EFFECT OF AUTONOMY ON GROWTH OF MICROFINANCE INSTITUTIONS IN MURANG'A COUNTY KENYA

Dr. Ruth Wanjiku Muriithi.
School of Business and Economics, Murang'a University of Technology, Kenya.
Dr. Florence Waitherero Kariuki.
School of Business and Economics, Murang'a University of Technology, Kenya.

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ABSTRACT

Microfinance institutions (MFIs) have emerged as crucial players in fostering financial inclusion and economic development in many regions, including Murang'a County, Kenya. Microfinance remains a powerful tool for development since it has made people self-sufficient. In particular, empowerment of vulnerable groups and the inculcation of financial training and discipline amongst the poor will undoubtedly have long-term socioeconomic benefits. This study investigated the effect of staffs' autonomy on growth of micro finance institutions. Specifically, the extent to which MFIs allow subordinate staff to come up with new ways to enhance customer satisfaction and set independent goals, on the growth of these institutions in Murang'a County. Murang'a County in Kenya serves as an ideal location for this study due to its diverse economic activities and the presence of various microfinance institutions catering to the financial needs of the local population. The study was anchored on Resource Based theory. Questionnaires were used to collect primary data while a data collection sheet was used for secondary data. Data was analyzed using Descriptive statistics and panel regression analysis to establish the relationship between autonomy and growth. Findings show that when autonomy is held constant, growth of microfinance institutions will be 1.625 units. At the same time, increasing autonomy by 1 more unit would lead to an increase in growth by 0.593 units. This implies that the autonomy has a positive relationship with growth of microfinance institutions. The relationship is significant given that p-value=0.000<0.05. The study established that there is a significant positive relationship between autonomy and the growth of MFIs in Murang'a County. MFIs that encourage their staff to innovate and set independent goals experience higher levels of growth. The study highlights the importance of fostering a culture of autonomy within MFIs as a means of achieving sustainable growth. These findings have practical implications for the management and policymakers involved in the microfinance sector in Murang'a County, emphasizing the need to promote autonomy as a strategy for enhancing the growth and impact of MFIs.

Key terms: Autonomy, Microfinance Institutions, Growth, Financial Inclusion, Kenya

INTRODUCTION

The microfinance sector has gained significant prominence globally, offering financial services to the unbanked and underprivileged populations, thus contributing to poverty alleviation and economic development (Morduch, 1999; Ledgerwood, 1999). In Kenya, like many other developing countries, microfinance institutions (MFIs) have played a pivotal role in financial inclusion and economic empowerment, particularly in rural areas (Kibaara & Oluoch, 2007; Mutua & Lwangu, 2017). One of the fundamental challenges facing MFIs is achieving sustainable growth while ensuring their operations are economically viable (Chen & Gupta, 2006). To address this, they must

embrace innovative strategies, manage risk, and create an environment conducive to sustainable growth (Armendariz & Morduch, 2010).

In the context of microfinance institutions, growth signifies the expansion and enhancement of their operational capacities, outreach, and financial viability over time. It encompasses multifaceted progress, including an increase in the number of clients served, the volume of loans disbursed, the diversification of financial products offered, and the geographical reach of services. Moreover, growth in microfinance institutions is not solely quantitative but also qualitative, indicating the improvement in the quality of services, the development of innovative financial solutions, and the institution's ability to adapt to changing market demands. Sustainable growth enables microfinance institutions to amplify their impact on poverty alleviation and financial inclusion, empowering individuals and communities by providing them with the necessary resources and opportunities to enhance their socio-economic well-being (Kibaara & Oluoch, 2007).

According World Bank (2021), microfinance institutions worldwide have significantly expanded their reach, with over 140 million borrowers reported in 2019, representing a 13% increase from the previous year. In Kenya, a key player in the microfinance sector, the industry has experienced notable growth, with an estimated 15 million active borrowers, demonstrating a substantial rise in financial outreach. Moreover, the total loan portfolio of microfinance institutions in Kenya reached approximately $3.2 billion in 2020, showcasing the sector's robust financial growth. These illustrate the pivotal role of microfinance institutions in providing essential financial services to the unbanked and underserved populations, thereby contributing significantly to poverty reduction and economic development both locally and globally.

Staff autonomy, as a critical dimension of organizational behavior, refers to the level of independence and decision-making authority vested in lower-level employees within an organization (Deci et al., 1989). It encompasses the extent to which employees have the freedom to make decisions and innovate without constant supervision or approval from higher management (Debusscher et al., 2015). In the context of MFIs, autonomy may pertain to the discretion granted to loan officers in approving loans or the latitude given to branch managers in making strategic decisions (Shahzad et al., 2018).

Despite the recognized importance of staff autonomy in organizations (Debusscher et al., 2015), limited empirical research has explored the specific influence of autonomy on the growth of microfinance institutions, particularly in the Kenyan context. Understanding the dynamics of autonomy and its implications for MFI growth is crucial for both practitioners and policymakers seeking to strengthen the microfinance sector's contribution to financial inclusion and poverty reduction. Consequently, this study seeks to address this gap by investigating the effect of autonomy on the growth of MFIs in Murang'a County, Kenya, where the microfinance sector is a vital player in the local economy.

Murang'a County in Kenya serves as an ideal location for this study due to its diverse economic activities and the presence of various microfinance institutions catering to the financial needs of the local population. The region's socioeconomic landscape presents a unique opportunity to examine

how autonomy influences MFI growth in a dynamic and evolving market. Furthermore, the Kenyan microfinance sector has experienced significant regulatory changes and market dynamics over the years, making it essential to explore how these shifts interact with autonomy within MFIs and affect their growth trajectories.

