at will. The identity of the respondents was not disclosed, while confidentiality of the data they provide was maintained as required of ethical research (Kombo & Tromp, 2006). Both the institutions and participants were informed of the benefits accruing from the study. There were no known risks posed by the study to the participants or the institutions.

In accordance with research requirement, authorization to collect data was obtained from the relevant institutions. First, ethical review certificate was obtained from the PAC University to present to the institutions where data was to be collected as well as other relevant research governing bodies such as the National Commission for Science, Technology and Innovation (NACOSTI). Permit to conduct research was obtained from NACOSTI which is the institution in Kenya that governs ethical research.

### Chapter Summary

Chapter three discussed the research methodology that guided the study. A target population of 298 staff distributed across three strata was identified through census as the respondents: Senior management staff, middle-level management staff and lower-level management staff. The questionnaire for data collection was developed and pretested. The chapter further described the procedure for ensuring the instrument validity and testing reliability by use of Cronbach Alpha coefficient, as well as the data analysis measures namely descriptive and inferential statistics. Diagnostic tests that were conducted to ascertain that statistical assumptions were not violated were discussed, specifically normality, homoscedasticity, multicollinearity, and linearity of data. Ethical considerations observed before, during, and after data collection were also highlighted.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### Introduction

This chapter details the analysis of the findings based on the data that was gathered from the management staff of microfinance institutions in Kenya. The specific content included in this chapter is the response rate and reliability results, the descriptive statistics as guided by the objective variables, the diagnostic test results, correlation and regression results aimed at testing the formulated hypotheses which were developed based on the following objectives:

1. To investigate the effect of transformational leadership on staff retention in microfinance institutions in Nairobi City County, Kenya
2. To determine the effect of idealized influence on staff retention in microfinance institutions in Nairobi City County, Kenya.
3. To assess the effect of inspirational motivation on staff retention in microfinance institutions in Nairobi City County, Kenya.
4. To evaluate the effect of intellectual stimulation on staff retention in microfinance institutions in Nairobi City County, Kenya.
5. To establish the effect of individualized consideration on staff retention in microfinance institutions in Nairobi City County, Kenya.
6. To determine the mediating effect of psychological empowerment on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya.

## Presentation of Results

Data presentation entails capturing the analysed insights and statistics into practice (Teddlie & Tashkkori, 2009). This can be done using an array of techniques including tables, pie charts, graphs, histograms, frequencies and percentages among others. In this study, the analysed data was presented through tables and figures as set out in the subsequent sections.

### Response Rate and Reliability of the Research Questionnaire

The subsequent sections detail the findings on the response rate and the instrument's reliability results.

#### *Response Rate*

Determination of response rate is important especially in survey studies because it influences the generalizability of the study results based on data obtained from the respondents. Additionally, it is important in guaranteeing the quality of the final outputs (Bryman, 2012). Robust analysis should always be guided by a sufficient response rate (Saunders et al., 2007). Scholars generally agree on response rates above 70% as being good enough to support the presentation and analysis of the results (Al-Riyami, 2008). However, the higher the response rate, the better the results. Therefore, it was important to determine the response rate in this study by analysing and comparing the total number of questionnaires that were dully filled and returned against those that were actually administered to respondents. A breakdown of the results is as summarized in Table 4.1.

Table 4.1: *Response Rate*

|                              | Frequency         | Percentage      |            |
|------------------------------|-------------------|-----------------|------------|
| Response                     | 210               | 70.5%           |            |
| Non response                 | 88                | 29.5%           |            |
| Total                        | 298               | 100.0           |            |
| Strata                       | Targeted Response | Actual Response | Percentage |
| Senior management staff      | 26                | 9               | 34.6%      |
| Middle management staff      | 48                | 17              | 35.4%      |
| Lower-level management staff | 224               | 184             | 82.1%      |
| Total                        | 298               | 210             | 70.5%      |

Table 4.1 outlines the response rate recorded in this study to be equivalent to 70.5%. Particularly, results showed that there was a 34.6% response among senior management staff, 35.4% on middle management staff and 82.1% among lower-level management staff. This suggests that the lower-level management staff were more available to respond to the research instrument as compared to the middle and senior management staff counterparts. The response rate was considered adequate for analysis based on assertions of Babbie (2010) that proper analysis and presentation of the results should be supported by a response rate of 70% or more.

#### *Reliability of the Research Questionnaire*

Reliability is the degree of consistency of the questionnaire attributes being used to measure a given construct. Thus, reliable instruments provide results that are consistent all through even when administered to different samples at different time intervals (Mugenda & Mugenda, 2019). Reliability was determined on the basis of the dully filled questionnaires that were coded into SPSS and the values of Cronbach Alpha Coefficients were determined. The findings are as presented in Table 4.2.

Table 4.2: *Reliability of the Research Questionnaire*

|                              | Cronbach Alpha | No. of Items |
|------------------------------|----------------|--------------|
| Transformational Leadership  | .942           | 26           |
| Idealized Influence          | .930           | 8            |
| Inspirational Motivation     | .884           | 6            |
| Intellectual Stimulation     | .904           | 6            |
| Individualized Consideration | .864           | 6            |
| Psychological Empowerment    | .869           | 11           |
| Staff Retention              | .926           | 41           |
| Average                      | .903           |              |

From Table 4.2, the average value of Cronbach Alpha coefficient is given as .903 while those of transformational leadership, idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, psychological empowerment and staff retention were 0.942, 0.930, 0.884, 0.904, 0.864, 0.869 and 0.926 respectively. These findings are consistent with Hair et al. (2019) who recommend a Cronbach's alpha value above 0.7, which was used as the threshold in the current study. It therefore follows that the final questionnaire used in this study for analysis of the findings was guided by a reliable scale that was suitable for use.

#### Demographic Analysis of Respondents

The study sought to describe the various attributes of the study respondents. This analysis was deemed necessary since the characteristics of the respondents may significantly weigh on their ultimate response to the research instrument (Selvam, 2017). In particular, the study considered the gender of the respondent, age of the respondent, their highest level of academic qualification, their rank as indicated by the position held in the institution, as well as the number of years the respondent had worked in their current institution as relevant attributes that influenced their response.

### *Gender of Respondent*

The respondents were required to indicate their gender as to whether male or female. This attribute was considered necessary to help the researcher understand the awareness of the management of microfinance institutions in Kenya, particularly Nairobi City County, towards gender inclusion and participation in decision making. The results thereof thus enabled determination as to whether there was gender balance among the management staff of microfinance institutions in Nairobi City County, Kenya.

Table 4.3: *Gender of Respondent*

|       |        | Frequency | Percent |
|-------|--------|-----------|---------|
| Valid | Male   | 94        | 44.8    |
|       | Female | 116       | 55.2    |
|       | Total  | 210       | 100.0   |

The results in Table 4.3 show that 55.2 % (116) were female and 44.8% (94) were male. Clearly, the proportion of female respondents was higher than male respondents. These results postulate that the management of microfinance institutions recognise the critical role played by women in decision making by their inclusion in the management level. Inclusion of women in key decision making role is likely to result in their psychological empowerment (Stanescu et al., 2020).

### *Age of Respondent*

In this section, the respondents were requested to select the appropriate range within which their age falls. i.e. below 24 years, between 25 and 34 years, 35-44 years, 45-54 years and 55 years and above. This attribute was perceived relevant because the age of the respondents is likely to influence their perception on the decision taken by

the management thus affecting their inspirational motivation, intention to stay and participation in decision making (Vismeh, 2021). It is understood that young people are easily motivated and are more dynamic as opposed to the aged who are perceived to be more rigid (Gathondu et al., 2018a). Additionally, aged people are more likely to stay in one institution as opposed to young people who are always in search of better opportunities (Chebon et al., 2019). The results were as presented in Table 4.4

Table 4.4: *Age of Respondent*

|       |              | Frequency | Percent |
|-------|--------------|-----------|---------|
| Valid | 24 and below | 28        | 13.3    |
|       | 25-34        | 99        | 47.1    |
|       | 35-44        | 64        | 30.5    |
|       | 45-54        | 19        | 9       |
|       | 55 and above | 0         | 0       |
|       | Total        | 210       | 100.0   |

The results in table 4.4 show that the age bracket between 25 and 34 formed majority of the respondents standing at 47.1% (99). 30.5% of the respondents indicated that their age ranged between 35 and 44 years. 13.3% of the respondents were 24 years and below, while 9% were aged between 45 and 54 years. The results further showed that none of the respondents was aged 55 years and above. This suggests that majority of the respondents accounting for 77.6% of all the respondents were middle aged ranging between 24 and 44 years of age. Further analysis shows that 60.5% of the respondents were below the age of 35 years and therefore were within the youth bracket age. The results thereof were explained cognizant of the fact that majority of the respondents were middle aged.

### *Academic Qualification*

In this part, the respondents were requested to indicate their highest level of academic qualification. The respondents were required to select from doctorate degree, master's degree, bachelor's degree, diploma certificate or any other. This attribute was considered relevant in the study since more learned respondents are more likely to give informed response since they have a deep understanding of the relationship existing between the study variables as well as a better understanding of the operations within their microfinance institutions. The results obtained were summarized in table 4.5.

Table 4.5: *Highest Academic Qualification*

|       |                     | Frequency | Percent |
|-------|---------------------|-----------|---------|
| Valid | Other               | 3         | 1.4     |
|       | Diploma certificate | 39        | 18.6    |
|       | Bachelor's Degree   | 145       | 69.0    |
|       | Master's degree     | 22        | 10.5    |
|       | Doctoral Degree     | 1         | .5      |
|       | Total               | 210       | 100.0   |

The results posted in table 4.5 indicated that majority of the respondents (69.0 percent) had a bachelor's degree as the highest academic qualification, 18.6 percent (39) had at most a diploma certificate, 10.5 percent had a master's degree, 1.4 percent of the respondents stated that they had other forms of qualification such as certificate level and professional qualification such as Certified Public Accountant (CPA). Finally, the results showed that only 0.5 percent (1) of the respondents had attained doctorate degree. In summary, the results suggested that majority of the respondents (80 percent) had a bachelor's degree or higher as the level of academic qualification.

### *Position Held in the Institution*

Respondents were requested to indicate their seniority level in the microfinance institution as indicated by the position they held in the institution. i.e. lower-level management staff, head of department, branch managers, general managers or Chief Executive Officer (CEO). The rank in the organization hierarchy was considered relevant in this study because it indicated the level of involvement of the respondent in management decision making and their understanding of the dynamics of the relationships existing between the study variables. The results obtained were as shown in table 4.6.

*Table 4.6: Position held in the institution*

| Position Held  |                         | Frequency | Percent |
|----------------|-------------------------|-----------|---------|
| Valid<br>staff | Lower-level management  | 142       | 67.6    |
|                | Head of Department      | 42        | 20.0    |
|                | Branch Manager          | 17        | 8.1     |
|                | General Manager         | 7         | 3.3     |
|                | Chief Executive Officer | 2         | 1.0     |
|                | Total                   | 210       | 100.0   |

The results in table 4.6 show that 67.6 percent of the respondents were in the lower-level cadre of management, 20.0 percent of the respondents were heads of department, 8.1 percent of the respondents were branch managers, 3.3 percent of the respondents were general managers while only 1.0 percent of the respondents were chief executive officers. It is thus clear that majority of the respondents were lower-level management staff. The results imply that lower level management staff were more available to respond to the research instrument. This phenomenon may be explained by the fact that top level and middle level management staff had busier schedules than their lower level

management staff counterparts and therefore could not make time to respond to the questionnaire. Additionally, majority of the respondents were in the lower level management thus the high response.

#### *Number of Years Worked in the Current Institution*

In this section, the respondents were required to indicate the number of years they have worked in the current institution. The results were as shown in Table 4.7.

*Table 4.7: Number of Years Worked in the Institution*

|       |                  | Frequency | Percent |
|-------|------------------|-----------|---------|
| Valid | Less than 1 year | 49        | 23.3    |
|       | 1 - 5 years      | 100       | 47.6    |
|       | 6 - 10 years     | 49        | 23.3    |
|       | Over 10 years    | 12        | 5.7     |
|       | Total            | 210       | 100.0   |

The results in table 4.7 indicated that majority of the respondents as shown by 47.6 percent had worked in the microfinance institutions for between 1 and 5 years, 23.3 percent of the respondents had worked in the microfinance institutions for 6 to 10 years, another 23.3 percent of the respondents had worked in the microfinance institutions for less than 1 year while only 5.7 percent of the respondents had worked in the current institutions for over 10 years. The study concluded that the data obtained in the study was credible since most of the respondents (76.6 percent) had worked in their current institutions for over 1 year suggesting that they had reasonable understanding of the operations in the institution. Additionally, the results may also suggest that, with the

sprouting of MFIs in Kenya in the last decade, most employees worked in their current institutions for less than 10 years.

### Descriptive Statistics

Descriptive statistics provide the foundation of the subsequent inferential statistics that are critical in testing of the formulated hypotheses. They provide an opportunity for describing the variables of the study or a given trend with regard to a specific phenomenon being investigated. The specific descriptive statistics that were adopted in this study included means and standard deviations. While means were used as measures of central tendency of the data, standard deviations were utilized to determine the degree of dispersion or spread of the data (Al-Riyami, 2008). Thus, all the Likert based questions were converted into a continuous scale where the resultant values guided the interpretation of means as follows: 0-1.4 meant strongly disagree, 1.5-2.4 meant disagree, 2.5-3.5 meant neither agree nor disagree, 3.5-4.4 meant agree and 4.5-5.0 implied strong agreement among the respondents (Bryman, 2012).

The subsequent sections therefore detail the results on descriptive statistics covering the variables idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, psychological empowerment as well as staff retention. The results are as presented in the subsequent sections.

#### *Idealized Influence*

Idealized influence was the first sub-construct of transformational leadership. The findings of descriptive statistics covering means and standard deviations were determined on this variable and presented as shown in Table 4.8.

Table 4.8: *Descriptive Results for Idealized Influence*

| Statements                                                                   | Mean | Std.<br>Dev |
|------------------------------------------------------------------------------|------|-------------|
| My leader portrays a lot of confidence                                       | 4.35 | .684        |
| I am proud of the leadership of this institution                             | 4.35 | .683        |
| I consider my leader as my role model                                        | 4.35 | .711        |
| My leader's actions are aligned to their values                              | 4.34 | .654        |
| My leader's actions are admirable                                            | 4.32 | .678        |
| My leader acts in respectable ways                                           | 4.31 | .681        |
| The leadership of this institution ensures decisions made are always ethical | 4.30 | .658        |
| My leader puts others' interest ahead of self-interest                       | 4.24 | .807        |
| Aggregate                                                                    | 4.32 | .695        |

Table 4.8 indicates that the aggregate mean score of idealized influence was 4.32. This suggests that majority of respondents were agreed on most of the statements regarding idealized influence in microfinance institutions. However, it was noted that senior managers in the microfinance institutions portrayed confidence as indicated by the mean score of 4.35. Conversely, leaders did not subordinate their interest in favour of others interests. Respondents showed that putting others' interest ahead of their personal interest was the least of their concerns with a mean score of 4.24.

The observed standard deviation of 0.695 implied that there was consensus among respondents on the level of adoption of idealized influence in their organization. In other words, the studied microfinance institutions actually practiced idealized influence. The average value of standard deviation is also relatively low, implying that there was strong convergence in the views expressed by the respondents regarding most of the statements that had been presented under idealized influence in their organization. Similarly, in a study conducted by Edirisooriya (2020), idealized

influence was found as one of the practices of transformational leadership consistent with the findings of the study. In another study conducted in Kenya by Njiraini et al. (2018), the main focus was on commercial banks and idealized influence was established as one of the transformational leadership practices that the firms had embraced. Otieno et al. (2019a) established that idealized influence had been adopted by parastatals in Kenya and it influenced their performance. Nyokabi et al. (2017) revealed that idealized influence significantly predicts performance of senior managers. Kimeto et al. (2017) noted that idealized influence and individualized consideration had significant and positive effect on organizational commitment.

#### *Inspirational Motivation*

The second independent variable covered in this study was inspirational motivation. Table 4.9 presents the findings of means and standard deviation on this variable.

*Table 4.9: Descriptive Results for Inspirational Motivation*

|                                                                      | Mean | Std. Dev |
|----------------------------------------------------------------------|------|----------|
| The leadership clarifies tasks that need to be achieved              | 4.38 | .697     |
| My leader displays a lot of passion when working in this institution | 4.35 | .732     |
| The leadership expresses confidence that set goals will be achieved  | 4.35 | .775     |
| My leader clearly articulates the future of the institution          | 4.32 | .719     |
| My leader motivates me a lot to accomplish tasks                     | 4.27 | .804     |
| The leader makes me excited about the future                         | 4.13 | .842     |
| Aggregate                                                            | 4.30 | .762     |

The results in Table 4.9 indicated that majority of respondents agreed that inspirational motivation was adopted among microfinance institutions as shown by the

average mean score value of 4.30. Specifically, microfinance institutions emphasised on clarification of tasks that need to be achieved by the staff as shown by the highest mean score of 4.38. However, respondents expressed their concerns that their leaders did not make them excited about the future of their institutions (mean score = 4.13). The low average standard deviation of 0.762 alluded that the respondents were in agreement that inspirational motivation had been embraced in their organization. In other words, the top leadership of the studied microfinance institutions did practice inspirational motivation.