This research was motivated by the recognition that the financial services provided by MFIs in Murang'a County have far-reaching implications for poverty reduction, job creation, and overall economic development. By shedding light on the role of autonomy in MFI growth, this study aimed to offer actionable insights for practitioners, policymakers, and researchers alike. The findings could inform strategies for enhancing the sustainability and impact of microfinance institutions, not only in Murang'a County but also in similar regions globally. Additionally, the study contributes to the broader discourse on organizational behavior and management in the microfinance sector, bridging a critical knowledge gap in the field.

Problem Statement

Microfinance institutions (MFIs) play a pivotal role in promoting financial inclusion, poverty alleviation, and economic development, particularly in regions like Murang'a County, Kenya, characterized by a mix of urban and rural populations with diverse financial needs. However, despite their essential role, many MFIs face challenges in achieving sustained growth and competitiveness. One critical factor that may influence the growth of MFIs is staff autonomy i.e. the degree to which these institutions allow their subordinate staff to make independent decisions and innovate. While autonomy is often associated with organizational performance and innovation in various sectors, its specific impact on the growth of MFIs in Murang'a County remains underexplored (Trivedi & Srivastava, 2022).

This study revolves around understanding the influence of staff autonomy on growth of microfinance institutions in Murang'a County, Kenya. The central issue is whether and to what extent the level of staff autonomy within MFIs affects their growth trajectories. Despite being a crucial aspect of organizational behavior and management, autonomy's impact on MFIs' growth has not been comprehensively investigated in this specific context. Thus, the problem statement aims to address this research gap and provide insights into the role of autonomy in shaping the growth dynamics of MFIs operating in Murang'a County.

To address this problem statement, the study will investigate the following key research questions: How does autonomy within microfinance institutions influence their growth in Murang'a County, Kenya? What are the mechanisms through which staff autonomy impacts MFI growth, and how do contextual factors moderate this relationship? Answering these questions will contribute to a deeper understanding of the dynamics between staff autonomy and growth within MFIs, providing valuable guidance for enhancing their performance and impact in the region.

LITERATURE REVIEW

Two fundamental theories were explored to provide a foundation for understanding the dynamics of microfinance institutions (MFIs) in the context of entrepreneurship and innovation. The

Schumpeterian theory on innovation, as presented by Joseph Schumpeter in his seminal work, emphasizes the role of entrepreneurs in introducing new combinations and innovations to the economy. This theory becomes pertinent in the context of MFIs, where innovation is crucial for gaining a competitive edge in the market. The Resource-Based Theory, on the other hand, underscores the significance of unique resources, capabilities, and organizational skills in achieving competitive advantage. For MFIs, engaged in providing financial services to the informal sector, the proactive and risk-taking activities of managers and owners, combined with their entrepreneurial and organizational abilities, are vital components for gaining a sustained competitive advantage in a rapidly changing sector. These theories lay the theoretical groundwork for understanding how innovation and entrepreneurial abilities within MFIs are pivotal for their success and competitive positioning.

The need for staff autonomy is regarded as a main driver for entrepreneurship. Getting into self-employment means becoming your own boss and the need for autonomy as a nonfinancial value explains the main motivation behind the decision to go into self-employment. It is argued that some entrepreneurs make the self-employment as a career choice even though the financial outcome might be lower when compared to alternatives (Caliendo & Kritikos, 2011). Autonomy is seen as an important motivator for choosing self-employment. Corman (1988) argues that jobs that provide autonomy are more intrinsically motivating than those that do not. Higher levels of autonomy on the job have been shown to increase job satisfaction and motivation to perform the job. Employee autonomy may be viewed as relating to granting and allowing freedom to employees to determine the means by which to achieve a goal (Amabile, 1998), not 41 necessarily autonomy for selecting what goals to achieve. Employees who stand out in their ability to perform creative acts usually value independence and autonomy. An environment of freedom and autonomy is likely to tap into the intrinsic motivation of its employees which have been found to be a key factor in promoting innovation among employees in organizations. In some cases flatter organization structures have resulted to increased autonomy at lower levels.

RESEARCH METHODOLOGY

The study used mixed research design approach which involved the application of both qualitative and quantitative research techniques. A mixed design allows the researcher to reduce the weakness of one approach with the strength of the other in order to achieve the best results (Creswell & Clark, 2011 Qualitative data was collected using standardized questionnaires and were administered while quantitative data was collected from using data collection sheets.

The target population for this study consisted of all the 12 microfinance institutions in Murang'a County This study used questionnaires for primary data collection. The questionnaires had a number of sub-sections that were sub-divided based on the major research questions except the first sub-section (section A) that was meant to capture the background information of the participants. Other sections covered the main areas of the study. Questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. Secondary data was collected from the firms audited financial statements that are available online in their websites, brochures, journals,

periodicals, and other relevant sources. Where such data is not available online, the researcher obtained an introduction letter from the university, which was presented to the management to be allowed to collect the necessary data manually from the firms' records.

Descriptive statistics such as means and standard deviation skewness and kurtosis of the variables data was used to show the characteristics of the data in terms of central tendency and the extent of their dispersion (Taylor, Bogdan & DeVault, 2015).

Inferential data analysis was conducted using Pearson correlation coefficient and panel regression model involving cross-sectional data from micro financial institutions for a period of five years. Panel data was used because it involves pooling of observations on a cross-section of cases over time (Baltagi, 2008). This analysis was done using Stata software and the findings presented in form of a research report.

Results and Discussion

In this chapter, the research findings reveal key perceptions into the relationship between autonomy and the growth of microfinance institutions in Murang'a County. The study's thorough analysis of respondents' profiles, encompassing factors such as gender distribution, age brackets, and educational backgrounds, sets the stage for a comprehensive understanding of the microfinance landscape in the region. The chapter examines the level of autonomy within these institutions, emphasizing its importance in fostering employee creativity and achieving organizational goals. The statistical analyses, including regression and ANOVA, provide robust evidence supporting the positive correlation between autonomy and institutional growth. These results underscore the significance of empowering employees to make independent decisions and innovate, emphasizing the need for a balanced approach that also considers market competition.

Figure 1: Gender of the Respondents

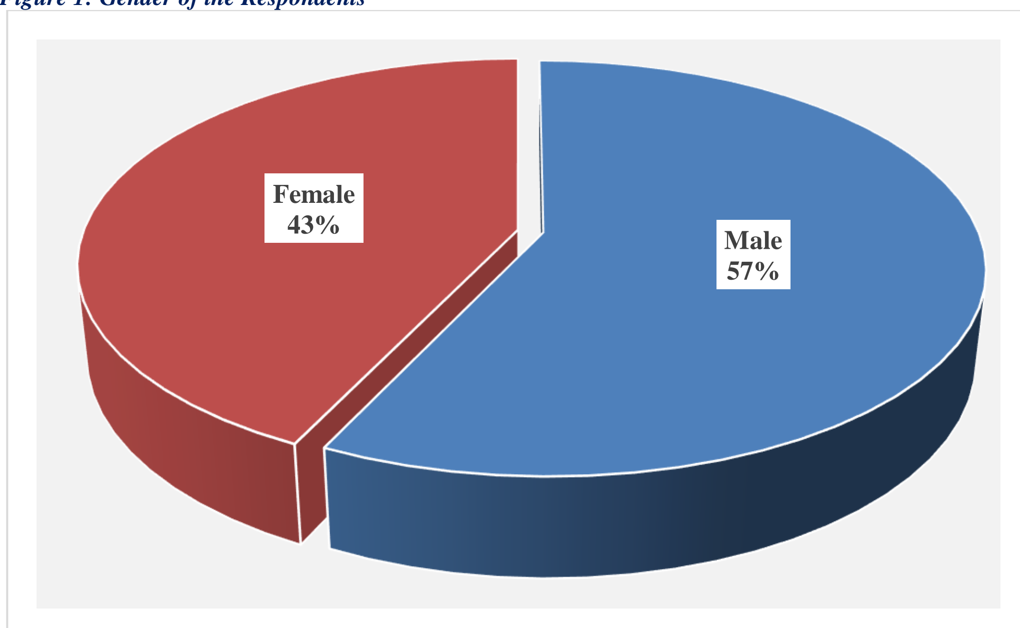
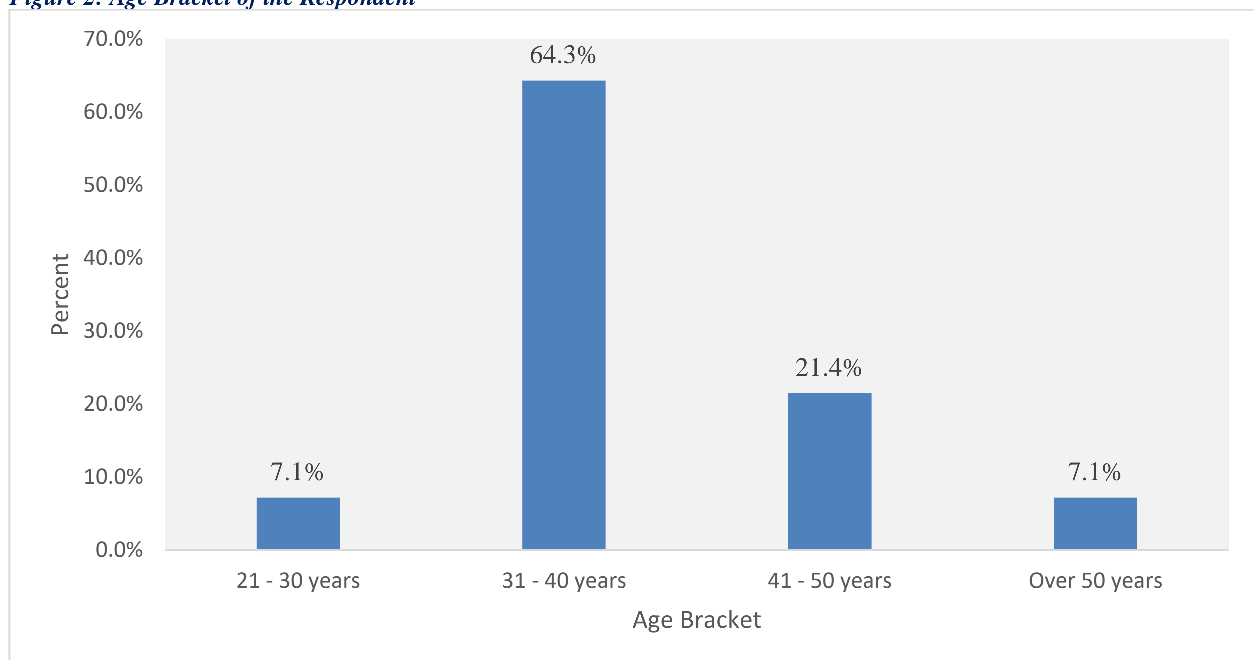


Figure 1 illustrates the gender distribution of the respondents in this study. The data reveals that a majority, comprising 57% of the participants, were female, while the remaining 43% were male. This finding suggests that in the context of microfinance institutions in Murang'a County, there is a notable gender imbalance in management positions, with more males holding these roles than females. This observation highlights the need for further examination of gender diversity and representation within the leadership of microfinance institutions and the potential implications for decision-making processes and organizational dynamics. Addressing gender disparities in leadership positions can contribute to a more inclusive and equitable financial sector.

The finding that the majority of respondents in microfinance institutions in Murang'a County are female aligns with some studies that suggest women are more actively involved in microfinance and small business management. This aligns with the empirical findings of studies like "Women's Entrepreneurship and Microfinance: The Case of Microfinance Institutions in Uganda" (Nyakaisiki, 2018), which highlight the role of women in microfinance. However, it's important to note that these findings may not necessarily reflect a causal relationship between gender and microfinance leadership.