In a related study, Hasija et al. (2019) indicated the inspirational motivation may lead to employee engagement. Similarly, Vismeh (2021), exploring the effect of inspirational motivation on participatory decision making, underscored the direct effect of inspirational motivation on participatory decision making thereby motivating employees. At the same time, Komakech et al. (2021), Nwadike (2020), Chebon et al. (2019) and Anyiko-Awori et al. (2018) also supported the results obtained in this study that inspirational motivation is a relevant attribute for effective transformational leadership. In the study by Golyama et al. (2018), inspirational motivation was found to have significant effect on public sector performance.

#### *Intellectual Stimulation*

The findings of descriptive statistics on intellectual stimulation which was the third measure of transformational leadership in the study were determined and presented as shown in Table 4.10.

Table 4.10: *Descriptive Results for Intellectual Stimulation*

|                                                                          | Mean | Std. Dev |
|--------------------------------------------------------------------------|------|----------|
| The leadership proposes alternative ways of completing tasks             | 4.25 | .879     |
| The leadership does not interfere with my work unless there is a problem | 4.24 | .886     |
| The leadership encourages me to question my assumptions                  | 4.21 | .893     |
| The leadership encourages new ways of solving problems                   | 4.20 | .805     |
| The leadership does not criticize new ideas publicly                     | 4.18 | .894     |
| The leadership seeks differing opinions from staff for addressing issues | 4.05 | .903     |
| Aggregate                                                                | 4.19 | .877     |

The results in Table 4.10 indicate the average mean score for intellectual stimulation was 4.19. This indicates that the respondents agreed on emphasis of intellectual stimulation among microfinance institutions. Precisely, respondents opined that their leaders proposed alternative strategies of completing the assigned tasks as shown by the highest mean score of 4.25. However, respondents also felt that their leaders did not seek differing opinions from staff for addressing issues (mean score = 4.05). It thus alludes that the management were being more autocratic than democratic. These results could be so since majority of the respondents were in the lower-level management cadre and therefore they may feel that the management was not consultative enough but instead imposed directives on them for implementation.

These findings are consistent with Thuan (2020) who did a study in Vietnam and noted the adoption of intellectual stimulation as a practice of transformational leadership. The results of the study also supported the outcomes of Komakech et al.

(2021) that a positive and significant relationship exist between the intellectual stimulation and employee performance. Similarly, Otieno et al. (2019) showed a significant and positive relationship between intellectual stimulation and employee engagement. However, Hassi (2019) and Waris et al. (2018) showed that intellectual stimulation does not have significant relationship with employee commitment and job satisfaction.

#### *Individualized Consideration*

The last sub-variable of transformational leadership was individualized consideration. The results of descriptive statistics on it were determined and summarized as shown in Table 4.11.

**Table 4.11: *Descriptive Results for Individualized Consideration***

|                                                                                  | Mean | Std. Dev |
|----------------------------------------------------------------------------------|------|----------|
| The leadership accommodates everyone regardless of their different personalities | 4.19 | .763     |
| The leadership meets my personal needs to enable me to grow in the institution   | 4.16 | .896     |
| The leadership values my abilities                                               | 4.04 | 1.025    |
| The leadership supports me in developing my strengths                            | 3.92 | 1.064    |
| The leadership supports me in my job-related activities                          | 3.89 | 1.070    |
| My leader spends time to mentor me                                               | 3.72 | 1.055    |
| Aggregate                                                                        | 3.99 | .979     |

The aggregate mean score for individualized consideration from Table 4.11 was 3.99 postulating that respondents agreed on the emphasis of individualized consideration among the staff members in their institutions. Specifically, results postulated that the leadership of microfinance institutions accommodated everyone regardless of their different personalities, a factor that Ding and Li (2020) suggested is

key to staff motivation and productivity. However, although the top management were hailed for accommodating their staff, they did not spend time to mentor individual employees as shown by a low mean score of 3.72. The average standard deviation was 0.979 which suggested that the degree of convergence of the responses shared by the respondents on individualized consideration was relatively dispersed. As a result, some management staff felt that individualized consideration was emphasised while others felt that it was not.

Additionally, respondents agreed that the leadership in their microfinance institutions met their personal needs which enabled them to grow in the institution as shown by a mean score of 4.16. Furthermore to that, respondents were in agreement that the leadership in their institution valued their abilities (Mean score = 4.04). Moreover, respondents also suggested that leadership supports their staff in developing their strengths as shown by a mean score of 3.92. Finally, respondents agreed that their leaders support them in job-related activities with a mean score of 3.89.

Sequentially, it was deduced that transformational leadership was present and was being practiced in the studied microfinance institution as agreed by the respondents. However, this was practiced in varying degrees where idealized influence was highly practiced (mean score = 4.32) followed by inspirational motivation (mean score = 4.30), intellectual stimulation (mean score = 4.19) and lastly individualized consideration (mean score = 3.99).

Similar conclusion was reached by Golyama et al. (2018) who indicated that individualized consideration had a positive and significant influence on performance as well as Ogola et al. (2017) who showed a strong correlation between individualized

consideration and employee performance. The results were also consistent with Lal and Viswanathan (2017) who underscored the importance of idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration as precursor for employee retention.

### *Psychological Empowerment*

The mediating variable covered in this study was psychological empowerment which was measured through meaning, competence, self-determination and impact. This variable was considered relevant in this study owing to its critical role in influencing the relationship between work behaviour which is a precursor for staff satisfaction (Stanescu et al. (2020), and intention to quit (Samuel & Engelbrecht, 2021). Table 4.12 provides a summary of the descriptive statistics on psychological empowerment.

**Table 4.12: *Psychological Empowerment***

| Meaning                                                                         | Mean | Std. Dev |
|---------------------------------------------------------------------------------|------|----------|
| My job is very important to me                                                  | 4.49 | .686     |
| My job activities are personally meaningful to me                               | 4.32 | .836     |
| Aggregate                                                                       | 4.41 | .761     |
| Competence                                                                      |      |          |
| I am self-assured about my capabilities to perform my job activities            | 4.57 | .593     |
| I have mastered the skills needed for my job                                    | 4.57 | .624     |
| I am confident about my ability to do my job                                    | 4.55 | .634     |
| Aggregate                                                                       | 4.56 | .617     |
| Self-determination                                                              |      |          |
| I have considerable opportunity for independence and freedom in how I do my job | 3.89 | 1.125    |
| I have significant autonomy in determining how I do my job                      | 3.70 | 1.086    |
| I can decide on my own how to go about my job                                   | 3.69 | 1.201    |
| Aggregate                                                                       | 3.76 | 1.137    |

|                                                                    |      |       |
|--------------------------------------------------------------------|------|-------|
| Impact                                                             |      |       |
| My impact on what happens in my institution is large               | 3.33 | 1.082 |
| I have a great deal of control over what happens in my institution | 3.26 | 1.203 |
| I have a significant influence over what happens in my institution | 3.26 | 1.235 |
| Aggregate                                                          | 3.28 | 1.173 |
| Overall                                                            | 4.00 | 0.922 |

From Table 4.12, the overall mean score for psychological empowerment was 4.00 alluding that the respondents agreed that psychological empowerment was emphasised among microfinance institutions. The overall standard deviation of 0.922 suggest that there were low variations in the level of agreement among the respondents with regard to recognition of psychological empowerment among the staff members in microfinance institutions in Nairobi City County. These observations concurred with the findings of Stanescu et al. (2020) who underscored the role of psychological empowerment in leadership. At the same time, Samuel and Engelbrecht (2021) emphasised the need for psychological empowerment among the staff members.

Individually, the aggregate mean score for meaning was 4.41 with standard deviation of 0.761 which suggests that respondents were in agreement on the extent to which they understood their job, its importance and its meaningfulness to them. In regard to its measurement, respondents agreed that their job was very important to them as shown by the mean score of 4.49. The standard deviation of 0.686 indicted that there was general agreement among the respondents on the importance of their jobs. Similarly, respondents agreed that their job activities were personally meaningful to them (Mean score = 4.32). This means that majority of the respondents felt that their jobs were meaningful to them as shown by the standard deviation of 0.836. These findings are in line with Kivuva et al. (2019) who reiterated the importance of meaning on job satisfaction.

Regarding competence, the aggregate mean score was 4.56 and a standard deviation of 0.617. The findings indicate that the respondents strongly agreed on the level of competence exhibited by the employees among microfinance institutions. The standard deviation of 0.617 suggest that there was consensus among respondents on emphasis on competence in their institutions. Individually, the results postulate that respondents strongly believed they were competent enough to carry out their respective duties in their institutions (Mean = 4.57). The standard deviation of 0.593 indicate that the respondents generally agreed on the perception regarding the surety about their capabilities to perform their jobs. At the same time, respondents believed that they had mastered the skills needed for their job as indicated by a mean score of 4.57. There was consensus among respondents regarding the extent to which they had mastered the skills needed for their job as indicated by a standard deviation of 0.624. Finally, the respondents also exhibited confidence in their ability to do their job (Mean = 4.55). The standard deviation of 0.634 suggests that there were low deviations in responses given regarding confidence about respondents' ability to do their job.

Self-determination had an aggregate mean score of 3.76 signifying an agreement among majority of the respondents on the extent to which they were intrinsically determined. The relatively higher standard deviation of 1.137 implies that in as much as respondents were in agreement that they were self-determined, they had divergent views and opinions on the same. Respondents further alluded that they were accorded considerable opportunity for independence and freedom in how they did their jobs as shown by a mean score of 3.89. However, the respondents had varying views on the opportunities for independence and freedom to do their job as indicated by the standard deviation of 1.125. Moreover, staff in microfinance institutions in Nairobi City

County have significant autonomy in determining how to do their job as evidenced by a mean score of 3.70. However, high variations were noted among the respondents on the autonomy to determining how to do their jobs as shown by the standard deviation of 1.086. Finally, on whether employees could decide on how to go about their job, respondents agreed that they can decide on their own how to go about their job as evidenced by a mean score of 3.69. Similarly, high variations were evidenced on this attribute as indicated by a high standard deviation of 1.201. The relevance of self-determination was equally emphasised by Meira and Hancer (2021), who observed that self-determination tend to improve the level of satisfaction among employees. Similarly, AlKindy and Magd (2021) emphasised on the need for employees to have self-determination for them to be productive in their jobs.

In relation to impact, the study observed that the aggregate mean score was 3.28 alluding that majority of employees in microfinance institutions in Nairobi City County neither agreed nor disagreed on their impact in the institution. This implied that the respondents were indifferent on having created any impact in their institutions. However, there were high variations on this attribute as shown by a standard deviation of 1.173. Thus, while some felt that they were impactful others felt their impact was not felt. The impact of employees in the firm was viewed as a key attribute by Pradhan et al. (2017) who emphasised that if employees feel that they are not impactful, their satisfaction and productivity in their current role may be adversely affected.

Categorically, respondents were indifferent on the fact that their impact on what happens in their institution is large as shown by a mean score of 3.33. High deviations were however observed on this attribute as shown by a standard deviation of 1.082. At the same time, respondents neither agreed nor disagreed on having a great deal of

control over what happens in their institution as evidenced by a mean score of 3.26. The standard deviation on this attribute was 1.203 suggesting absence of consensus in the perception of respondents on their impact in the institution. Respondents were also indifferent about the significance of the influence they exhibited over what happens in their institution (mean score = 3.26). The standard deviation on this attribute was 1.235 which suggests that there were high deviations in the responses provided by the respondents regarding the significance of their influence in their institutions.

Sequentially, the indicator with the highest mean score was competence (mean score = 4.56) followed by meaning (mean score = 4.41), self-determination (mean score = 3.76) while impact had the least mean score of 3.28. This implies that competence was the most emphasised indicator of psychological empowerment while impact was the least emphasised. On the other hand, the results suggest that employees in microfinance institutions in Nairobi City County agreed that they were competent to perform their job but they felt that their impact in the institution was not felt.

### *Staff Retention*

The dependent variable of the study was staff retention and was operationalised as intention to stay, staff satisfaction, perceived organizational justice, organizational commitment and staff engagement. Organizational commitment was further subdivided into affective commitment, normative commitment as well as continuance commitment. Table 4.13 is a breakdown of the descriptive statistics on staff retention starting with staff satisfaction, followed by perceived organizational justice, organizational commitment and finally staff engagement.

Table 4.13: *Descriptive Results for Staff Retention*

| Intention to Stay                                                                                | Mean | Std. Dev |
|--------------------------------------------------------------------------------------------------|------|----------|
| I feel proud working with the leadership of this institution                                     | 3.99 | 0.861    |
| My future is bright in this institution with the current leadership                              | 3.96 | 0.914    |
| I intend to remain in this institution because of the good relationship with the leadership      | 3.72 | 1.095    |
| I intend to work in this institution for the next five years or more                             | 3.60 | .893     |
| I feel like leaving this institution because others have left                                    | 2.68 | 1.390    |
| I have searched for a new job in the last 1 year                                                 | 2.59 | 1.350    |
| Aggregate                                                                                        | 3.42 | 1.084    |
| Staff Satisfaction                                                                               | Mean | Std. Dev |
| I feel comfortable with the leadership of this institution                                       | 4.02 | .888     |
| I would recommend my friends to work in this institution                                         | 4.01 | .858     |
| The leadership instils team spirit that makes me stay in this institution                        | 3.98 | .888     |
| The tasks assigned to me by my leader are manageable                                             | 3.96 | .776     |
| My leader uses satisfying leadership methods                                                     | 3.80 | .987     |
| My leader understands the problems I experience                                                  | 3.73 | .981     |
| Aggregate                                                                                        | 3.92 | .896     |
| Perceived Organizational Justice                                                                 | Mean | Std. Dev |
| The leadership treats me with respect                                                            | 4.10 | .788     |
| There is fairness in the reward system by the leadership                                         | 4.02 | .907     |
| The leadership treats employees equally                                                          | 3.99 | .858     |
| The leadership takes our ideas and interests seriously                                           | 3.97 | .882     |
| The leadership explains why certain decisions are made the way they are made in this institution | 3.81 | .927     |
| Aggregate                                                                                        | 3.98 | .872     |
| Organizational Commitment                                                                        | Mean | Std. Dev |
| Affective Commitment                                                                             | 3.79 | 0.859    |

|                                                                             |      |          |
|-----------------------------------------------------------------------------|------|----------|
| Normative Commitment                                                        | 3.05 | 1.075    |
| Continuance Commitment                                                      | 2.87 | 1.160    |
| Aggregate                                                                   | 3.24 | 1.031    |
| Staff Engagement                                                            | Mean | Std. Dev |
| My leader inspires me to complete my tasks                                  | 4.00 | 0.786    |
| The leadership provides an opportunity to demonstrate my skills             | 3.96 | 0.994    |
| The leadership advises me on how to learn new things for my personal growth | 3.95 | 0.924    |
| The leadership listens to our criticisms                                    | 3.80 | 1.008    |
| My leader assigns to me challenging tasks                                   | 3.68 | 0.953    |
| My leader involves me in making decisions in this institution               | 3.67 | 1.133    |
| Aggregate                                                                   | 3.84 | 0.966    |
| Overall                                                                     | 3.68 | 0.970    |

The results in Table 4.13 showed that the overall mean score for staff retention was 3.68 with a standard deviation of 0.970. These results imply that there was agreement among respondents on retention of employees in the organisation. It is thus deduced that there is average retention of employees among microfinance institutions in Nairobi City County. The standard deviation of 0.970 indicate relative agreement among respondents on the level of retention in the microfinance institutions in Nairobi City County. Results also indicated that the aggregate mean score for intention to stay was 3.42 with an associated standard deviation of 1.084. These results suggest that majority of respondents neither agreed nor disagreed on whether they had intentions to stay. This implies that they were indifferent on whether to stay or quit. The standard deviation of 1.084 indicated that there was no consensus in the perception of respondents regarding their intention to stay. Therefore, while some had intentions to stay, there were others who didn't intend to stay in their current microfinance

institution, thus the low mean score. Since majority of the respondents were middle aged ranging between 24 and 44 years of age accounting for 77.6% of all the respondents and who were in the lower level management, it is possible that they are actively seeking better opportunities in other organisations thus lower intention to stay. Based on the postulations of Vu and Nwachukwu (2020) that staff retention is a function of a conducive environment that influences the staff to stay in the organization, it may be deduced that some of the lower-level management staff perceive their work environment not to be conducive.