Figure 2: Age Bracket of the Respondent



In Figure 2, the distribution of respondents' age brackets is depicted. It becomes evident that a significant proportion, specifically 64.3% of the participants, fall within the age range of 31-40 years. Additionally, 21.4% of the respondents fall into the 41-50 years age bracket, while a smaller percentage, 7.1%, comprises those aged over 50 years. Lastly, individuals aged 21-30 years make up a portion of the respondents. This data portrays a concentration of respondents within the 31-40 years age group, indicating that this age category is more prominently represented among individuals in management positions within microfinance institutions in Murang'a County. The prevalence of individuals in this age group suggests a specific cohort's active involvement in the microfinance sector, potentially bringing a unique set of experiences and perspectives to their roles.

Understanding the age demographics of management can provide insights into generational dynamics and their impact on decision-making processes within these institutions.

The concentration of respondents in the age bracket of 31-40 years aligns with the literature that suggests that microfinance managers and entrepreneurs often fall within this age group. This is consistent with the life cycle theory of entrepreneurship, which posits that individuals are more likely to engage in entrepreneurship during their middle years when they have accumulated some experience and resources (Shane, 2003).

Figure 3: Level of Formal Education

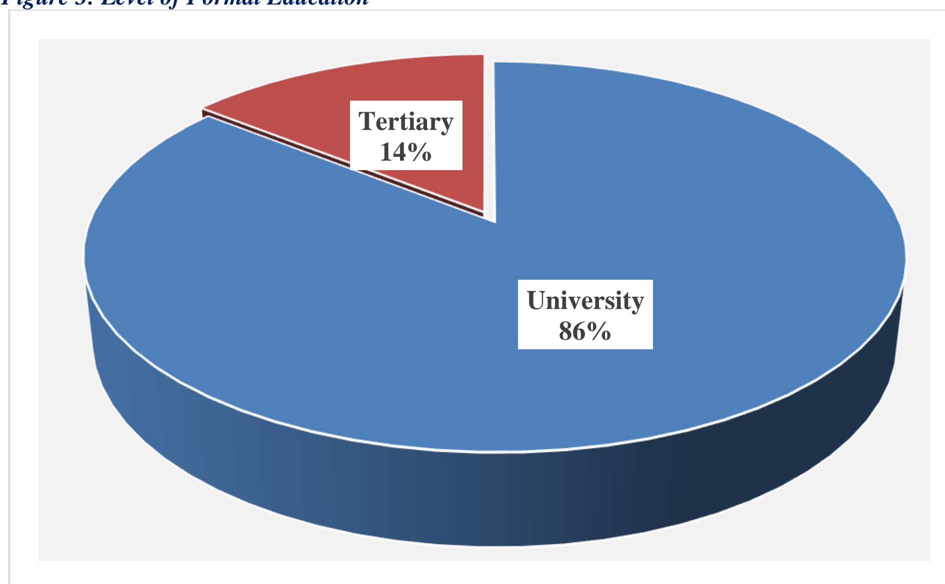
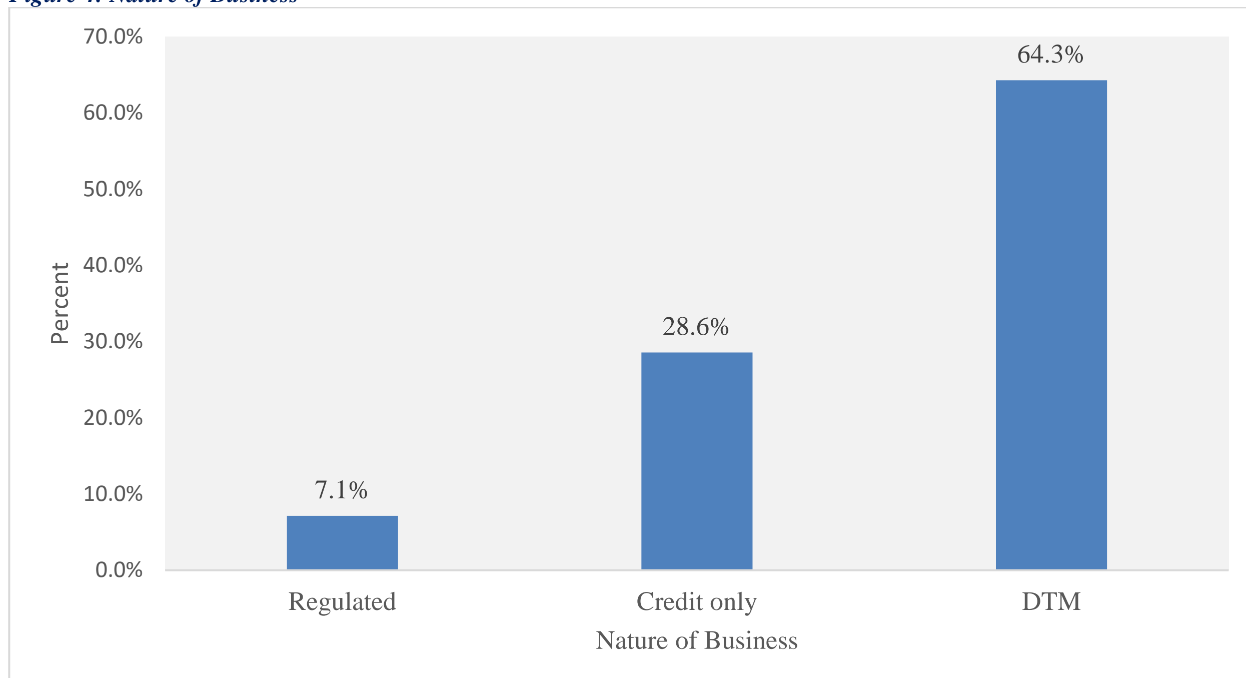


Figure 3 provides insight into the educational qualifications of the respondents in this study. Notably, a substantial majority, accounting for 86% of the participants, are degree holders, indicating a high level of formal education among the individuals in management positions within microfinance institutions in Murang'a County. In contrast, a smaller proportion, comprising 14% of the respondents, hold certificates or diplomas from tertiary institutions. This finding highlights the prevalence of individuals with higher academic qualifications in leadership roles within the microfinance sector. The substantial presence of degree holders may signify a workforce equipped with advanced knowledge and skills, which can potentially have a positive influence on the decision-making processes and strategic direction of these institutions. Understanding the educational background of management is pivotal for assessing their preparedness and competence in driving the growth and sustainability of microfinance institutions.

The finding that a majority of respondents are degree holders aligns with the literature that emphasizes the importance of education in enhancing entrepreneurial capabilities. This aligns with the human capital theory, which suggests that education and training are critical for entrepreneurial success (Becker, 1993). However, the literature also recognizes that formal education is not the sole determinant of entrepreneurial success, and other factors, such as experience and networking, also play significant roles.

Figure 4: Nature of Business



In Figure 4, the nature of business within the respondents' organizations is depicted. The data reveals that a significant majority, comprising 64.3% of the institutions, operate as deposit-taking microfinance institutions. Another substantial portion, representing 28.6% of the institutions, function as credit-only institutions. Lastly, a smaller segment, accounting for 7.1%, are regulated microfinance institutions. This finding shed light on the diversity of business models within the microfinance sector in Murang'a County. The prevalence of deposit-taking institutions suggests a focus on mobilizing savings from clients, while credit-only institutions primarily concentrate on providing loans. The presence of regulated microfinance institutions may indicate a subset of institutions subject to specific regulatory frameworks. Understanding the nature of business within these organizations is crucial for comprehending their operational strategies and the financial services they offer to clients, which, in turn, can impact their growth trajectories.

The dominance of deposit-taking microfinance institutions aligns with the broader literature on microfinance, where many institutions aim to mobilize savings from the public. This corresponds to the financial intermediary theory, which suggests that microfinance institutions primarily function as intermediaries between savers and borrowers (Morduch, 1999).

Figure 5: Business Ownership

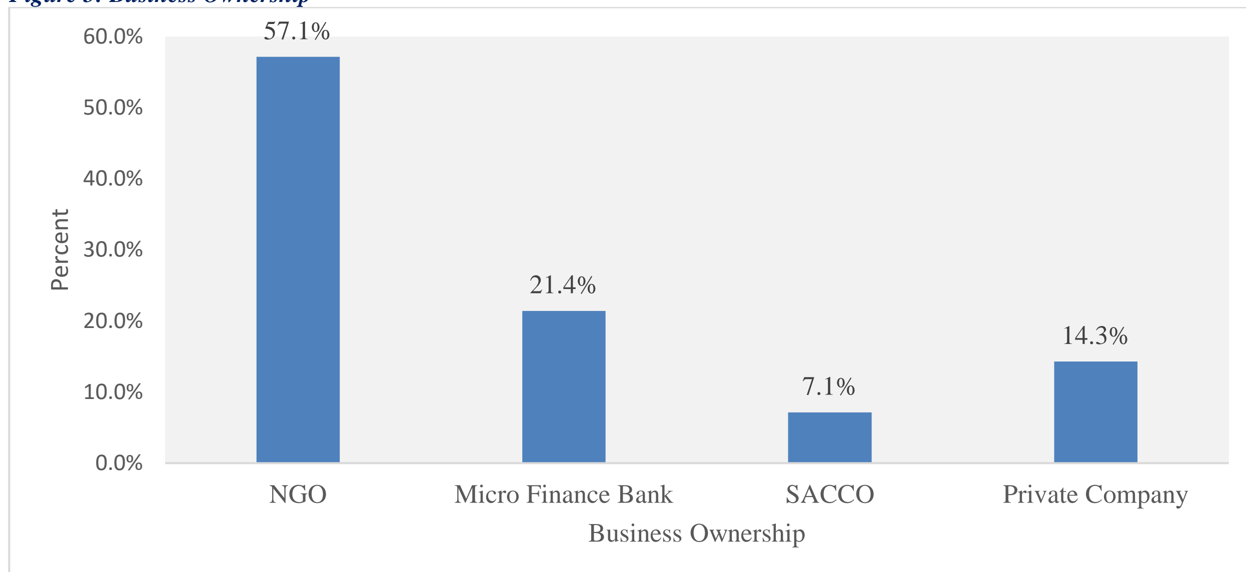


Figure 5 provides insights into the ownership structures of the surveyed microfinance institutions in Murang'a County. The data reveals that a significant majority, comprising 57.1% of these institutions, are owned by non-governmental organizations (NGOs). Additionally, 21.4% of the institutions are categorized as microfinance banks. A smaller portion, accounting for 14.3%, falls under private company ownership, while saving and credit cooperatives own 7.1% of the institutions. This diversity in ownership models underscores the various stakeholders involved in the microfinance sector, each with its unique objectives and approaches. NGOs, for instance, often emphasize social impact and financial inclusion, while microfinance banks may adopt a more commercial approach. Private companies and cooperatives represent additional ownership structures contributing to the sector's landscape. Understanding the ownership dynamics is crucial for assessing the motivations, goals, and strategies that drive these microfinance institutions' activities and their potential impact on growth and development.

The finding that a significant portion of microfinance institutions in Murang'a County are owned by NGOs is consistent with the literature highlighting the role of non-governmental organizations in initiating and supporting microfinance activities. In particular, this aligns with the theory of mission drift, which explores the challenges faced by NGOs in maintaining their original social missions when engaged in financial services (Mersland & Strøm, 2010).