On the individual indicators of intention to stay, the study observed that majority of respondents agreed that they felt proud working with the leadership in their institution as shown by a mean score of 3.99. Respondents generally agreed on this attribute as shown by a standard deviation of 0.861. Majority of respondents also had confidence in the current leadership as they agreed that their future would be bright in their current microfinance institution with the current leadership with a mean score of 3.96. Further, the study established that the current good relationship existing between the current leadership and their staff compelled the respondents to stay in the institution as shown by a mean score of 3.72. The mean score of 3.60 regarding the intention to work in the current institution for the next five years or more suggests that there was a significant number of respondents who intend to stay. However, a number of respondents as shown by a mean score of 2.68 neither agreed nor disagreed to the fact that they feel like leaving their institution because others have left while another lot with a mean score of 2.59 neither agreed nor disagreed to have searched for a new job in the last 1 year. Vu and Nwachukwu (2020) alluded to the fact that conducive environment can persuade staff to remain in their current institution. Further, Fahim

(2018) emphasised that the intention to stay may be motivated by the current leadership of the institution.

In relation to staff satisfaction, the study observed that the aggregate mean score was 3.92. The results imply that majority of the respondents agreed that they were satisfied in their current institution. The standard deviation of 0.896 suggest that there was consensus among respondents on their level of satisfaction. Precisely, majority of respondents agreed that they feel comfortable with the leadership of their institution as shown by the mean score 4.02. Respondents agreed that they would recommend their friends to work in their current institution as shown by a mean score of 4.01. Team spirit is also emphasised in the microfinance institutions in Nairobi City County with a mean score of 3.98. It was further noted that employees were assigned manageable tasks by their leaders as indicated by a mean score of 3.96. Moreover, there was an agreement among respondents that their leaders used satisfying leadership methods as evidenced by a mean score of 3.80. Respondents also agreed that their leaders understood the problems they experienced in the course of their work as indicated by the mean score of 3.73. The importance of staff satisfaction as a condition for staff retention was accentuated by Hurley and Estelami (2007) who indicated that for employees to stay in their current job they must be satisfied. Additionally, Yao and Huang (2020) insinuated that increased staff satisfaction is directly related to intention to stay.

On individual measures of perceived organizational justice, the results showed that the respondents agreed that their leaders treated them with respect as shown by a mean score of 4.10. There was also agreement among respondents regarding fairness in the reward system adopted by the leadership in their microfinance institutions as

shown by a mean score of 4.02. Results further showed that respondents agreed to the fact that their leadership was fair and treats all employees equally as shown by a mean score of 3.99. Top management in microfinance institutions in Nairobi City County seriously accepted ideas and interests from their juniors as was indicated by an agreeing mean score of 3.97. Finally, the results showed that the leadership of microfinance institutions in Nairobi City County explained why certain decisions were made the way they were made with a mean score of 3.81.

The results in Table 4.13 showed that organizational commitment had an aggregate mean score of 3.24 suggesting that the respondents neither agreed nor disagreed on their commitment to the organisation. The standard deviation of 1.031 suggests that there were high variations in the way the respondents felt about their current institution. The results imply that while some respondents were committed to their current microfinance institution, some had a divided loyalty. Alotaibi et al. (2020) and Ambad et al. (2021) suggested that organizational commitment increased staff satisfaction and intention to stay. Therefore with low organizational commitment, the results suggest that the intention to stay was bound to be low. Additionally, in reference to the postulations by Yao and Huang (2020) that organizational commitment was related to staff retention, the study finds that the low organizational commitment resulted in low staff retention.

Organizational commitment was measured through three indicators of affective commitment, normative commitment and continuance commitment. Affective commitment had the highest mean score of 3.79 with a standard deviation of 0.859 suggesting that majority of the respondents were emotionally attached to their current microfinance institution and they felt that their personal goals were in congruence with

those of the organisation. Normative commitment ranked second with a mean score of 3.05. These results allude that majority of respondents could neither agree nor disagree that they felt obliged to stay in their current microfinance institution even if they were unhappy in their current roles. The standard deviation of 1.075 indicate that while some respondents felt that they were obliged to remain in their current institution, some perceived that they had no obligation whatsoever, to stay in the current institution. The last measure of commitment was continuance commitment which had a mean score of 2.87. This indicates that most respondents were indifferent about the costs and benefits of staying in or leaving their microfinance institution. The standard deviation of 1.160 suggest that while some respondents felt that it would be costly for them if they left their current institution, others felt that the benefit of leaving would be higher.

The last indicator of staff retention was staff engagement which had an aggregate mean score of 3.84 and a standard deviation of 0.966. The mean score suggests that there was agreement among respondents on the fact that employees were engaged by their seniors. There were however some variations among the respondents where some felt that they were not optimally engaged while others felt they were adequately engaged. Regarding the statements presented to the respondents, majority of the respondents agreed that their leaders inspired them to complete their tasks as shown by a mean score of 4.00. This means that majority of the respondents felt motivated by their leaders to work harder to finish tasks allocated to them. The results also showed that respondents agreed that their leaders provided opportunities to demonstrate their skills with a mean score of 3.96. Leadership in microfinance institutions in Nairobi City County advices their juniors on how to learn new things for their personal growth as shown by a mean score of 3.95. There was agreement among

respondents on the fact that their leaders listen to their criticisms (mean score = 3.80). There was also agreement among respondents regarding assigning challenging tasks to employees by their leader and leaders involving their juniors in decision making in microfinance institution with a mean score of 3.68 and 3.67 respectively.

Sequentially, the indicator with the highest mean score was perceived organizational justice (mean score = 3.98) followed by staff satisfaction (mean score = 3.92), staff engagement (mean score = 3.84), intention to stay (mean score = 3.42) while organizational commitment had the least score (mean score = 3.24).

The indicators of organizational commitment (affective commitment, normative commitment and continuance commitment) were analysed separately and the descriptive statistics results were as summarised in Table 4.14.

Table 4.14: *Descriptive Results for Organizational Commitment*

| Affective Commitment                                                  | Mean | Std. Dev |
|-----------------------------------------------------------------------|------|----------|
| I am proud to talk about this institution to others                   | 4.00 | .818     |
| I feel important as a member of this institution                      | 3.97 | .794     |
| This institution is very meaningful to me                             | 3.86 | .763     |
| I feel a sense of belonging in this institution                       | 3.84 | .818     |
| I feel as if the institution's problems are my own                    | 3.57 | .996     |
| I feel emotionally connected to this institution                      | 3.50 | .965     |
| Aggregate                                                             | 3.79 | 0.859    |
| Normative Commitment                                                  | Mean | Std. Dev |
| I feel morally obliged to remain in this institution                  | 3.50 | .934     |
| I feel it is my personal duty to continue serving in this institution | 3.28 | 1.080    |
| I remain in this organization because I am loyal to the leadership    | 3.09 | 1.160    |

|                                                                                                  |      |          |
|--------------------------------------------------------------------------------------------------|------|----------|
| I remain in this institution because of social ties with my workmates                            | 2.90 | 1.097    |
| It feels unethical for me to move to another institution                                         | 2.81 | 1.154    |
| It would feel like a betrayal of my institution to leave it                                      | 2.70 | 1.025    |
| Aggregate                                                                                        | 3.05 | 1.075    |
| Continuance Commitment                                                                           | Mean | Std. Dev |
| I am motivated to remain in this institution because the leadership highly recognizes my efforts | 3.34 | 1.135    |
| I desire remaining in this institution because of the annual salary increase                     | 3.02 | 1.051    |
| Leaving this institution would affect my life very negatively                                    | 3.00 | 1.194    |
| I am motivated to continue working here due to the incentives I receive besides my salary        | 2.93 | 1.109    |
| I remain in this institution for lack of an alternative job                                      | 2.60 | 1.273    |
| I cannot leave this institution because I have already invested a lot in it                      | 2.33 | 1.195    |
| Aggregate                                                                                        | 2.87 | 1.160    |
| Aggregate of Organizational Commitment                                                           | 3.24 | 1.031    |

From Table 4.14, the results indicated that with respect to affective commitment, respondents agreed that they were proud to talk about their microfinance institution to others with a mean score of 4.00, they felt important as a member of their institution with a mean score of 3.97, their current institution is very meaningful to them with a mean score of 3.86 and respondents agreed that they felt a sense of belonging in their microfinance institution mean score of 3.84. Respondents further agreed that they felt that their institution's problems were their own and that they felt emotionally connected to their institution as shown by a mean score of 3.57 and 3.50 respectively.

Regarding normative commitment, respondents agreed that they felt morally obliged to remain in their institution as indicated by a mean score of 3.50. This observation was generally agreed as shown by a standard deviation of 0.934. Respondents however, neither agreed nor disagreed to the fact that they felt it was their personal duty to continue serving in the institution (mean score = 3.28), they remain in the organization because they are loyal to the leadership (mean score = 3.09), they remain in the institution because of social ties with workmates (mean score = 2.90), they feel it is unethical for them to move to another institution (mean score = 2.81) and that it would feel like a betrayal to the institution to leave (mean score = 2.70). These results imply that most respondents did not feel obliged to continue working in the institution as shown by the low level of commitment. Most respondents did not feel that leaving their current institution is betrayal to the institution.

Concerning continuance commitment, respondents were indifferent on the fact that they were motivated to remain in their current institution because the leadership highly recognized their efforts with a mean score of 3.34, they desired to remain in the institution because of the annual salary increase (mean score = 3.02) and leaving their institution would affect their life very negatively (mean score = 3.00). The results also showed that the respondents were motivated to continue working in their current institution due to the incentives they received besides their salary, they lacked an alternative job and they had already invested a lot in it as shown by a mean score of 2.93, 2.60 and 2.33 respectively. These results suggest that most of the respondents did not remain in the current institution due to economic benefits only. The results were consistent with the conclusions of Whatmore and Wiklef (2020) who opined that while remuneration is a necessary condition for staff retention, it is not a satisfactory condition

adequate for effective staff retention. Similarly, Judeh and Abou-moghli (2019) alluded that staff satisfaction in their current institution may increase their intention to stay in their institution.

### Diagnostic Tests

Diagnostic tests are assessments that are conducted so as to validate the assumptions of regression analysis. Their essence is to check and determine if any of the regression analysis assumptions has been violated which should not be the case as it may lead to questionable results (Vetter & Schober, 2018). In this study, diagnostic tests were done on the data before analysis to verify that statistical assumptions were not violated. According to Field (2013), statistical assumptions are the assumptions that should hold true for the regression model to be valid and yield reliable results. The specific diagnostic tests that were conducted in this study include normality, homoscedasticity tests, multicollinearity as well as linearity test as presented in the subsequent sections.

### *Normality Tests*

According to Hair et al. (2019), data sets are inspected for normality assumption to ensure they have normal distributions. In this study, normality test was conducted using the values of Skewness and Kurtosis that were computed on the variables as summarized in Table 4.15.

Table 4.15: *Skewness and Kurtosis for Testing Normality*

|                                 | n         | Skewness  |            | Kurtosis  |            |
|---------------------------------|-----------|-----------|------------|-----------|------------|
|                                 | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| Idealized Influence             | 210       | -1.137    | .168       | 2.375     | .334       |
| Inspirational Motivation        | 210       | -1.221    | .168       | 2.352     | .334       |
| Intellectual Stimulation        | 210       | -1.329    | .168       | 1.980     | .334       |
| Individualized<br>Consideration | 210       | -.884     | .168       | .216      | .334       |
| Psychological<br>Empowerment    | 210       | -.397     | .168       | -.522     | .334       |
| Staff Retention                 | 210       | -.258     | .168       | .309      | .334       |
| Average                         | 210       | -.871     | .168       | 1.118     | .334       |

From Table 4.15, the average value of Skewness is -.871 while that of Kurtosis is given as 1.118. As recommended by Kothari (2004), the values of Skewness and Kurtosis within the range of + or -3 signify presence of normality. Thus, the data used in this study was normally distributed.

#### *Homoscedasticity Tests*

Homoscedasticity is a diagnostic test done to determine the presence of equal variance between the values of the predictor and the dependent variables (Saunders et al., 2007). This is a desirable condition that is required for modelling regression analysis. Its opposite which is Heteroscedasticity is not a desirable condition as its presence is a strong violation of the regression analysis assumptions. The null hypothesis was set that the error term was constant such that if  $p \leq 0.05$ , the null hypothesis would be rejected implying there was heteroscedasticity and if  $p \geq 0.05$ , the null hypothesis would be accepted implying there was no heteroscedasticity. Levene test was conducted to test for the presence of Homoscedasticity and the results are as presented in Table 4.16.

Table 4.16: *Test of Homogeneity of Variances*

| Variable                     | Levene Statistic | Sig.  |
|------------------------------|------------------|-------|
| Idealized influence          | 2.349            | 0.105 |
| Inspirational motivation     | 0.895            | 0.553 |
| Intellectual stimulation     | 1.243            | 0.243 |
| Individualized consideration | 1.618            | 0.067 |
| Transformational leadership  | 2.416            | 0.241 |
| Psychological empowerment    | 1.734            | 0.392 |
| Staff retention              | 2.038            | 0.081 |

The results posted in table 4.16 indicate that the Levene statistic for idealized influence was 2.349, 0.895 for inspirational motivation, 1.243 for intellectual stimulation, 1.618 for individualized consideration, 2.416 for transformational leadership, 1.734 for psychological empowerment and 2.038 for staff retention. Since the significance level was greater than 0.05 for all the variables, the study failed to reject the null hypothesis that the error term was constant and concluded that there was no significant difference in the variance between the groups and therefore there was no heteroscedasticity.

#### *Multicollinearity Tests*

Multicollinearity is a situation where at least any of the predictor variables are highly correlated with each other (Sahu, 2013). Presence of multicollinearity among the independent variables in a regression model would result in spurious results because it reduces the precision of the estimated coefficients thereby weakening the statistical power of the regression model (Hair et al., 2019). In order to test for this assumption, the values of Variance of Inflation Factors (VIF) were computed and appropriately interpreted as shown in Table 4.17.

Table 4.17: *Multicollinearity Test*

|                              | Collinearity Statistics |       |
|------------------------------|-------------------------|-------|
|                              | Tolerance               | VIF   |
| Idealized Influence          | .493                    | 2.027 |
| Inspirational Motivation     | .408                    | 2.452 |
| Intellectual Stimulation     | .571                    | 1.752 |
| Individualized Consideration | .569                    | 1.759 |
| Psychological Empowerment    | .750                    | 1.333 |
| Mean                         | .558                    | 1.865 |

The results in Table 4.17 indicates the mean VIF as 1.865 with all other variables recording values of less than 2.5 on average. According to Hair et al. (2019), VIF between 1 and 10 shows that there is no multicollinearity; VIF>10 imply there is suspicion of multicollinearity while VIF>100 show there is proof of multicollinearity. The VIF for individual variables were 2.027 for idealized influence, 2.452 for inspirational motivation, 1.752 for intellectual stimulation, 1.759 for individualized consideration and 1.333 for psychological empowerment. Based on these results it is evident that the VIF for all the individual variables were less than 10 and therefore there is no evidence of multicollinearity.

#### *Linearity Tests*

Linearity test is conducted to establish if there exists linear relationship between the predictor and dependent variable. This is a relevant assumption that supports regression modelling (Stockemer, 2019). Scatter plots were used to test for linearity assumption as summarized in Figure 4.1.

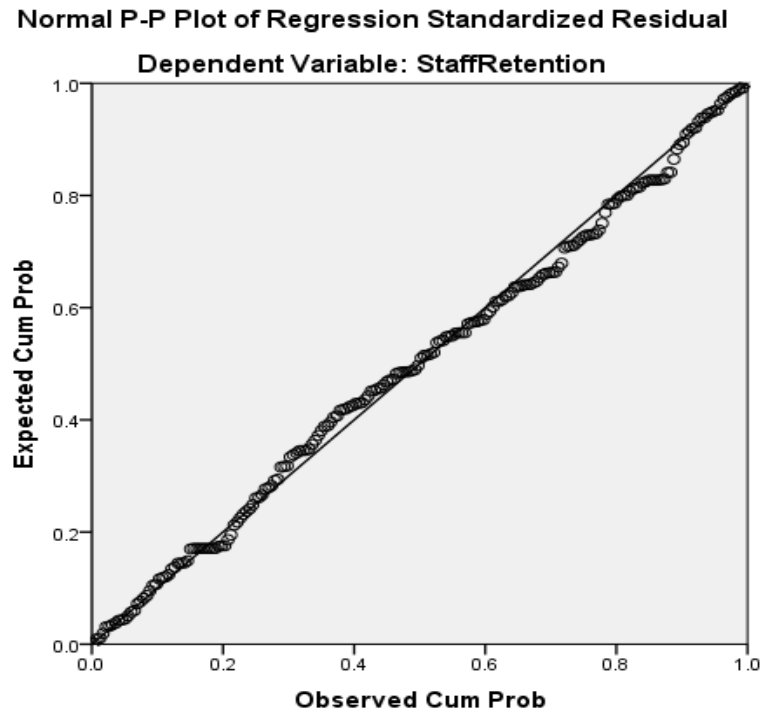


Figure 4.1: *Linearity Tests*

From Figure 4.1, the data points are closely aligned along the normal PP line. This trend is a confirmation of the presence of linearity in the data. According to Weiers (2011), the alignment and pattern of data point in scatter is critical in deciding presence or absence of linearity in the data.

#### Correlational Analysis

It is from correlation analysis that the strength and direction of the relationship between the study variables can be established. Correlation analysis is the preliminary step conducted to establish existence of linear relationship between the variables (Greener, 2008; Matthews & Ross, 2010; Saunders et al., 2007; Wagner, 2015). In this study, Pearson Product-Moment correlation was used to establish the strength and direction of the relationship among the variables. In the interpretation of the value of correlation coefficient, the following thresholds established by Saunders et al. (2007)

were used: A strong relationship is indicated as above  $\pm 0.5$ , middle relationship is indicated in the value between  $\pm 0.30$  and  $\pm 0.50$  whereas the correlation of  $\pm 0.1$  and  $\pm 0.29$  reveals a weak relationship. Table 4.18 gives a summary of the results.

Table 4.18: *Correlation Results*

|                              |                     | staff<br>Retentio<br>n | idealize<br>d<br>Influenc<br>e | Inspir<br>ationa<br>l<br>Motiv<br>ation | Intellec<br>tual<br>Stimul<br>ation | Individu<br>alized<br>Consider<br>ation | Psycholo<br>gical<br>Empowe<br>rment |
|------------------------------|---------------------|------------------------|--------------------------------|-----------------------------------------|-------------------------------------|-----------------------------------------|--------------------------------------|
| Staff Retention              | Pearson Correlation | 1                      |                                |                                         |                                     |                                         |                                      |
|                              | Sig. (2-tailed)     |                        |                                |                                         |                                     |                                         |                                      |
| N                            |                     | 210                    |                                |                                         |                                     |                                         |                                      |
| Idealized Influence          | Pearson Correlation | .383**                 | 1                              |                                         |                                     |                                         |                                      |
|                              | Sig. (2-tailed)     | .000                   |                                |                                         |                                     |                                         |                                      |
| N                            |                     | 210                    | 210                            |                                         |                                     |                                         |                                      |
| Inspirational Motivation     | Pearson Correlation | .411**                 | .680**                         | 1                                       |                                     |                                         |                                      |
|                              | Sig. (2-tailed)     | .000                   | .000                           |                                         |                                     |                                         |                                      |
| N                            |                     | 210                    | 210                            | 210                                     |                                     |                                         |                                      |
| Intellectual Stimulation     | Pearson Correlation | .428**                 | .427**                         | .554**                                  | 1                                   |                                         |                                      |
|                              | Sig. (2-tailed)     | .000                   | .000                           | .000                                    |                                     |                                         |                                      |
| N                            |                     | 210                    | 210                            | 210                                     | 210                                 |                                         |                                      |
| Individualized Consideration | Pearson Correlation | .469**                 | .407**                         | .574**                                  | .577**                              | 1                                       |                                      |
|                              | Sig. (2-tailed)     | .000                   | .000                           | .000                                    | .000                                |                                         |                                      |
| N                            |                     | 210                    | 210                            | 210                                     | 210                                 | 210                                     |                                      |
| Psychological Empowerment    | Pearson Correlation | .467**                 | .440**                         | .361**                                  | .387**                              | .341**                                  | 1                                    |
|                              | Sig. (2-tailed)     | .000                   | .000                           | .000                                    | .000                                | .000                                    |                                      |
| N                            |                     | 210                    | 210                            | 210                                     | 210                                 | 210                                     | 210                                  |

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

The results in Table 4.18 show that idealized influence is moderately but positively correlated with staff retention ( $r = 0.383$ ). The result is consistent with Otieno et al. (2019a) who revealed a statistically significant correlation between idealized influence and employee engagement. The study established that inspirational motivation has a moderate and positive relationship with staff retention ( $r = 0.411$ ). The finding is consistent with Hasija et al. (2019) who indicated a positive and significant correlation between the inspirational motivation and the employee engagement. The finding is also

consistent with Anyiko-Awori et al. (2018) who indicated a significant correlation between inspirational motivation and employee performance.

The findings were that intellectual stimulation is a moderate but positive correlate of staff retention ( $r = 0.428$ ). The results are consistent with Thuan (2020) who confirmed direct relationship between intellectual stimulation and follower creativity.

The study established that individualized consideration has a moderate and positive relationship with staff retention ( $r = 0.469$ ). The result is supported by Ding and Li (2020) who established that both individualized consideration and intellectual stimulation were positively correlated with positive affect and employee strengths use. The findings of the study further indicated that psychological empowerment has a moderate but positive correlation with staff retention ( $r = 0.467$ ). In a related study, Saira et al. (2021) established that psychological empowerment showed a positive relationship with organizational citizenship behaviour. This implies that transformational leadership and psychological empowerment are moderate and positive correlates of staff retention among microfinance institutions operating in Nairobi City County. The result is consistent with Sharanya and Himabindu (2017) who established a significant and positive correlation of 0.967 between transformational leadership and employee retention.

#### Test of Hypotheses

The study developed and tested a total of six hypotheses with the aid of regression analysis. The p-values from the resultant regression outputs across each hypothesis were appropriately interpreted at 5% or 0.05 level of significance in deciding

their acceptance or rejection. The findings were determined and presented as indicated in the subsequent sections. The tested hypotheses were:

H<sub>0</sub>1: Transformational leadership has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

H<sub>0</sub>2: Idealized influence has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

H<sub>0</sub>3: Inspirational motivation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

H<sub>0</sub>4: Intellectual stimulation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

H<sub>0</sub>5: Individualized consideration has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

H<sub>0</sub>6: Psychological empowerment has no significant mediating effect on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya.

#### *Test of Hypothesis One*

Multiple regression analysis was conducted to determine the effect of transformational leadership on staff retention. Table 4.19 is a breakdown of the regression model summary.

*Table 4.19: Model Summary Linking Transformational Leadership and Staff Retention*

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .845 <sup>a</sup> | .714     | .709              | .26938                     |

From the results in Table 4.19 it is noted that the correlation coefficient was 0.845 indicating that there was a strong positive correlation between transformational leadership and staff retention. The adjusted R Square ( $R^2$ ) was observed to be 0.709 suggesting that transformational leadership as constituted was able to predict 70.9% of the variation in staff retention among microfinance institutions in Nairobi City County. The results also indicate that 29.1% of variation in staff retention among microfinance institutions in Nairobi City County was explained by variations in other variables other than transformational leadership.

To determine the overall significance of the regression model, the study conducted an Analysis of Variance (ANOVA) and the results were summarized in Table 4.20.

Table 4.20: *ANOVA Linking Transformational Leadership and Staff Retention*

|            | Sum of Squares | df  | Mean Square | F       | Sig.               |
|------------|----------------|-----|-------------|---------|--------------------|
| Regression | 37.75          | 4   | 9.4375      | 128.176 | 0.000 <sup>b</sup> |
| Residual   | 15.094         | 205 | 0.074       |         |                    |
| Total      | 52.844         | 209 |             |         |                    |

Table 4.20 indicates that the overall regression model linking transformational leadership and staff retention had an F statistic of 128.176 > F critical (4,205 = 2.416). Based on the F critical value, the conclusion made was that the model was a good fit to predict the dependent variable. On the basis of the significance level, the study observed that the P-value for the study was 0.000. This value was noted to be lower than the significance level of 0.05 and therefore the model was fit to predict the dependent variable.

The study further sought to determine the significance of beta coefficients for the model. The results were determined and summarized as shown in Table 4.21.

Table 4.21: *Table of Regression Coefficients<sup>a</sup> 1*

|                              | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|------------------------------|-----------------------------|------------|---------------------------|-------|------|
|                              | B                           | Std. Error | Beta                      |       |      |
| (Constant)                   | 1.518                       | .248       |                           | 6.128 | .000 |
| Idealized Influence          | .149                        | .071       | .168                      | 2.082 | .039 |
| Inspirational Motivation     | .034                        | .076       | .041                      | .444  | .657 |
| Intellectual Stimulation     | .121                        | .054       | .173                      | 2.251 | .025 |
| Individualized Consideration | .183                        | .051       | .278                      | 3.564 | .000 |

The results of the regression model in Table 4.21 were summarised in the regression equation as follows:

$$SR = 1.518 + 0.168II + 0.041IM + 0.173IS + 0.278IC + \varepsilon$$

From the fitted regression equation, it was observed that holding all indicators of transformational leadership (idealized influence, inspirational motivation, intellectual stimulation and individualized consideration) constant, staff retention among microfinance institutions in Nairobi City County would be 1.518. The standardized beta coefficient for the study variable were 0.168 for idealized influence, 0.041 for inspirational motivation, 0.173 for intellectual stimulation and 0.278 for individualized consideration. These results suggest that holding all other factors constant, a unit increase in idealized influence would result in 0.168 increase in staff retention among microfinance institutions in Nairobi City County. Similarly, holding all other factors constant and increasing inspirational motivation by a single unit would result in 0.041 increase in staff retention. Results also show that holding all other factors constant and increasing intellectual stimulation by one unit would result in 0.173 increase in staff retention among microfinance institutions in Nairobi City County. Finally, the results showed that a single unit increase in individualized consideration

while all other factors remain constant would result in an increase in staff retention among microfinance institutions in Nairobi City County by 0.278.

Based on the level of influence of each of the variables, the study noted that individualized consideration had the highest effect on staff retention among microfinance institutions in Nairobi City County ( $B = 0.278$ ), followed by intellectual stimulation ( $B = 0.173$ ), idealized influence ( $B = 0.168$ ) while inspirational motivation had the least effect ( $B = 0.041$ ). The results further showed that all the variables were significant at 0.05 significance level: Idealized influence ( $p = 0.039 < 0.05$ ; intellectual stimulation,  $p = 0.025 < 0.05$ ; individualized consideration,  $p = 0.000 < 0.05$ ) other than inspirational motivation which was insignificant at 0.05 (inspirational motivation,  $p = 0.657 > 0.05$ ).

Since the model was significantly fit in predicting staff retention among microfinance institutions in Nairobi City County at 0.05 significance level, the study rejected the null hypothesis that transformational leadership has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya and concluded that the transformational leadership has a significant effect on staff retention among microfinance institutions in Nairobi City County, Kenya.

These results are explained on the basis of the demographic characteristics of the respondents, descriptive statistics, previous empirical research and the underpinning theories. In relation to the demographic results, the study noted that majority of the respondents (77.6%) were middle aged ranging between 24 and 44 years of age with 60.5% of all the respondents falling below the age of 35 years. This suggests that although majority of respondents were relatively young and would be actively looking

for better opportunities in the industry, the leadership in the institutions inspired them to continue working in the institution thus the intention to stay. Additionally, demographic results showed that majority of the respondents (80 percent) had a bachelor's degree as the minimum academic qualification. It follows that the respondents adequately understood the effect that transformational leadership has on staff retention among the studied microfinance institutions. The results further showed that 67.6 percent of the respondents were in the lower-level cadre of management and therefore they were directly affected by the decision made at the top level management. Finally, majority of the respondents (47.6 percent) had worked in the microfinance institutions for between 1 and 5 years which implies that the respondents were conversant with the attributes presented to them about their microfinance institution and the relationship between them.

In relation to descriptive results, the study noted that majority of respondents agreed on the emphasis of idealized influence in microfinance institutions (Mean = 4.32) and that senior managers in the microfinance institutions portrayed a lot of confidence. The results also showed that majority of respondents agreed that inspirational motivation was adopted among microfinance institutions (Mean = 4.30), and they also agreed on emphasis of intellectual stimulation (mean = 4.19). The mean score of 3.99 postulates that respondents agreed on the emphasis of individualized consideration. Since all the independent variables were emphasised in the microfinance institutions, the results showed a significant effect of transformational leadership on staff retention among the studied microfinance institutions in Nairobi City County, Kenya.

The results were also explained on the basis of the theoretical framework underpinning the study. Specifically, the Transformational Leadership Theory popularised by Burns (1978) postulates that a leader is capable of motivating his followers to achieve more than what they initially thought they could, by altering their long-held attitudes, values, and belief system (Mwesigwa et al., 2020). Further, a transformational leader influences others and redirects their efforts to achieve overall organisational goals (Okoth, 2018). The results of the study therefore concur with the postulates of the study since transformational leaders are able to influence employees' attitudes and their intention to stay.

The results were also in line with the existing empirical studies. For instance, the results were consistent with the findings of Judeh and Abou-moghli (2019) who established that transformational leadership had a positively significant effect on both employee's intents to stay and self-efficacy. The result further concurs with Almas et al. (2020) who also established a positive and significant effect of transformational leadership on volunteer's intention to stay in the organization. However, the result contradict Edirisooriya (2020) who revealed direct and significant relationship between the four dimensions of transformational leadership and employee retention. Tian et al. (2020) showed a positive and significant correlation between transformational leadership and employee retention. Sharanya and Himabindu (2017) found a significant and positive correlation between transformational leadership and employee retention.

#### *Test of Hypothesis Two*

The study sought to determine the effect of idealized influence on staff retention in microfinance institutions in Nairobi City County, Kenya. The study tested the hypothesis that idealized influence has no significant effect on staff retention in

microfinance institutions in Nairobi City County, Kenya. This was realized through linear regression analysis with the findings of the model summary presented in Table 4.22.

Table 4. 22: *Model Summary Linking Idealized Influence and Staff Retention*

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .882 <sup>a</sup> | .778     | .777              | .23767                     |

The results in Table 4.22 shows that the correlation coefficient was 0.882 suggesting that there was a strong positive correlation between idealized influence and staff retention in microfinance institutions in Nairobi City County. The results further showed that the coefficient of determination (Adjusted R Square ( $R^2$ )) was 0.777 indicating that idealized influence predicted 77.7 percent of all the variations in staff retention in microfinance institutions in Nairobi City County. This implies that 22.3 percent of all the variations in staff retention was caused by other factors other than idealized influence.

To determine the significance of the model in predicting staff retention, the study conducted ANOVA and the results were presented in Table 4.23.

Table 4. 23: *ANOVA Linking Idealized Influence and Staff Retention*

|            | Sum of Squares | df  | Mean Square | F       | Sig.               |
|------------|----------------|-----|-------------|---------|--------------------|
| Regression | 41.095         | 1   | 41.095      | 727.531 | 0.000 <sup>b</sup> |
| Residual   | 11.749         | 208 | 0.056       |         |                    |
| Total      | 52.844         | 209 |             |         |                    |

Table 4.23 indicate that the F-statistic was 727.531 which was greater than F-critical of 3.887. The results thus indicate that the model as constituted was significant in predicting staff retention. Based on the significance level, the study observed that the P-value for the model was 0.000 which is less than 0.05 significance level. Therefore,

the study concluded that the model was fit in predicting staff retention in microfinance institutions in Nairobi City County.

To determine the significance of the beta coefficient of idealized influence, the study conducted student t-test. The results were as presented in Table 4.24.

Table 4.24: *Table of Regression Coefficients<sup>a</sup> 2*

|                     | Unstandardized Coefficients |            | Standardized Coefficients |       | Sig. |
|---------------------|-----------------------------|------------|---------------------------|-------|------|
|                     | B                           | Std. Error | Beta                      | t     |      |
| (Constant)          | 2.081                       | .246       |                           | 8.445 | .000 |
| Idealized Influence | .338                        | .057       | .383                      | 5.978 | .000 |

The simple linear regression equation in Table 4.24 was summarised as follows:

$$SR = 2.081 + 0.383II + \varepsilon$$

The results indicate that if all other factors were held constant at zero, staff retention in microfinance institutions in Nairobi City County would be equal to 2.081 as shown by the constant coefficient. The results further showed that the standardized beta coefficient for idealized influence was 0.383 suggesting that holding all other factors constant, a unit change in idealized influence results to a change in staff retention by 38.3%. Additionally, the results indicate that significance level for idealized influence coefficient was  $0.000 < 0.05$ , indicating that the variable was significant. The study therefore rejected the null hypothesis that idealized influence has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya and concluded that idealized influence has a significant positive effect on staff retention in microfinance institutions in Nairobi City County, Kenya. Similar results were obtained when idealized influence was regressed alongside other

independent (inspirational motivation, intellectual stimulation and individualized consideration) variables and remained significant.