Figure 6: Age of the Branch

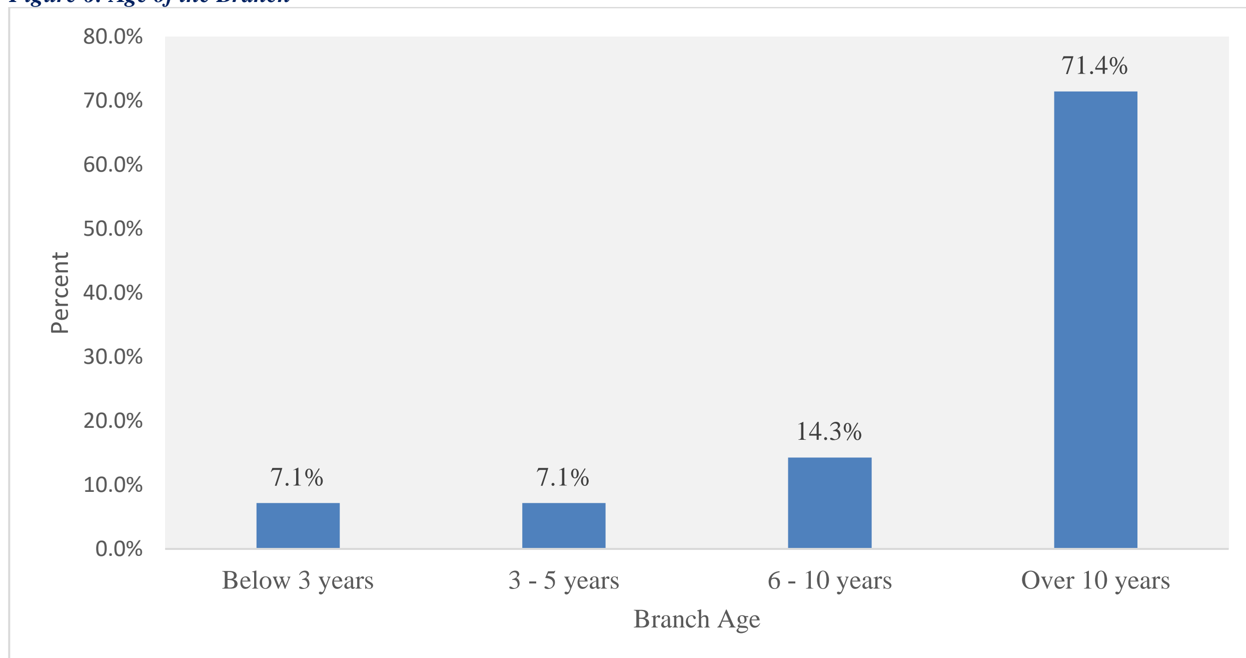


Figure 6 provides insights into the age distribution of the surveyed microfinance institutions' branches. The data illustrates that a significant majority, accounting for 71.4% of the branches, have been in existence for over 10 years. Furthermore, 14.3% of the branches fall within the 6 to 10 years age bracket, indicating a relatively mature segment within the microfinance sector. The remaining 14.2% of branches are younger, with less than 6 years of operation. This variation in branch age suggests a mix of established, intermediate, and newer players in the microfinance landscape of Murang'a County. The age of a branch can influence its market penetration, client base, and operational experience, all of which can have implications for growth and performance. Understanding this age distribution provides valuable context for evaluating the sector's development and the potential influence of branch maturity on various outcomes. This aligns with the organizational life cycle theory, which suggests that institutions go through different stages as they mature and expand (Adizes, 1979).

Table 1: Descriptive Statistics on Staff autonomy

Factor	Strongly disagree	Disagree	Somehow Agree	Agree	Strongly agree	Mean	Standard Deviation
a) Your Institution allows subordinate staff to come up with new ways of making customer feel satisfied	50.0	40.0	0.0	10.0	0.0	4.3	0.9
b) Your Institution sets goals and objectives and pursue them independently without paying much attention on what the competitors are doing	20.0	70.0	0.0	10.0	0.0	4.0	0.8
Average	**35.0**	**55.0**	**0.0**	**10.0**	**0.0**	**4.2**	**0.8**

Results presented in Table 1 provide insights into the level of staff autonomy within microfinance institutions in Murang'a County, specifically focusing on two dimensions: allowing subordinate staff to contribute to customer satisfaction and pursuing goals independently without excessive attention to competitors.

In the first dimension, where respondents were asked if their institutions allow subordinate staff to come up with new ways of making customers feel satisfied, the mean score of 4.3 indicates a relatively high level of agreement among respondents. This suggests that a majority of microfinance institutions in the region empower their employees to take initiative in improving customer satisfaction. This aligns with the literature on staff autonomy, which underscores the importance of allowing employees at various levels to exercise staff autonomy and creativity in meeting customer needs. Empowering staff to contribute to customer satisfaction can lead to innovative solutions and improved customer service, ultimately positively impacting the institution's growth and competitiveness.

In the second dimension, regarding whether institutions set and pursue goals independently without focusing too much on competitors, the mean score of 4.0 reflects a slightly lower but still favorable level of agreement. This suggests that while many institutions value staff autonomy in goal setting and pursuit, some may still pay attention to competitors' actions. This finding resonates with strategic management theories that emphasize the importance of a balance between internal goals and external environmental factors, including competitors. While staff autonomy is crucial for driving innovation and unique value propositions, some degree of market awareness is also important for informed decision-making.

Overall, the data on staff autonomy indicates that microfinance institutions in Murang'a County generally recognize the significance of staff autonomy in fostering employee creativity and achieving organizational goals. However, they also understand the importance of keeping an eye on

the competitive landscape to make informed strategic decisions. This balanced approach to staff autonomy can contribute to the institutions' sustainable growth and adaptability in a dynamic financial services sector.