These results were explained on the basis of demographic characteristics of the respondents. The demographic results showed that majority of respondents (60.5%) were below the age of 35 years. This means that the respondents were within the youth age bracket and therefore they were proud of positive attributes of confidence, role model, decision making skills and admirable character demonstrated by their leaders thus affecting their intention to stay in their current institution. Majority of the respondents (67.6 percent) were in the lower-level of management and therefore they looked upon their leaders for direction. 69.0 percent of the respondents were highly educated with a bachelor's degree and therefore they understood the relationship existing between idealized influence and staff retention among microfinance institutions in Nairobi City County. Similarly, majority of respondents, 47.6 percent, had worked in the microfinance institutions for between 1 and 5 years meaning that they had understood their leaders and could evaluate their ability to influence their decisions thus the significant relationship.

The descriptive results showed that respondents agreed that idealized influence was cultivated in microfinance institutions in Nairobi City County. This means that leaders had admirable characteristics such as confidence, role model, action oriented, admirable, respectable, decisions skills and puts others' interest ahead of self-interest which motivated their employees to intend to stay in the institution. The results also supported the postulation of the study that the leader is seen as the change agent capable of changing organizational outcomes such as staff retention. Further, the study opines that transformational leadership makes leaders to be perceived by their followers as

respectable, admirable, risk-takers, ethical, moral, role-model, consistent and persistent (Bass & Riggio, 2006). The results of the study also concurred with Leader-Member Exchange (LMX) theory which prescribes leadership as a situation where leaders strive to make high-quality exchanges with all followers which forms a valuable tool for transformational leaders in influencing all members charismatically to improve their loyalty to them and to the organization (Nandedkar & Brown, 2017; Northouse, 2016).

The results were also in line with the conclusion by Afshari (2021) who established that idealized influence attributed and idealized influence had significant influence on organizational commitment in Iranian context. Similarly, Kimeto et al. (2017) showed that both the idealized influence and individualized consideration had significant and positive effect on organizational commitment. Nyokabi et al. (2017) revealed that idealized influence significantly predicts performance of senior managers. Kimeto et al. (2017) notes that idealized influence and individualized consideration have significant and positive effect on organizational commitment.

### *Test of Hypothesis Three*

The second independent variable in the study was inspirational motivation which was measured through clear vision articulation, excitement arousal and enthusiasm. In this variable, the study hypothesised that inspirational motivation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. The model summary for the regression model was as shown in Table 4.25.

*Table 4.25: Model Summary Linking Inspirational Motivation and Staff Retention*

| Model | R                  | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|--------------------|----------|-------------------|----------------------------|
| 1     | 0.740 <sup>a</sup> | 0.547    | 0.545             | 0.33921                    |

From Table 4.25, the study noted that the correlation coefficient ( $R=0.740$ ) indicated that a strong positive correlation exists between inspirational motivation and staff retention in microfinance institutions in Nairobi City County, Kenya. The results also showed that adjusted R square ( $R^2$ ) was 0.545 implying that 54.5 percent of all variations in staff retention in microfinance institutions in Nairobi City County, Kenya were explained by variations in inspirational motivation. Therefore, 45.5 percent of all variations in staff retention in microfinance institutions in Nairobi City County were explained by other variables other than inspirational motivation.

To determine the significance of the model in predicting staff retention in microfinance institutions in Nairobi City County, the study conducted ANOVA and the results were summarised in Table 4.26.

Table 4. 26: *ANOVA on Inspirational Motivation and Staff Retention*

|            | Sum of Squares | df  | Mean Square | F       | Sig.               |
|------------|----------------|-----|-------------|---------|--------------------|
| Regression | 28.911         | 1   | 28.911      | 251.263 | 0.000 <sup>b</sup> |
| Residual   | 23.933         | 208 | 0.115       |         |                    |
| Total      | 52.844         | 209 |             |         |                    |

The results in Table 4.26 indicate that the F-statistic for the model was 251.263. This value was greater than the critical F-value of 3.887. This indicates the model was significant in predicting staff retention in microfinance institutions in Nairobi City County. The P-value for the model was also observed as 0.000 which is less than the significance level of 0.05 confirming the earlier conclusion that the model is significant in predicting staff retention in microfinance institutions in Nairobi City County.

The study also sought to establish if the beta coefficient of inspirational motivation was significant. To do so a student t-test was conducted. The findings of the beta coefficient and significance were summarized as indicated in Table 4.27.

Table 4.27: *Table of Regression Coefficients<sup>a 3</sup>*

|                          | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|--------------------------|-----------------------------|------------|---------------------------|-------|------|
|                          | B                           | Std. Error | Beta                      |       |      |
| (Constant)               | 2.080                       | .227       |                           | 9.152 | .000 |
| Inspirational Motivation | .340                        | .052       | .411                      | 6.495 | .000 |

The results in Table 4.27, were summarised in regression equation as follows:

$$SR = 2.080 + 0.411IM + \varepsilon$$

The results shown in the equation indicate that the model constant is 2.080 meaning that in the absence of inspirational motivation, staff retention among microfinance institutions in Nairobi City County, Kenya would be 2.080. The model also shows that the standardized beta coefficient for inspirational motivation was 0.411 suggesting that holding all other factors constant, a unit increase in inspirational motivation results to a 0.411 increase in staff retention among microfinance institutions in Nairobi City County, Kenya. The study also found the P-value for inspirational motivation was 0.000 which is less than the significance level of 0.05. This implies that inspirational motivation was significant. The study thus rejected the null hypothesis that inspirational motivation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya and concluded that inspirational motivation has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

Interestingly, these results contradict the results obtained when the variable was regressed severally alongside the other indicators of transformational leadership in which case the variable was insignificant at 0.05 significance level. This may be explained by the fact that when the multiple regression equation was run, the other independent variables strengthened against inspirational motivation, weakening its predictive power and ultimately rendering it insignificant. Additionally, although the results suggest that clearly articulating the vision of the institution, excitement arousal and enthusiasm were considered important attributes of a good leader, when ranked among other characteristics of leadership such as idealized influence, intellectual stimulation and individualised consideration, its significance reduces as shown by the least t-statistic of 0.444.

These results were explained on the basis of demographic characteristics of the respondents which indicated that majority of the respondents (60.5%) were in the youth age bracket (35 years and below). This group requires inspiration from their leaders, the absence of which may motivate them to leave the institution (Hasija et al., 2019; Vismeh, 2021). Demographic results also showed that majority of the respondents (67.6 %) were in the lower-level management which means that they valued inspiration from their seniors hence the intention to stay.

The results were also in line with the descriptive results which indicated that majority of respondents agreed that inspirational motivation was adopted among microfinance institutions (mean score 4.30). This implies that when organisational leaders clarify tasks delegated to their juniors, displays a lot of passion, expresses confidence, clearly articulates the future of the institution and motivates their juniors

they make them excited about their future in the institution thus enhancing the intention to stay.

The results concurred with the theoretical anchorage of the study, specifically transformational leadership theory which supports that inspirational motivation enables a leader to communicate their expectations and envisioned better future clearly, emphasize team spirit, and to show up with optimism and enthusiasm (Odumeru & Ifeanyi, 2013). The results also supported the finding of Nwadike (2020) which informed that inspirational motivation and intellectual stimulation had significant and positive influence on teachers' job commitment. At the same time, Komakech et al. (2021a) showed that inspirational motivation had a positive and significant effect on the public health workers' performance. Golyama et al. (2018) found inspirational motivation to have significant effect on public sector performance. Anyiko-Awori et al. (2018) results indicated a significant correlation between inspirational motivation and employee performance.

#### *Test of Hypothesis Four*

The fourth objective of the study was to establish the effect of intellectual stimulation on staff retention in microfinance institutions in Nairobi City County, Kenya. The associated hypothesis was that intellectual stimulation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. To test the hypothesis, linear regression analysis was conducted where staff retention was regressed on intellectual stimulation and the findings of the model summary are as indicated in Table 4.28.

Table 4.28: *Model Summary Relating Intellectual Stimulation on Staff Retention*

| Model | R                  | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|--------------------|----------|-------------------|----------------------------|
| 1     | 0.833 <sup>a</sup> | 0.694    | 0.692             | 0.27885                    |

From the results in Table 4.28 it is noted that the correlation coefficient was 0.833 indicating that there was a strong positive correlation between intellectual stimulation and staff retention. The adjusted R Square ( $R^2$ ) was observed to be 0.692 suggesting that intellectual stimulation as constituted was able to predict 69.2% of all the variations in staff retention among microfinance institutions in Nairobi City County. The results also indicate that 30.8% of all the variations in staff retention among microfinance institutions in Nairobi City County were explained by variations in other variables other than intellectual stimulation.

The study conducted ANOVA to determine the fitness of the model in predicting staff retention and the results were as shown in Table 4.29.

Table 4.29: *ANOVA Relating Intellectual Stimulation on Staff Retention*

|            | Sum of Squares | df  | Mean Square | F       | Sig.               |
|------------|----------------|-----|-------------|---------|--------------------|
| Regression | 36.671         | 1   | 36.671      | 471.624 | 0.000 <sup>b</sup> |
| Residual   | 16.173         | 208 | 0.078       |         |                    |
| Total      | 52.844         | 209 |             |         |                    |

Results in Table 4.29 indicate that the overall regression model linking intellectual stimulation and staff retention had an F statistic of 471.624 > F critical (1,208 = 3.887). Based on the F critical value, the conclusion made was that the model was a good fit to predict staff retention in microfinance institutions in Nairobi City County. On the basis of the significance level, the study observed that the P-value for the study was 0.000. This value was noted to be lower than the significance level of

0.05 and therefore the model was fit to predict the staff retention in microfinance institutions in Nairobi City County.

The study conducted student t-test to determine the significance of the beta coefficient of intellectual stimulation. The results in Table 4.30 display a breakdown of the beta coefficients and significance.

Table 4.30: *Table of Regression Coefficients<sup>a</sup> 4*

|                          | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|--------------------------|-----------------------------|------------|---------------------------|--------|------|
|                          | B                           | Std. Error | Beta                      |        |      |
| (Constant)               | 2.294                       | .186       |                           | 12.360 | .000 |
| Intellectual Stimulation | .298                        | .044       | .428                      | 6.826  | .000 |

The results in table 4.30 was summarised in the following regression equation:

$$SR = 2.294 + 0.428IS + \varepsilon$$

The results indicate that if all other factors were held constant at zero, staff retention in microfinance institutions in Nairobi City County would be equal to 2.294 as shown by the constant coefficient. The results further showed that the standardized beta coefficient for intellectual stimulation was 0.428 suggesting that holding all other factors constant, a unit increase in intellectual stimulation would result to a change in staff retention by 0.428. The results further showed that significance level for intellectual stimulation coefficient was  $0.000 < 0.05$  significance level indicating that the variable was significant. The study therefore rejected the null hypothesis that intellectual stimulation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya and concluded that intellectual stimulation has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. Similar results were obtained when intellectual stimulation was

regressed alongside other independent (idealized influence, inspirational motivation, and individualized consideration) variables and remained significant.

The findings in the study were explained on the basis of demographic results which indicated that majority of respondents (69.0%) had at least a bachelor's degree as the highest academic qualification. This implied that since they were highly educated, they were able to objectively deduce the relationship existing between intellectual stimulation and staff retention in their microfinance institutions. Therefore, they attached high value on intellectual stimulation as a precursor for staff retention thus the significant relationship. Demographic results also showed that majority of respondents (67.6 percent) were in the lower-level management and therefore they appreciated intellectual stimulation from their seniors thus the intention to stay in the current institution. Majority of the respondents (47.6%) had worked in the microfinance institutions for between 1 and 5 years indicating that they had understanding on the relationship between the study variables. Descriptive result indicated that majority of respondents (mean score = 4.19) indicated that the respondents agreed on emphasis of intellectual stimulation among microfinance institutions. Respondents also opined that their leaders proposed alternative strategies of completing the assigned tasks. However, respondents also felt that their leaders did not seek differing opinions from staff for addressing issues.

The results also supported the postulates of Transformational Leadership Theory which states that leaders can influence their followers by motivating them to achieve more than what they initially thought they could not by altering their long-held attitudes, values, and belief system as observed by Mwesigwa et al. (2020). The results of the study also supported the outcomes of Komakech et al. (2021b) who found that

a positive and significant relationship existed between the intellectual stimulation and employee performance. Nyakomitta et al. (2018) revealed that intellectual stimulation affects the performance. Otieno et al. (2019b) established that employee motivation positively and significantly moderates the relationship between intellectual stimulation and employee engagement. However, the finding contradict Hassi (2019) and Waris et al. (2018) who established that intellectual stimulation does not have significant relationship with employee commitment. The result also contradict Thuan (2020) where intellectual stimulation in the context of Morocco was found not to have significant effect on affective commitment, organizational citizenship behaviour, and job satisfaction of the staff.

#### *Test of Hypothesis Five*

The fourth specific objective of the study was to establish the effect of individualized consideration on staff retention in microfinance institutions in Nairobi City County, Kenya. The associated hypothesis was that individualized consideration has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. To test the hypothesis, the study conducted linear regression analysis. The results on model summary were as presented in Table 4.31.

*Table 4.31: Model Summary Linking Individualized Consideration on Staff Retention*

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .839 <sup>a</sup> | .705     | .703              | .27397                     |

From the results in Table 4.31 it is noted that the correlation coefficient was 0.839 indicating that there was a strong positive correlation between individualized consideration and staff retention. The adjusted R Square ( $R^2$ ) was observed to be 0.703 suggesting that individualized consideration as constituted was able to predict 70.3%

of all the variations in staff retention among microfinance institutions in Nairobi City County. The results also indicate that 29.7% of all the variations in staff retention among microfinance institutions in Nairobi City County were explained by variations in other variables other than individualized consideration.

To determine the fitness of the model in predicting staff retention, the study conducted ANOVA and the results were as summarised in Table 4.32.

Table 4. 32: *ANOVA on Individualized Consideration and Staff Retention*

|            | Sum of Squares | df  | Mean Square | F       | Sig.               |
|------------|----------------|-----|-------------|---------|--------------------|
| Regression | 37.232         | 1   | 37.232      | 496.045 | 0.000 <sup>b</sup> |
| Residual   | 15.612         | 208 | 0.075       |         |                    |
| Total      | 52.844         | 209 |             |         |                    |

The results in Table 4.32 indicate that F statistic was  $496.045 > F_{critical} (1, 208 = 3.887)$ . Based on the F-critical value, the conclusion made was that the model was a good fit to predict staff retention in microfinance institutions in Nairobi City County. On the basis of the significance level, the study observed that the P-value for the study was 0.000. This value was noted to be lower than the significance level of 0.05 and therefore the model was fit to predict the staff retention in microfinance institutions in Nairobi City County.

The study conducted student t-test to determine the significance of the beta coefficient of individualized consideration. The results in Table 4.33 shows a summary of the beta coefficients and significance.

Table 4.33: *Table of Regression Coefficients<sup>a</sup> 5*

|                              | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|------------------------------|-----------------------------|------------|---------------------------|--------|------|
|                              | B                           | Std. Error | Beta                      |        |      |
| (Constant)                   | 2.306                       | .164       |                           | 14.046 | .000 |
| Individualized Consideration | .310                        | .040       | .469                      | 7.667  | .000 |

The results in Table 4.33, were summarised in the regression equation:

$$SR = 2.306 + 0.469IC + \varepsilon$$

The results in the regression equation show that, holding all other factors constant at zero, staff retention in microfinance institutions in Nairobi City County would be equal to 2.306 as shown by the constant coefficient. The results further showed that the standardized beta coefficient for individualized consideration was 0.469 suggesting that holding all other factors constant, a unit increase in individualized consideration would result to a change in staff retention in microfinance institutions in Nairobi City County by 0.469. The results further showed that significance level for individualized consideration coefficient was  $0.000 < 0.05$ , indicating that the variable was significant. The study therefore rejected the null hypothesis that individualized consideration has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya and concluded that individualized consideration has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. Similar results were obtained when individualized consideration was regressed alongside other independent (idealized influence, inspirational motivation, and intellectual stimulation) variables and remained significant.

These results were explained on the basis of demographic characteristics of the respondents. The results showed that majority of respondents (60.5%) were below the

age of 35 years. This means that the respondents were within the youth age bracket and therefore they prefer leaders who accommodate them regardless of their different personalities, meet their personal needs to enable them grow, value their abilities, support them in developing their strengths, support them in their job-related activities and mentor them. When these conditions are met, there would be staff retention. The descriptive results also showed that respondents agreed on the emphasis of individualized consideration among the staff members in their institution. Based on these observations, respondents would be willing to continue working in the institution if their individualized consideration are met thus retention.