Table 2: Performance of Microfinance Institutio ns

Year	Avg. Number of Customers	Avg. Number of Employees	Avg. Number of Active Borrowers	Avg. Number of Branches in Kenya	Avg. Number of Branches in Murang'a	Avg. Net Profit Before Taxes
2021	464,500	1,650+	68,000+	69	1	606.98m+
2020	448,500+	1,650+	68,000+	66.8	1	545.64m+
2019	374,500+	1,400+	58,000+	46.2	1	552.26m+
2018	373,500+	1,400+	58,000+	46.2	1	432.56m+
2017	374,355	1,400+	58,000+	46.2	1	401m

Table 2 presents the performance metrics of microfinance institutions in Murang'a County over a five-year period from 2017 to 2021. Several key indicators provide insights into the growth and financial health of these institutions. Firstly, the average number of customers has shown a consistent upward trend, reaching 464,500 in 2021. This indicates a substantial increase in the institutions' client base over the years, suggesting successful efforts in attracting and retaining customers. Secondly, the average number of active borrowers has remained stable at 68,000+, indicating a consistent demand for financial services. The expansion of branches within Kenya, from 46.2 in 2017 to 69 in 2021, also highlights the institutions' efforts to broaden their reach and accessibility. Notably, while the number of branches in Murang'a remained constant at one, the focus on expanding nationally suggests a strategic approach to growth.

Additionally, the table illustrates the financial performance of these institutions through average net profit before taxes. The net profit has shown substantial growth, reaching 606.98 million+ in 2021, indicating a robust financial performance and profitability. This upward trajectory reflects effective management, sound financial strategies, and possibly increased operational efficiency. The consistent increase in both customer base and net profit suggests that these microfinance institutions have been successful in managing their operations, attracting clients, and maintaining a strong financial position. The stability in the number of active borrowers further indicates that the institutions have been able to sustain their customer relationships, ensuring continued business from existing clients. Overall, these trends suggest a positive outlook for the microfinance sector in Murang'a County, indicating a strong foundation for future growth and development.

Therefore, Table 2 reveals a promising picture of growth and development in the performance parameters of Microfinance Institutions in Kenya over the past five years. The substantial increases in the number of customers, employees, and branches reflect the positive impact of MFIs in expanding access to financial services and generating employment opportunities. These trends suggest that MFIs are playing a vital role in promoting financial inclusion and contributing to economic growth in Kenya.

Table 3: Number of Products

	Number of Institutions Offering the Product					
Loan Category	**2017**	**2018**	**2019**	**2020**	**2021**	**Average**
1) Property Loan	1	1	1	1	1	1
2) Business Loan	10	10	10	10	10	10
3) Personal Loan	5	5	5	5	5	5
4) Agricultural Loan	7	7	7	7	7	7
5) Consumer loans	0	1	1	1	1	0.8
6) Agribusiness loans	2	2	2	2	2	2
7) Social products loans	0	0	0	0	1	0.2
8) Education loans	0	0	1	1	1	0.6
9) Emergency loans	0	0	0	1	1	0.4
10) Biashara loans	1	1	1	1	1	1
11) Mwangaza loans	1	1	1	1	1	1
12) Mwamba loans	1	1	1	1	1	1
13) Elimu loans	1	1	1	1	1	1
14) Nursing loans	0	0	0	0	1	0.2
15) Salary loans	0	0	0	0	1	0.2
16) Asset finance loans	0	1	1	1	1	0.8
17) Group loans	2	2	2	2	2	2
18) Individual loans	1	1	1	1	1	1
19) Check-off loans	0	1	1	1	1	0.8
20) Logbook loans	0	1	1	1	1	0.8
21) Sme loans	0	0	0	0	1	0.2
22) Landlord loans	0	0	0	0	1	0.2
23) Micro & Group Loans	0	0	0	0	1	0.2
24) SME/Business Loans	0	0	0	0	1	0.2
25) Agribusiness Loans	0	0	0	0	1	0.2
26) Development Loan	0	0	0	0	1	0.2
27) Maono Group Loan	0	0	0	0	1	0.2
28) Asset Finance Loan	0	0	0	0	1	0.2
29) Project Loan	0	0	0	0	1	0.2

Table 3 provides valuable information on the number of different loan products offered by microfinance institutions (MFIs) from 2017 to 2021. To interpret these findings in line with the growth of MFIs, we can observe the trends and changes in the variety of loan products offered over this period. Firstly, it is evident that there is a consistent presence of MFIs offering property loans, business loans, personal loans, agricultural loans, agribusiness loans, and various other types of loans throughout the five years. This consistency suggests that these core loan categories have remained a stable part of the MFI portfolio, with each having one institution offering them, indicating a certain level of maturity and stability in their operations. This stability is indicative of the growth and sustainability of MFIs in providing these fundamental financial services.

Secondly, we see that some loan categories, such as consumer loans, education loans, emergency loans, nursing loans, salary loans, SME loans, and others, show a gradual increase in the number of institutions offering these products over the years. For instance, in 2017, no institution offered

consumer loans, but by 2021, one institution was providing this type of loan. Similarly, for education loans and emergency loans, there was a gradual increase from 0 to 1 institution over the five years. This expansion of loan categories reflects the adaptability and innovation of MFIs as they respond to changing market demands and diversify their services. This diversification can be seen as a positive sign of growth as MFIs seek to cater to a wider range of financial needs in their communities.

Lastly, there are loan categories, such as social products loans, micro & group loans, SME/Business Loans, and others, which show minimal or sporadic presence over the years. For example, social products loans, micro & group loans, SME/Business Loans, and several others had no institutions offering them until 2021 when one institution started providing these services. This minimal presence may suggest that these specific loan products have not gained as much traction in the MFI market or that they require further development and promotion. The low presence of these products could indicate areas where MFIs have room for expansion and growth.

Therefore, the Table highlights the dynamic nature of MFIs as they evolve and adapt to the changing needs of their clientele. While some loan categories remain stable with one institution offering them, others show growth potential as they gradually gain more institutions offering them. The ability of MFIs to innovate and diversify their product offerings is crucial for their continued growth and impact in serving the financial needs of their target populations. Overall, this data suggests that MFIs in Murang'a County have been responsive and adaptable, which is indicative of their positive growth trajectory.

Table 4: R2 for the Relationship between Staff autonomy and Growth

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.739a	0.546	0.489	0.489	1.616

a Predictors: (Constant), Staff autonomy
b Dependent Variable: Growth

Results in Table 4 show an R-Square of 0.546 with the standard error of estimate being 0.489 This implies that 54.6 percent of any variability in growth is explained by staff autonomy. The test for autocorrelation using Durbin Watson statistic generated a statistic of 1.616 which falls within the relatively-normal range of between 1.5 and 2.5 (Field, 2009) and therefore there was no autocorrelation in the residuals from regression analysis.

Table 5: ANOVA for the Relationship between Staff autonomy and Growth

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2.295	1	2.295	9.616	.015b
Residual	1.91	8	0.239		
Total	4.205	9			

a Dependent Variable: Growth
b Predictors: (Constant), Staff autonomy

As shown in Table 5, F-Calculated (1, 8) = 9.616 which is greater than F-Critical (1, 8) = 5.317 at 2-tail test and 95% confidence level. Results also show that p-value = 0.015 < 0.05. This further confirms that autonomy has a significant influence in growth of microfinance institutions in Murang'a County.

Table 6: Regression Coefficients for the Relationship between Staff autonomy and Growth

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.625	0.809		2.010	0.079
Staff autonomy	0.593	0.191	0.739	3.101	0.015

a Dependent Variable: Growth

Findings presented in Table 6 show that when staff autonomy is held constant, growth of microfinance institutions will be 1.625. At the same time, increasing staff autonomy by 1 more unit would lead to an increase in growth by 0.593 units. This implies that the staff autonomy has a positive relationship with growth of microfinance institutions. The relationship is significant given that p-Value=0.015<0.05.

The model can be summarized as follows: $Y = 1.625 + 0.593X_1$
Where: Y is growth; X_1 is staff autonomy.

The results presented in Table 4 demonstrate the relationship between staff autonomy and the growth of microfinance institutions in Murang'a County. The R-Square value of 0.546 indicates that approximately 54.6 percent of the variability in growth can be explained by staff autonomy. This suggests that staff autonomy plays a moderately significant role in influencing the growth of these institutions. The relatively low standard error of the estimate further enhances the robustness of this relationship.

The ANOVA results in Table 5 reinforce the significance of staff autonomy in the growth of microfinance institutions. The F-calculated value of 9.616 is substantially higher than the F-critical value at a 95% confidence level, with a p-value of 0.015. This confirms that autonomy is indeed a statistically significant predictor of growth. It implies that microfinance institutions that provide their employees with the freedom to make decisions and innovate independently are more likely to experience higher levels of growth compared to those with more centralized decision-making processes.

Looking at the regression coefficients in Table 6, when autonomy is held constant (the intercept), the estimated growth of microfinance institutions is 1.625. Furthermore, an increase in autonomy by one unit leads to an increase in growth by 0.593 units. This positive relationship between autonomy and growth is not only statistically significant but also economically meaningful. It underscores the importance of fostering an organizational culture that encourages employees to take initiative, make decisions, and innovate independently. Such a culture can drive growth by enabling

quicker responses to market changes and customer needs, ultimately enhancing the competitiveness of microfinance institutions in Murang'a County.

Conclusion

In conclusion, this study has shed light on the intricate relationship between autonomy and the growth of microfinance institutions in Murang'a County, Kenya. Through a comprehensive analysis of data and statistical models, we found compelling evidence that autonomy significantly influences the growth of MFIs in this region. Specifically, higher levels of autonomy within these institutions were associated with more robust growth trajectories. This finding underscores the importance of granting subordinate staff the freedom and flexibility to innovate and make independent decisions, which can translate into increased outreach, financial sustainability, and overall development impact for MFIs.

Moreover, the study uncovered various mechanisms through which autonomy influences MFI growth, such as fostering a culture of innovation, enhancing customer satisfaction, and enabling faster adaptation to market changes. These insights have practical implications for both MFI managers and policymakers in Murang'a County. It emphasizes the need for MFIs to empower their staff, cultivate a supportive environment for innovative ideas, and strategically leverage autonomy as a catalyst for sustainable growth. Additionally, policymakers should consider the role of autonomy when designing regulations and policies to promote the microfinance sector, recognizing its positive impact on financial inclusion and economic development. By embracing and harnessing autonomy effectively, MFIs in Murang'a County can continue to serve as crucial drivers of positive change and progress in the region.

Thus, while autonomy has been identified as a significant driver of MFI growth in Murang'a County, it should be harnessed strategically and in conjunction with other best practices. Empowering staff and fostering an innovative culture, coupled with proactive strategic planning, can lead to more successful and sustainable microfinance institutions, thereby contributing to the economic development and financial inclusion goals of the region.

Recommendations

Based on the findings of this study, several recommendations can be made to enhance the growth of microfinance institutions (MFIs) in Murang'a County, Kenya:
Empowerment and Autonomy: MFIs should prioritize empowering their subordinate staff and granting them a higher degree of autonomy. This empowerment can be achieved through training programs, capacity-building initiatives, and a culture that encourages innovative thinking. By fostering an environment where employees are given the freedom to propose new ideas and implement them, MFIs can tap into the creative potential of their workforce, leading to increased efficiency, customer satisfaction, and growth.

Strategic Planning and Adaptation: MFIs should adopt a more proactive approach to strategic planning and market adaptation. This involves closely monitoring market trends, competitor

activities, and customer needs. By staying ahead of the curve and anticipating changes in the financial services landscape, MFIs can position themselves for sustained growth. Additionally, they should leverage their autonomy to make swift decisions and implement necessary changes when faced with evolving circumstances.

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