The results were also explained on the basis of theoretical underpinning of the study. The findings of the study supported the tenets of Transformational Leadership Theory that a leader plays the role of a coach and mentor, acknowledges the individual needs of each follower, creates a conducive learning environment and opportunities, and encourages a two-way communication with the followers (Bass & Riggio, 2006). Finally, the results were consistent with existing empirical literature. For instance, the finding supported the conclusions of Golyama et al. (2018) who shared that individualized consideration has a positive and significant influence on Tanzania's public sector performance. Njiraini et al. (2018) found that individualized consideration and job security were positively and significantly correlated. On contrary, Ngaithe et al. (2016) revealed that individualized consideration had a significant and negative effect on organization performance. Muriuki and Ombaba (2018) found transformational leadership on organizational performance to be positive and significant.

### *Test of Hypothesis Six*

The last objective of the study was to determine the mediating effect of psychological empowerment on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya. The tested hypothesis was that psychological empowerment has no significant mediating effect on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya. This objective was achieved systematically using four steps recommended by Baron and Kenny (1986) as outlined in the subsequent sections.

#### Step 1: Relationship between transformational leadership and staff retention

The first step entailed estimating the relationship between transformational leadership and staff retention using linear regression model. The findings of the model summary are as presented in Table 4.34.

*Table 4.34: Model Summary for step one of Mediation Testing*

| Model | R                  | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|--------------------|----------|-------------------|----------------------------|
| 1     | 0.851 <sup>a</sup> | 0.723    | 0.722             | 0.26506                    |

From the results in Table 4.34 it was observed that the correlation coefficient was 0.851 indicating that there was a strong positive correlation between transformational leadership and staff retention. The adjusted R Square ( $R^2$ ) was observed to be 0.722 suggesting that transformational leadership as constituted was able to predict 72.2% of all the variations in staff retention among microfinance institutions in Nairobi City County. The results also indicate that 27.8% of all the variations in staff

retention among microfinance institutions in Nairobi City County were explained by variations in other variables other than transformational leadership.

Table 4.35 provides a summary of the ANOVA result. ANOVA was conducted to test the fitness of the model in predicting staff retention among microfinance institutions in Nairobi City County.

Table 4.35: *ANOVA results for Step One of Mediation Testing*

|            | Sum of Squares | Df  | Mean Square | F       | Sig.               |
|------------|----------------|-----|-------------|---------|--------------------|
| Regression | 38.231         | 1   | 38.231      | 544.176 | 0.000 <sup>b</sup> |
| Residual   | 14.613         | 208 | 0.070       |         |                    |
| Total      | 52.844         | 209 |             |         |                    |

Results shown in Table 4.35 indicate that the value of F statistic for the model was 544.176 which was greater than the F critical value of 3.887. Based on the F critical value, the conclusion made was that the model was a good fit to predict staff retention in microfinance institutions in Nairobi City County. Similarly, the study observed that the P-value for the F-statistic was 0.000 which was lower than the significance level of 0.05 and therefore the model was fit for predicting staff retention among microfinance institutions in Nairobi City County.

The study further sought to test if the beta coefficients for the composite index for transformational leadership was significant. The results were as summarised in Table 4.36.

Table 4.36: *Table of Regression Coefficients<sup>a</sup> 6*

|                             | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|-----------------------------|-----------------------------|------------|---------------------------|-------|------|
|                             | B                           | Std. Error | Beta                      |       |      |
| (Constant)                  | 1.440                       | .238       |                           | 6.059 | .000 |
| Transformational Leadership | .500                        | .056       | .526                      | 8.917 | .000 |

The simple linear regression equation in Table 4.36 was summarised as follows:

$$SR = 1.44 + 0.526TL + \varepsilon$$

The results indicate that if all other factors were held constant at zero, staff retention in microfinance institutions in Nairobi City County would be equal to 1.44 as shown by the constant coefficient. The results further showed that the standardized beta coefficient for transformational leadership was 0.526 suggesting that holding all other factors constant, a unit change in transformational leadership results to a change in staff retention by 0.526. The results further showed that significance level for transformational leadership coefficient was  $0.000 < 0.05$  significance level indicating that the variable was significant. The study therefore rejected the null hypothesis transformational leadership has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya and concluded that transformational leadership has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

The result concurs with Almas et al. (2020) who also established a positive and significant effect of transformational leadership on volunteer's intention to stay in the organization. Sharanya and Himabindu (2017) found a significant and positive correlation between transformational leadership and employee retention. Kebede (2019) established that individualized consideration and inspirational motivation had strong positive and significant correlation with performance.

#### Step 2: Psychological empowerment and transformational leadership

In step two, psychological empowerment was regressed on transformational leadership through path A to establish the significance of this relationship. This helped

in establishing the amount of change in psychological empowerment predicted by transformational leadership. Table 4.37 is a breakdown of the results.

Table 4.37: *Model summary in Step Two of Mediation Testing*

| Model | R                  | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|--------------------|----------|-------------------|----------------------------|
| 1     | 0.761 <sup>a</sup> | 0.579    | 0.577             | 0.41528                    |

From Table 4.37, the results indicate that the correlation coefficient was 0.761 indicating that a strong positive correlation exists between psychological empowerment and transformational leadership. The adjusted R-squared value was 0.577 which signifies that 57.7% of all change in psychological empowerment was explained by transformational leadership of the microfinance institutions in Nairobi City County. The results further suggest that 42.3% of all variations in microfinance institutions in Nairobi City County were explained by other variables not included in the model. The ANOVA results are as indicated in Table 4.38.

Table 4.38: *ANOVA of Step Two of Mediation Testing*

|            | Sum of Squares | df  | Mean Square | F       | Sig.               |
|------------|----------------|-----|-------------|---------|--------------------|
| Regression | 49.324         | 1   | 49.324      | 286.000 | 0.000 <sup>b</sup> |
| Residual   | 35.872         | 208 | 0.172       |         |                    |
| Total      | 85.196         | 209 |             |         |                    |

The results in Table 4.38 signify that the overall regression model used in step two of mediation testing was significant ( $F=286.000 > 3.887$ ,  $P=0.000 < 0.05$ ). The coefficients and significance were determined and summarized as shown in Table 4.39.

Table 4.39: *Table of Regression Coefficients<sup>a</sup> 7*

|                             | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|-----------------------------|-----------------------------|------------|---------------------------|-------|------|
|                             | B                           | Std. Error | Beta                      |       |      |
| (Constant)                  | 1.549                       | .312       |                           | 4.967 | .000 |
| Transformational Leadership | .574                        | .074       | .476                      | 7.811 | .000 |

The regression results were summarised in the regression equation as follows:

$$PE = 1.549 + 0.476TL + \varepsilon$$

The results shown in the equation indicate that the model constant is 1.549 meaning that in the absence of transformational leadership, psychological empowerment among microfinance institutions in Nairobi City County, Kenya would be 1.549. The model also shows that the standardized beta coefficient for transformational leadership was 0.476 suggesting that holding all other factors constant, a unit increase in transformational leadership results to a 0.476 increase in psychological empowerment among microfinance institutions in Nairobi City County, Kenya. The study also found the P-value for transformational leadership was 0.000 which is less than the significance level of 0.05. This implies that transformational leadership was significant. The study thus rejected the null hypothesis that transformational leadership has no significant effect on psychological empowerment in microfinance institutions in Nairobi City County, Kenya and concluded that transformational leadership has a significant effect on psychological empowerment in microfinance institutions in Nairobi City County, Kenya. This finding is consistent with Saira et al. (2021) who confirmed a strong relationship between transformational leadership and psychological empowerment.

### Step 3: Staff retention and psychological empowerment

In step 3, staff retention was regressed on psychological empowerment through path B to establish the significance of this relationship. This helped in establishing the amount of change in staff retention explained by psychological empowerment. Table 4.40 is a breakdown of the regression model summary.

Table 4.40: *Model Summary of Step Three of Mediation Testing*

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .467 <sup>a</sup> | .218     | .214              | .44583                     |

The results in Table 4.40 provide the Adjusted R-squared value of 0.214; this means that 21.4% variability in staff retention among microfinances in Nairobi was explained by psychological empowerment. The ANOVA results were determined and presented as shown in Table 4.41.

Table 4.41: *ANOVA results of Step Three of Mediation Testing*

|            | Sum of Squares | df  | Mean Square | F      | Sig.              |
|------------|----------------|-----|-------------|--------|-------------------|
| Regression | 11.501         | 1   | 11.501      | 57.863 | .000 <sup>b</sup> |
| Residual   | 41.343         | 208 | .199        |        |                   |
| Total      | 52.844         | 209 |             |        |                   |

From Table 4.41, it can be inferred that model 3 used in testing for mediation in this study was statistically significant ( $F=57.863$ ,  $p<0.05$ ).

Table 4.42: *Table of Regression Coefficients<sup>a</sup> 8*

|                           | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|---------------------------|-----------------------------|------------|---------------------------|--------|------|
|                           | B                           | Std. Error | Beta                      |        |      |
| (Constant)                | 2.084                       | .194       |                           | 10.742 | .000 |
| Psychological Empowerment | .367                        | .048       | .467                      | 7.607  | .000 |

The regression equation when staff retention is regressed on psychological empowerment becomes:

$$SR = 2.084 + 0.467PE + \varepsilon$$

A unit change in psychological empowerment results to a 46.7% increase in staff retention.

From Table 4.47, the p-value for psychological empowerment is 0.000; this means that it was significant. Hence, the study deduced that psychological empowerment has significant effect on staff retention among microfinance institutions in Nairobi. The finding is supported by Owan et al. (2020) where psychological empowerment was found to have a significant effect on all the three dimensions of commitment, with greater effect on affective commitment than continuance commitment and normative commitment.

Step 4: Staff retention was regressed on transformational leadership and psychological empowerment

The last step of mediation testing entailed regressing staff retention against transformational leadership and psychological empowerment. This was meant to establish the significance of this indirect relationship. This helped in establishing the amount of change in staff retention as a result of the combined prediction by transformational leadership and psychological empowerment. Table 4.43 is a breakdown of the model summary.

Table 4.43: *Model Summary of Step 4 of Mediation Testing*

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .580 <sup>a</sup> | .337     | .331              | .41143                     |

From Table 4.43, the value of the coefficient of determination was 0.337, while the adjusted R Square ( $R^2$ ) value was 0.331; this signifies that on overall, 33.1% change in staff retention among microfinance institutions in Nairobi is explained by transformational leadership and psychological empowerment. The ANOVA results are summarized in Table 4.44.

Table 4.44: ANOVA Results for Step 4 of Mediation Testing

|            | Sum of Squares | df  | Mean Square | F      | Sig.              |
|------------|----------------|-----|-------------|--------|-------------------|
| Regression | 17.804         | 2   | 8.902       | 52.590 | .000 <sup>b</sup> |
| Residual   | 35.040         | 207 | .169        |        |                   |
| Total      | 52.844         | 209 |             |        |                   |

From Table 4.44, it can be inferred that the regression model used in step 4 of mediation testing was statistically significant ( $F=52.590$ ,  $p<0.05$ ). The beta coefficients and significance in step 4 were determined and summarized as indicated in Table 4.45.

Table 4.45: Beta Coefficients and Significance of Step 4 of Mediation Testing

|                             | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|-----------------------------|-----------------------------|------------|---------------------------|-------|------|
|                             | B                           | Std. Error | Beta                      |       |      |
| (Constant)                  | 1.099                       | .241       |                           | 4.555 | .000 |
| Transformational Leadership | .373                        | .061       | .393                      | 6.102 | .000 |
| Psychological Empowerment   | .220                        | .051       | .279                      | 4.342 | .000 |

When staff retention is regressed on both transformational leadership and psychological empowerment, the equation becomes:

$$SR = 1.099 + 0.393TL + 0.279PE + \varepsilon$$

The last hypothesis of the study was H<sub>06</sub>: Psychological empowerment has no significant mediating effect on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya. From Table 4.51, the p-values of transformational leadership ( $p=0.000$ ) and psychological empowerment ( $p=0.000$ ) were all less than 0.05 ( $p<0.05$ ). Thus, the study rejected hypothesis H<sub>06</sub> and deduced that psychological empowerment has significant partial mediating effect on the relationship between transformational leadership and staff retention. In a related study by Saira et al. (2021), the mediation of psychological empowerment on the relationship between transformational leadership and turnover

intention was found to be partial similar to the present study where there was partial mediation. Consistent results were established by Stanescu et al. (2020) who confirmed mediation of the relationship between transformational leadership and innovative work behaviour by psychological empowerment.

#### Summary on the Test of Hypotheses

Table 4.46 provides a summary of the tested hypotheses and the decision that was made.

Table 4.46: *Summary on the Test of Hypotheses*

| Hypotheses                                                                                                                                             | Key Finding | Decision                           | Conclusion                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| H <sub>0</sub> 1: Transformational leadership has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. | P<0.05      | Reject hypothesis H <sub>0</sub> 1 | Transformational leadership has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. |
| H <sub>0</sub> 2: Idealized influence has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.         | P<0.05      | Reject hypothesis H <sub>0</sub> 2 | Idealized influence has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.         |
| H <sub>0</sub> 3: Inspirational motivation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.    | P<0.05      | Reject hypothesis H <sub>0</sub> 3 | Inspirational motivation has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.    |
| H <sub>0</sub> 4: Intellectual stimulation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.    | P<0.05      | Reject hypothesis H <sub>0</sub> 4 | Intellectual stimulation has a significant effect on staff retention in microfinance institutions in                                |

|                                                                                                                                                                                                                         |                                                                                                  |                                    |                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| H <sub>0</sub> 5: Individualized consideration has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.                                                                 | P<0.05                                                                                           | Reject hypothesis H <sub>0</sub> 5 | Nairobi City County, Kenya. Individualized consideration has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.                                             |
| H <sub>0</sub> 6: Psychological empowerment has no significant mediating effect on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya. | The p-values in Steps 1, 2, 3 & 4 are all less than 0.05. There is evidence of partial mediation | Reject hypothesis H <sub>0</sub> 6 | Psychological empowerment has a significant partial mediating effect on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya. |

#### Chapter Summary

The chapter has focused on presentation and discussion of the analysed data based on the objectives and the hypotheses. It has covered the response rate that was determined as 70.5% and reliability results where the average value of Cronbach Alpha Coefficient was 0.903. The chapter also details the descriptive statistics where it emerged that transformational leadership was present and was being practiced in the studied microfinance institutions although in varying degrees where idealized influence was highly practiced (mean score = 4.32) followed by inspirational motivation (mean score = 4.30), intellectual stimulation (mean score = 4.19) and lastly individualized consideration (mean score = 3.99). The findings of descriptive statistics for the psychological empowerment showed that it was practiced with the key aspects being competence (mean score = 4.56), meaning (mean score = 4.41), self-determination

(mean score = 3.76) and lastly impact (mean score = 3.38). Additionally, descriptive statistics indicated that staff retention was in place in the studied institutions and this involved perceived organizational justice (mean score = 3.98), staff satisfaction (mean score = 3.92), staff engagement (mean score = 3.84), intention to stay (mean score = 3.42) as well as organizational commitment (mean score = 3.24). The chapter also focused on diagnostic tests and all the results were within the established thresholds. Correlation results were also covered where it emerged that transformational leadership and psychological empowerment were moderate and positive correlates of staff retention among microfinance institutions operating in Nairobi City County. The chapter ends with regression results that were used to test the hypotheses. From the results, all the hypotheses were rejected as the respective p-values were less than 0.05.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, IMPLICATIONS, CONCLUSIONS, RECOMMENDATIONS AND AREAS FOR FURTHER RESEARCH

#### Introduction

The chapter provides a summary of the analysed findings based on the objectives and the tested hypotheses. The conclusions arising from the key findings are also captured in this chapter. The relevant recommendations informing management and policy are also pointed out. The chapter also details the contribution of the study to knowledge as well as the areas that require further research and it ends with a summary of the chapter.

#### Summary of Findings

Success of microfinance institutions, in the current competitive world, is largely dependent on retention of their well talented and experienced staff. However, these institutions face challenges such as inappropriate leadership, low loyalty and poor staff engagement, which have led to poor staff retention. Existing literature on transformational leadership has failed to clearly articulate the distinct roles of each of the four dimensions namely idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, which calls for a better conceptual framework on the construct. Additionally, although previous scholars have delved into the concept of transformational leadership, most studies relate transformational leadership with the broader aspects of organizational performance, staff turnover, psychological empowerment and other variables such as staff satisfaction and organizational commitment. Moreover, whereas a number of studies have investigated the relationship between transformational leadership and psychological empowerment, they have treated psychological empowerment as the dependent variable without

investigating its mediating effect on the relationship between transformational leadership and staff retention. Therefore, there was need to conduct this study to determine the relationship existing between transformational leadership and staff retention as well as the mediating role of psychological empowerment on the relationship between the variables.

The study thus set out to investigate the effect of transformational leadership on staff retention in microfinance institutions in Nairobi City County, Kenya, to determine the effect of idealized influence on staff retention in microfinance institutions in Nairobi City County, Kenya, to assess the effect of inspirational motivation on staff retention in microfinance institutions in Nairobi City County, Kenya, to evaluate the effect of intellectual stimulation on staff retention in microfinance institutions in Nairobi City County, Kenya, to establish the effect of individualized consideration on staff retention in microfinance institutions in Nairobi City County, Kenya and finally, to determine the mediating effect of psychological empowerment on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya.

The philosophical foundation adopted in the study was positivism in which the researcher had no influence on the respondents and allowed the researcher to generalize the results on the study to the entire population as required of quantitative study. Descriptive and explanatory research designs were used to describe the characteristics of the population and study variables and to investigate the effect of transformational leadership on staff retention. The study targeted 298 respondents drawn from senior, middle and lower level management staff in the head offices of the 12 MFIs in Nairobi City County. Due to the small population, a census survey was conducted. Primary data

was obtained using structured questionnaires which were personally administered by the researcher. Analysis of the quantitative data was conducted through descriptive statistics and inferential statistics. Measures of central tendency, simple linear regression, as well as multiple regression analysis were conducted. Adjusted R – Square ( $R^2$ ) was used to estimate the predictive power of the model. Fitness of the model was tested using F-statistic at 5 percent significance level while the student t-test was used to test the significance of the study variables. The significance level considered for hypothesis testing was 0.05. The subsequent sections summarize the study results based on the objectives that guided the study.

#### *Transformational Leadership and Staff Retention*

The broad objective of the study was to investigate the effect of transformational leadership on staff retention in microfinance institutions in Nairobi City County, Kenya. To achieve the objective, the study tested the null hypothesis that transformational leadership has no significant effect on staff retention in microfinance institutions in Nairobi City County in Kenya. The study rejected the null hypothesis that transformational leadership has no significant effect on staff retention in microfinance institutions in Nairobi City County in Kenya and concluded that the transformational leadership has a significant effect on staff retention among microfinance institutions in Nairobi City County in Kenya. The results were supported by demographic characteristics of the respondents, descriptive statistics, previous empirical research and the tenets of the transformational leadership theory.

On the basis of the demographic characteristics, it was established that majority of the respondents were middle aged suggesting that although majority of respondents were relatively young, the leadership in the institutions inspired them to continue

working in the institution thus the intention to stay. Further, majority of the respondents had a bachelor's degree as the minimum academic qualification indicating that they adequately understood the effect that transformational leadership has on staff retention among the studied microfinance institutions. It was further noted that majority of respondents were in the lower-level cadre of management and therefore they were directly affected by the decision made at the top level management and therefore they were able to clearly articulate the effect of transformational leadership on staff retention.

Based on descriptive statistics, the study noted that respondents agreed on the emphasis of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration in microfinance institutions in Nairobi City County, Kenya. Regarding the theoretical underpinning of the study, it was established that the results of the study supported the postulates of Transformational Leadership Theory that a leader is capable of motivating his followers to achieve more than what they initially thought they could, by altering their long-held attitudes, values, and belief system. Thus, based on the results, transformational leaders are able to influence employees' attitudes and their intention to stay. The results of the study were also consistent with existing literature which supported the tenet that transformational leadership had a positively significant effect on employee's intents to stay in the organization. Since the results were consistent with the demographic, descriptive, empirical and theoretical literature, the study found that the results of the study could be generalised in other studies, organisations and sectors.

### *Idealized Influence and Staff Retention*

The study also sought to determine the effect of idealized influence on staff retention in microfinance institutions in Nairobi City County, Kenya. The study tested the hypothesis that idealized influence has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. Results showed that idealized influence is moderately but positively correlated with staff retention. The study also established that idealized influence has significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. The study therefore rejected the null hypothesis that idealized influence has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya and concluded that idealized influence has a significant positive effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

These results were consistent with demographic results which showed that majority of respondents were within the youth age bracket and therefore they were proud of positive attributes of confidence, role model, decision making skills and admirable character demonstrated by their leaders thus affecting their intention to stay in their current institution. The results also showed that majority of the respondents were in the lower-level of management and therefore they looked upon their leaders for direction, they were highly educated with a bachelor's degree and therefore they understood the relationship existing between idealized influence and staff retention among microfinance institutions in Nairobi City County.

The descriptive results showed that idealized influence was cultivated in microfinance institutions in Nairobi City County meaning that leaders had admirable characteristics such as confidence, role model, action oriented, admirable, respectable,

decisions skills and puts others' interest ahead of self-interest which motivated their employees to intend to stay in the institution. The results supported the postulation of the study that leaders are seen as change agents capable of changing organizational outcomes such as staff retention. The results of the study also concurred with Leader-Member Exchange (LMX) theory which prescribes leadership as a situation where leaders strive to make high-quality exchanges with all followers which forms a valuable tool for transformational leaders in influencing all members charismatically to improve their loyalty to them and to the organization.

The results were also consistent with existing empirical literature that idealized influence behaviour has a significant influence on organizational commitment and staff retention. Based on these results, the study finds that the results of the study can be generalised in other forms of organisations and jurisdictions.

#### *Inspirational Motivation and Staff Retention*

The study further sought to investigate the effect of inspirational motivation on staff retention in microfinance institutions in Nairobi City County, Kenya. The study tested the null hypothesis that inspirational motivation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. Results showed that inspirational motivation had a moderately significant and positive relationship with staff retention. The results also showed that inspirational motivation had a significant effect on staff retention. The study thus rejected the null hypothesis that inspirational motivation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya and concluded that inspirational motivation has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

These results were supported by demographic characteristics that majority of the respondents were in the youth age bracket who require inspiration from their leaders, the absence of which may motivate them to leave the institution. Demographic results also showed that majority of the respondents were in the lower-level management which means that they valued inspiration from their seniors hence the intention to stay. Descriptive results indicated that majority of respondents agreed that inspirational motivation was adopted among microfinance institutions. This implies that when organisational leaders clarify tasks delegated to their juniors, display a lot of passion, express confidence, clearly articulate the future of the institution and motivate their juniors they make them excited about their future in the institution thus the intention to stay.

The results of the study supported the Transformational Leadership Theory which supports that inspirational motivation enables a leader to communicate their expectations and envisioned better future clearly, emphasize team spirit, and to show up with optimism and enthusiasm. The results were also consistent with the existing literature that inspirational motivation had a positive and significant effect on employee performance and retention. Since these studies were conducted in other forms of organisations and jurisdictions than microfinance institutions in the current study, the study found that the results of the current study can be generalised in other areas.

#### *Intellectual Stimulation and Staff Retention*

Another objective of the study was to establish the effect of intellectual stimulation on staff retention in microfinance institutions in Nairobi City County, Kenya. The associated hypothesis was that intellectual stimulation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

Based on the obtained results it was noted that respondents agreed on the fact that there was intellectual stimulation among microfinance institutions in Nairobi City County, Kenya. Results also showed that intellectual stimulation had a moderate but positive correlation with staff retention. Finally, the study found that intellectual stimulation has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. The study thus rejected the null hypothesis that intellectual stimulation has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya and concluded that intellectual stimulation has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

The results were consistent with demographic results which showed that majority of respondents had at least a bachelor's degree as the highest academic qualification and therefore they were able to objectively deduce the relationship existing between intellectual stimulation and staff retention in their microfinance institutions. Demographic results also showed that majority of respondents were in the lower-level management and therefore they appreciated intellectual stimulation from their seniors thus the intention to stay in the current institution. Therefore, they attached high value on intellectual stimulation as a precursor for staff retention. Descriptive results showed that majority of respondents indicated that the respondents agreed on emphasis of intellectual stimulation among microfinance institutions in Nairobi City County, Kenya.

The results of the study also supported the postulates of transformational leadership theory which states that leaders can influence their followers by motivating them to achieve more than what they initially thought they could by altering their long-held attitudes, values, and belief system. The results of the study were consistent with

existing empirical literature which supported the significance of intellectual stimulation in affecting employee performance and retention. Based on these results the study finds that since the findings were consistent with other studies conducted in other jurisdictions, organisations and sectors, the results can be generalised in other areas.

#### *Individualized Consideration and Staff Retention*

The last objective of the study was to establish the effect of individualized consideration on staff retention in microfinance institutions in Nairobi City County, Kenya. The associated hypothesis was that individualized consideration has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. The results showed that individualized consideration was adopted in microfinance institutions in Nairobi City County, Kenya. The results also showed that individualized consideration has significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya. The study therefore rejected the null hypothesis that individualized consideration has no significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya and concluded that individualized consideration has a significant effect on staff retention in microfinance institutions in Nairobi City County, Kenya.

The results were supported by demographic results which showed that majority of respondents were within the youth age bracket and therefore they prefer leaders who accommodates them regardless of their different personalities, meet their personal needs to enable them grow, values their abilities, support them in developing their strengths, support them in their job-related activities and mentor them for them to continue working in the same institutions. The descriptive results showed that

individualized consideration was emphasised among the staff members in their institution and therefore respondents were willing to continue working in the institution.

The results further supported the tenets of Transformational Leadership Theory that a leader plays the role of a coach and mentor, acknowledges the individual needs of each follower, creates a conducive learning environment and opportunities, and encourages a two-way communication with the followers. The results were consistent with the existing empirical literature which supported the significance of individualized consideration as a significant factor that affect staff retention. Since these empirical studies were conducted in other studies which were conducted in other jurisdictions, the study establishes that the results of the current study may be generalised in other areas.

#### *Transformational Leadership, Psychological Empowerment and Staff Retention*

The last objective of the study was to determine the mediating effect of psychological empowerment on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya. The study tested hypothesis that psychological empowerment has no significant mediating effect on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi City County, Kenya. Results indicated that psychological empowerment was highly practiced in the microfinance institutions in Nairobi City County, Kenya. Results also indicated that psychological empowerment has significant partial mediating effect on the relationship between transformational leadership and staff retention. The study thus rejected the hypothesis that psychological empowerment has no significant mediating effect on the relationship between transformational leadership and staff retention in microfinance institutions in Nairobi

City County, Kenya and deduced that psychological empowerment has a significant partial mediating effect on the relationship between transformational leadership and staff retention.

The results were consistent with descriptive results which showed that psychological empowerment was emphasised among microfinance institutions in Nairobi City County. The results of the study also supported the postulations of the social exchange theory which proposes that followers feel obliged to give back for what they receive from the leaders and organization such as support while followers reciprocate the leader's behaviours such that if leaders are perceived as supportive and caring, the followers become more committed. The findings were consistent with existing empirical literature which supports a positive and significant influence of transformational leadership on psychological empowerment, which results to followers' reciprocation with positive behaviours and attitudes such as satisfaction and desire to stay. Based on these observations the study finds that the results of the study could be generalised in other forms of financial institutions and other firms in the country and beyond.

### Conclusions

Results of the study showed that transformational leadership was emphasised in microfinance institutions in Nairobi City County. Specifically, the study found that idealized influence, inspirational motivation, intellectual stimulation and individualized consideration were adopted in microfinance institutions in Nairobi City County. Transformational leadership is a significant predictor of staff retention among microfinance institutions in Nairobi City County. When considered jointly, idealized influence, intellectual stimulation and individualized consideration are critical practices

and components of a transformational leader that can enhance staff retention in the firm. When implemented in isolation, each of the indicators of transformational leadership covering idealized influence, intellectual stimulation, individualized consideration and inspirational motivation are significant predictors of staff retention in the microfinance institutions in Nairobi City County, Kenya.

A transformational leader cannot greatly enhance staff retention without psychological empowerment of the subordinate staff in an organization. In other words, psychological empowerment provides a conducive environment that a transformational leader can leverage to motivate the staff so as to realize staff retention in the firm. Psychological empowerment provides an environment where employees strive to remain competent, gain meaning in their work besides remaining self-determined and this would make it easier for a transformational leader to retain the existing staff in an organization.

#### Recommendations for Policy and Managerial Practice

The policy makers and strategists in the microfinance institutions in Nairobi City County, Kenya should align the transformational leadership practices with the strategic goals that have been formulated for sustainable staff retention.

The policy makers at the Central Bank of Kenya (CBK) should formulate relevant industry regulations that are aligned with the HR practices of the microfinance institutions in Nairobi City County, Kenya. Being a regulator of the microfinance institutions in Nairobi City County, Kenya, policy makers at CBK, in liaison with MFIs management, should closely monitor the leadership of these institutions as well as the

staff retention practices in place as all these to some extent can contribute to overall soundness and stability of these institutions.

As one of the elements of staff retention, organizational commitment recorded a very low average score. Thus, the study recommends that the Human Resource managers working in the microfinance institutions in Nairobi City County, Kenya should constantly review and align organizational commitment practices so as to retain more staff.

The study also established that psychological empowerment was significantly predicted by transformational leadership and significantly affected staff retention. Furthermore, the study established that psychological empowerment had a significant partial mediating effect on the relationship between transformational leadership and staff retention. Consequently, the study recommends that the management of MFIs should encourage their employees to understand the meaning of their job and what it means to them, emphasise on the competence of their staff and cultivate self-determination.

#### Contributions of the Study to Knowledge

The contribution of this study to the body of knowledge is twofold; the theoretical/conceptual as well as empirical contribution. The study findings supported the theoretical foundation of the study variables. The study thus contributes to the body of knowledge by providing empirical evidence on the applicability of Transformational Leadership Theory (TLT), Leader-Member Exchange (LMX) Theory, Social Exchange Theory (SET), and Resource-Based View (RBV) Theory in the microfinance institutions. This widens the applicability of the theories in the current context.

In terms of theory, this study has contributed to an understanding that out of the four constituents of the Transformational Leadership Theory, inspirational motivation is not a critical predictor of staff retention especially when all of them are jointly considered. This creates room for critical analysis of this Transformational Leadership Theory to establish possible reasons as to why inspirational motivation does not jointly predict staff retention alongside idealized influence, intellectual stimulation and individualized consideration.

From an empirical stand point, the study has contributed to the literature linking transformational leadership with staff retention. Previous scholars as seen in literature reviewed had focussed more on staff turnover overlooking staff retention. This study contributes to the body of knowledge by showing the relationship existing between transformational leadership and staff retention.

Previous scholarship also failed to clearly conceptualize transformational leadership and therefore there was no distinct and clear operationalization of the variable. This study bridges this gap by concretely operationalising transformational leadership into idealized influence, inspirational motivation, intellectual stimulation and individualized consideration.

While previous studies had delivered on the constructs of transformational leadership, psychological empowerment and staff retention, they considered the variables separately and linked them to other variables such as employee performance and commitment. This study provides a conceptual framework that may be used by microfinance institutions in Nairobi City County and beyond to retain their employees.

A unique contribution of this study to the available literature is that the relationship between transformational leadership and staff retention is partially mediated by psychological empowerment.

#### Areas for Further Research

This study has demonstrated that when considered jointly, only idealized influence, intellectual stimulation and individualized consideration are significant predictors of staff retention. Surprisingly, when each of the components of transformational leadership is considered in isolation in respect to staff retention, each component was significant. Hence, further studies should be conducted to clear out this inconsistency and explore possible reasons for the same.

The present study was guided by three key variables, the dependent variable being staff retention, the independent variable being transformational leadership represented by four proxies and psychological empowerment was the mediating variable. Thus, the present study recommends further studies to incorporate an additional variable in the model for instance a control, moderator or intervening variable so as to compare and contrast the resultant relationship between these variables.

For a more in-depth elicitation of data and acquisition of participants' views and opinions, the study recommends that future research should use mixed methods as opposed to only quantitative method. This would enhance the quantitative data with the qualitative data without necessarily constraining the respondents to structured questions.

### Chapter Summary

The chapter has covered a summary of the analysed findings and conclusions. The recommendations and contribution of the study have also been highlighted. Additionally, the areas requiring further research have also been pointed out in this chapter.

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## APPENDICES

## Appendix I: The Questionnaire

This questionnaire seeks to collect information that will be treated with absolute confidentiality and used for academic purpose only. DO NOT include personal identification such as name or organization. The title of the study is “Transformational leadership, psychological empowerment, and staff retention in microfinance institutions, Nairobi City County, Kenya”.

*Kindly fill in the blanks or tick the appropriate response in the four sections below:*

## SECTION A: DEMOGRAPHIC DETAILS

1. Indicate your gender (Please tick one)

Male [ ] Female [ ]

2. What is your age bracket? (Please tick one)

| Age bracket<br>(years) | Below 20 | 20-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 | 55 and above |
|------------------------|----------|-------|-------|-------|-------|-------|-------|-------|--------------|
| Please tick one        |          |       |       |       |       |       |       |       |              |

3. Indicate your highest academic qualification (Please tick one)

Doctoral Degree [ ] Master's Degree [ ] Bachelor's Degree [ ]

Diploma Certificate [ ]

- #### 4. Position held in the institution

Chief Executive Officer    ☐    General Manager    ☐    Branch Manager    ☐

Head of Department      [   ]    Lower-level staff      [   ]

5. How many years have you worked in this institution (Please tick one)?

Less than 1 year[    ]                      1 - 5 years                      [    ]

6 - 10 years                      [    ]                      Over 10 years                      [    ]

#### SECTION B: TRANSFORMATIONAL LEADERSHIP

| No.                             | Statement                                                                    | Strongly Disagree | Disagree | Neither Agree nor Disagree | Agree | Strongly Agree |
|---------------------------------|------------------------------------------------------------------------------|-------------------|----------|----------------------------|-------|----------------|
|                                 |                                                                              | 1                 | 2        | 3                          | 4     | 5              |
| <b>Idealized Influence</b>      |                                                                              |                   |          |                            |       |                |
| 1                               | My leader portrays a lot of confidence                                       |                   |          |                            |       |                |
| 2                               | My leader's actions are admirable                                            |                   |          |                            |       |                |
| 3                               | I am proud of the leadership of this institution                             |                   |          |                            |       |                |
| 4                               | My leader puts others' interest ahead of self-interest                       |                   |          |                            |       |                |
| 5                               | My leader acts in respectable ways                                           |                   |          |                            |       |                |
| 6                               | My leader's actions are aligned to their values                              |                   |          |                            |       |                |
| 7                               | The leadership of this institution ensures decisions made are always ethical |                   |          |                            |       |                |
| 8                               | I consider my leader as my role model                                        |                   |          |                            |       |                |
| <b>Inspirational Motivation</b> |                                                                              |                   |          |                            |       |                |
| 9                               | My leader clearly articulates the future of the institution                  |                   |          |                            |       |                |
| 10                              | The leader makes me excited about the future                                 |                   |          |                            |       |                |
| 11                              | My leader displays a lot of passion when working in this institution         |                   |          |                            |       |                |
| 12                              | The leadership clarifies tasks that need to be achieved                      |                   |          |                            |       |                |
| 13                              | My leader motivates me a lot to accomplish tasks                             |                   |          |                            |       |                |
| 14                              | The leadership expresses confidence that set goals will be achieved          |                   |          |                            |       |                |
| <b>Intellectual Stimulation</b> |                                                                              |                   |          |                            |       |                |
| 15                              | The leadership encourages new ways of solving problems                       |                   |          |                            |       |                |
| 16                              | The leadership seeks differing opinions from staff for addressing issues     |                   |          |                            |       |                |
| 17                              | The leadership encourages me to question my assumptions                      |                   |          |                            |       |                |

|                              |                                                                                  |  |  |  |  |  |
|------------------------------|----------------------------------------------------------------------------------|--|--|--|--|--|
| 18                           | The leadership proposes alternative ways of completing tasks                     |  |  |  |  |  |
| 19                           | The leadership does not criticize new ideas publicly                             |  |  |  |  |  |
| 20                           | The leadership does not interfere with my work unless there is a problem         |  |  |  |  |  |
| Individualized Consideration |                                                                                  |  |  |  |  |  |
| 21                           | My leader spends time to mentor me                                               |  |  |  |  |  |
| 22                           | The leadership supports me in developing my strengths                            |  |  |  |  |  |
| 23                           | The leadership supports me in my job-related activities                          |  |  |  |  |  |
| 24                           | The leadership meets my personal needs to enable me to grow in the institution   |  |  |  |  |  |
| 25                           | The leadership accommodates everyone regardless of their different personalities |  |  |  |  |  |
| 26                           | The leadership values my abilities                                               |  |  |  |  |  |

#### SECTION C: PSYCHOLOGICAL EMPOWERMENT

| No.                | Statement                                                                       | Strongly Disagree | Disagree | Neither Agree nor Disagree | Agree | Strongly Agree |
|--------------------|---------------------------------------------------------------------------------|-------------------|----------|----------------------------|-------|----------------|
|                    |                                                                                 | 1                 | 2        | 3                          | 4     | 5              |
| Meaning            |                                                                                 |                   |          |                            |       |                |
| 1                  | My job is very important to me                                                  |                   |          |                            |       |                |
| 2                  | My job activities are personally meaningful to me                               |                   |          |                            |       |                |
| Competence         |                                                                                 |                   |          |                            |       |                |
| 3                  | I am confident about my ability to do my job                                    |                   |          |                            |       |                |
| 4                  | I am self-assured about my capabilities to perform my job activities            |                   |          |                            |       |                |
| 5                  | I have mastered the skills needed for my job                                    |                   |          |                            |       |                |
| Self-determination |                                                                                 |                   |          |                            |       |                |
| 6                  | I have significant autonomy in determining how I do my job                      |                   |          |                            |       |                |
| 7                  | I can decide on my own how to go about my job                                   |                   |          |                            |       |                |
| 8                  | I have considerable opportunity for independence and freedom in how I do my job |                   |          |                            |       |                |

|        |                                                                    |  |  |  |  |  |
|--------|--------------------------------------------------------------------|--|--|--|--|--|
| Impact |                                                                    |  |  |  |  |  |
| 9      | My impact on what happens in my institution is large               |  |  |  |  |  |
| 10     | I have a great deal of control over what happens in my institution |  |  |  |  |  |
| 11     | I have a significant influence over what happens in my institution |  |  |  |  |  |

#### SECTION D: STAFF RETENTION

| No.                              | Statement                                                                                        | Strongly Disagree | Disagree | Neither Agree nor Disagree | Agree | Strongly Agree |
|----------------------------------|--------------------------------------------------------------------------------------------------|-------------------|----------|----------------------------|-------|----------------|
|                                  |                                                                                                  | 1                 | 2        | 3                          | 4     | 5              |
| Intention to Stay                |                                                                                                  |                   |          |                            |       |                |
| 1                                | I intend to work in this institution for the next five years or more                             |                   |          |                            |       |                |
| 2                                | I feel proud working with the leadership of this institution                                     |                   |          |                            |       |                |
| 3                                | I intend to remain in this institution because of the good relationship with the leadership      |                   |          |                            |       |                |
| 4                                | My future is bright in this institution with the current leadership                              |                   |          |                            |       |                |
| 5                                | I feel like leaving this institution because others have left                                    |                   |          |                            |       |                |
| 6                                | I have searched for a new job in the last 1 year                                                 |                   |          |                            |       |                |
| Staff Satisfaction               |                                                                                                  |                   |          |                            |       |                |
| 7                                | My leader understands the problems I experience                                                  |                   |          |                            |       |                |
| 8                                | My leader uses satisfying leadership methods                                                     |                   |          |                            |       |                |
| 9                                | I feel comfortable with the leadership of this institution                                       |                   |          |                            |       |                |
| 10                               | The leadership instils team spirit that makes me stay in this institution                        |                   |          |                            |       |                |
| 11                               | The tasks assigned to me by my leader are manageable                                             |                   |          |                            |       |                |
| 12                               | I would recommend my friends to work in this institution                                         |                   |          |                            |       |                |
| Perceived Organizational Justice |                                                                                                  |                   |          |                            |       |                |
| 13                               | The leadership explains why certain decisions are made the way they are made in this institution |                   |          |                            |       |                |

|                           |                                                                                                  |  |  |  |  |  |
|---------------------------|--------------------------------------------------------------------------------------------------|--|--|--|--|--|
| 14                        | The leadership treats me with respect                                                            |  |  |  |  |  |
| 15                        | The leadership treats employees equally                                                          |  |  |  |  |  |
| 16                        | There is fairness in the reward system by the leadership                                         |  |  |  |  |  |
| 17                        | The leadership takes our ideas and interests seriously                                           |  |  |  |  |  |
|                           |                                                                                                  |  |  |  |  |  |
| Organizational Commitment |                                                                                                  |  |  |  |  |  |
| Affective Commitment      |                                                                                                  |  |  |  |  |  |
| 18                        | I feel emotionally connected to this institution                                                 |  |  |  |  |  |
| 19                        | I feel a sense of belonging in this institution                                                  |  |  |  |  |  |
| 20                        | This institution is very meaningful to me                                                        |  |  |  |  |  |
| 21                        | I feel important as a member of this institution                                                 |  |  |  |  |  |
| 22                        | I am proud to talk about this institution to others                                              |  |  |  |  |  |
| 23                        | I feel as if the institution's problems are my own                                               |  |  |  |  |  |
| Normative Commitment      |                                                                                                  |  |  |  |  |  |
| 24                        | I remain in this institution because of social ties with my workmates                            |  |  |  |  |  |
| 25                        | I feel morally obliged to remain in this institution                                             |  |  |  |  |  |
| 26                        | It feels unethical for me to move to another institution                                         |  |  |  |  |  |
| 27                        | It would feel like a betrayal of my institution to leave it                                      |  |  |  |  |  |
| 28                        | I feel it is my personal duty to continue serving in this institution                            |  |  |  |  |  |
| 29                        | I remain in this organization because I am loyal to the leadership                               |  |  |  |  |  |
| Continuance Commitment    |                                                                                                  |  |  |  |  |  |
| 30                        | I remain in this institution for lack of an alternative job                                      |  |  |  |  |  |
| 31                        | I am motivated to continue working here due to the incentives I receive besides my salary        |  |  |  |  |  |
| 32                        | I desire remaining in this institution because of the annual salary increase                     |  |  |  |  |  |
| 33                        | I am motivated to remain in this institution because the leadership highly recognizes my efforts |  |  |  |  |  |
| 34                        | I cannot leave this institution because I have already invested a lot in it                      |  |  |  |  |  |
| 35                        | Leaving this institution would affect my life very negatively                                    |  |  |  |  |  |
|                           |                                                                                                  |  |  |  |  |  |

| Staff Engagement |                                                                             |  |  |  |  |  |
|------------------|-----------------------------------------------------------------------------|--|--|--|--|--|
| 36               | My leader assigns to me challenging tasks                                   |  |  |  |  |  |
| 37               | My leader inspires me to complete my tasks                                  |  |  |  |  |  |
| 38               | My leader involves me in making decisions in this institution               |  |  |  |  |  |
| 39               | The leadership listens to our criticisms                                    |  |  |  |  |  |
| 40               | The leadership provides an opportunity to demonstrate my skills             |  |  |  |  |  |
| 41               | The leadership advices me on how to learn new things for my personal growth |  |  |  |  |  |

## Appendix II: Work Plan Schedule

| Activity                                   | Date                                                             |
|--------------------------------------------|------------------------------------------------------------------|
| Piloting of the data collection instrument | 3 <sup>rd</sup> January to 9 <sup>th</sup> , 2022                |
| Finalizing on the instrument               | 10 <sup>th</sup> January to 16 <sup>th</sup> January, 2022       |
| Ethical documents solicitation             | 17 <sup>th</sup> January to 21 <sup>st</sup> January, 2022       |
| Data collection                            | 24 <sup>th</sup> January to 4 <sup>th</sup> February, 2022       |
| Data Analysis                              | 7 <sup>th</sup> February 2022 to 18 <sup>th</sup> February, 2022 |
| Write-up                                   | 21 <sup>st</sup> February 2022 to 4 <sup>th</sup> March 2022     |

### Appendix III: Budget

| Item                                                                  | Cost (Ksh) |
|-----------------------------------------------------------------------|------------|
| Piloting of the research instrument                                   | 5,000      |
| Finalizing and photocopying the instrument                            | 45,000     |
| Data collection                                                       | 80,000     |
| Data analysis (Including SPSS software installation, SPSS data entry) | 100,000    |
| Write-up                                                              | 120,000    |
| Total cost                                                            | 350,000    |

#### Appendix IV: The Microfinance Institutions List

| Microfinance Institution                                                                 | Senior management staff | Middle management staff | Lower level management staff | Total |
|------------------------------------------------------------------------------------------|-------------------------|-------------------------|------------------------------|-------|
| 1. Sumac Microfinance Bank                                                               | 1                       | 5                       | 24                           | 30    |
| 2. Maisha Microfinance Bank                                                              | 1                       | 4                       | 22                           | 27    |
| 3. Rafiki Microfinance Bank Limited                                                      | 1                       | 2                       | 10                           | 13    |
| 4. SMEP Microfinance Bank Limited                                                        | 10                      | 14                      | 36                           | 60    |
| 5. U & I Microfinance Bank Limited                                                       | 2                       | 5                       | 15                           | 22    |
| 6. Caritas Microfinance Bank Limited                                                     | 1                       | 8                       | 75                           | 84    |
| 7. Key Microfinance Bank PLC                                                             | 1                       | 1                       | 2                            | 4     |
| 8. Century Microfinance Bank Limited                                                     | 5                       | 1                       | 3                            | 9     |
| 9. Faulu Microfinance Bank Limited                                                       | 1                       | 3                       | 11                           | 15    |
| 10. Daraja Microfinance Bank Limited                                                     | 1                       | 2                       | 9                            | 12    |
| 11. Choice Microfinance Bank Limited                                                     | 1                       | 2                       | 4                            | 7     |
| 12. Kenya Women Microfinance Bank PLC                                                    | 1                       | 1                       | 13                           | 15    |
| 13. Uwezo MFI (Acquired by Salaam African Bank, SAB) 2021 hence staff are not accessible | -                       | -                       | -                            | -     |
| 14. Muungano Microfinance Bank PLC – Outside Nairobi City County hence excluded          | -                       | -                       | -                            | -     |
| Total                                                                                    | 26                      | 48                      | 224                          | 298   |

Appendix V: Transmittal Letter

JOSPHAT KAMAU KARIUKI

P.O. Box 35500-00200

Nairobi.

20<sup>TH</sup> AUGUST 2021

Dear Sir/Madam,

RE: REQUEST TO PARTICIPATE IN RESEARCH STUDY.

I am a final year PhD student at the Pan Africa Christian University (PACU) undertaking research on The Effect of Transformational Leadership on Staff Retention in Microfinance Institutions in Nairobi City County, Kenya. I would highly appreciate if you could spare some time out of your busy schedule to complete the enclosed questionnaire. The information provided will be used for academic purposes only and will be treated with absolute confidentiality.

Thank you for your cooperation

Yours' sincerely,

Kariuki Josphat Kamau

## Appendix VI: Ethical Review Certificate



### Ethics Clearance Certificate

Researcher: KARIUKI JOSPHAT KAMAU (POLD/14644/0/19)

**Title of Proposal : Transformational Leadership and Staff Retention in Microfinance Institutions, Nairobi, Kenya**

### Observations and Remarks



- The research title is clear and suitable for the degree level being undertaken.
- Objectives problem statement and hypothesis are well aligned with the research tools
- Sampling procedure needs to be clearly articulated in full
- Recruitment of participants or respondents is clear.
- Informed consent process is clear and satisfactory
- Respondents are given an opportunity to withdraw if they so wish
- Quantitative and qualitative data analysis is clear
- Data storage, handling and analysis well described.
- Confidentiality while managing and handling data is clear
- Dissemination of findings clear and well taken care of.
- Conventions of writing are appropriately taken care of.

**Verdict:** The researcher has demonstrated consciousness of knowledge and use of ethics in research He can proceed to apply for a NACOSTI permit as required by law.

### Reviewed by

**Dr. Jane Kinuthia -Member of PAC IERC.**  
**08/02/2022**

## Appendix VII: NACOSTI Research Permit

|                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br><b>REPUBLIC OF KENYA</b><br><b>Ref No: 841060</b>                                                                                                                                                                    | <br><b>NATIONAL COMMISSION FOR<br/>SCIENCE, TECHNOLOGY &amp; INNOVATION</b><br><b>Date of Issue: 23/February/2022</b> |
| <b>RESEARCH LICENSE</b>                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                          |
|                                                                                                                                                                                                                          |                                                                                                                                                                                                          |
| <p><b>This is to Certify that Mr. JOSPHAT KAMAU KARIUKI of Pan Africa Christian University, has been licensed to conduct research in Nairobi on the topic: TRANSFORMATIONAL LEADERSHIP AND STAFF RETENTION IN MICROFINANCE INSTITUTIONS, NAIROBI, KENYA for the period ending : 23/February/2023.</b></p> |                                                                                                                                                                                                          |
| <b>License No: NACOSTI/P/22/15831</b>                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                          |
| <b>Applicant Identification Number</b>                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                          |
| <b>Director General</b><br><br><b>NATIONAL COMMISSION FOR<br/>SCIENCE, TECHNOLOGY &amp; INNOVATION</b>                                                                                                               |                                                                                                                                                                                                          |
| <b>Verification QR Code</b><br>                                                                                                                                                                                      |                                                                                                                                                                                                          |
| <p><b>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</b></p>                                                                                                                                                     |                                                                                                                                                                                                          |