AN EMPIRICAL SURVEY ON THE EFFECT OF ADAPTIVE LEADERSHIP ON PERFORMANCE OF DEPOSIT TAKING MICROFINANCE INSTITUTIONS IN NAIROBI COUNTY, KENYA

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ABSTRACT

The Deposit Taking Microfinance Institutions (DTMFIs) endeavor to provide financial services to the informal sector and the poor, a category of the populace that is significant, yet left out. There is stiff competition within the Microfinance sector occasioned by government policy, competition from non-regulated lenders, technology and other commercial banks getting into this space. Due to these challenges, DTMFIs are plagued by low outreach which means that they are not able to fulfill their mandate of poverty reduction. Further, their lack of sufficient resources for onward lending implies that some struggle with financial sustainability and may venture into newer frontiers that do not resonate with their vision but promise financial sustainability. Performance of such institutions therefore becomes critical since it ensures the availability of financial services to a critical mass. This study investigated the effect of adaptive leadership on performance of Deposit Taking Microfinance Institutions (DTMFIs) in Nairobi County. In particular, the study set out to evaluate the effect of adaptive work and emotional intelligence on the performance of Deposit Taking Microfinance Institutions in Nairobi County. The main theory was adaptive leadership theory supported balanced scorecard (BSC) model, and emotional intelligence theory. The study was based on the postpositivist approach adopting descriptive and explanatory design with a target population of 298 senior, middle-level, and lower-level managers drawn from 12 Deposit Taking Microfinance Institutions in Nairobi County. Primary data was collected using a semi-structured questionnaire. Multiple linear regression analysis was used to establish the relationship between the variables. The results indicated that adaptive work and emotional intelligence had a statistically significant effect on performance. The study concluded that adaptive leadership had a statistically significant on the performance of DTMFIs in Nairobi County. The study therefore recommends that senior, middle-level, and lower-level managers should focus on various elements of adaptive work and emotional intelligence for improved performance of DTMFIs in Nairobi County.

Key words: Adaptive Leadership, Deposit Taking Microfinance Institutions, Performance.

INTRODUCTION

The Microfinance sector in Kenya is very critical since it bridges the financial gap by providing financial services to the poor and those in the informal sector. Domiciled within the financial sector, Deposit Taking Microfinance Institutions have been touted as key in changing the financial fortunes of the underprivileged due to their double bottom line of financial sustainability and reach (Kar, 2013; Ozili, 2021). The effort by the government in Kenya over the years to offer affordable credit to select members of the society implies that there is a gap that remains unfilled. This is perhaps in recognition that the informal sector contributes about 40-50% of GDP in Sub-Saharan Africa (Moyo & Sibindi, 2022). However, performance of these institutions is affected by a myriad of factors, including governance, leadership, and the very environment in which they operate. (Njue et al., 2016; Nkurunziza et al., 2019). In the recent past, DTMFIs have faced stiff competition from several fronts and this comes with a possibility of mission drift (Wondirad, 2020). First, the government has worked to bridge this gap by providing low interest funds to women, youth and lately to the whole populace. Secondly, Commercial Banks have entered into this Microfinance space, mostly through onward lending from international organizations that target the SMEs. Thirdly, technological revolution has meant that almost every other person with interest in this space can offer these services especially using mobile technology (Mdoe & Kinyanjui, 2018). Offering microloans through the mobile phone has been a huge alternative to sourcing of funds for those that are similarly targeted by DTMFIs.

DTMFIs continue to play an important part in financial inclusion and poverty eradication in developing countries. This is made significant by the fact that about 50% of the working world population is in the informal sector (Barry & Tacneng, 2014). DTMFIs' leadership is critical in ensuring that they remain focused on their vision and mission. For instance, In Sri Lanka, India, Kosovo, and Bangladesh, governance and leadership have been considered vital in improving the performance of DTMFI (Purkayastha et al., 2020). Strategic actions such as the adoption of gender-diverse leadership have shown improved performance (Van Damme et al., 2016)

The African continent, and Kenya in particular is faced with low financial inclusion and lack of finances for the poor. Sources of finances such as commercial banks and the government have proved insufficient in entirely meeting this need. DTMFIs are an alternative to bridge this gap, who nurture long-term relationships with their clients through financial education, leading to a savings culture (Wokabi & Fatoki, 2019). In Sub-Saharan Africa, DTMFIs that have good institutional leadership and governance have been found to perform better than their contemporaries (Chikalipah, 2017; Nkurunziza et al., 2019). Whereas various DTMFIs have registered varied growth, this could have been better since there is so much ground that is yet to be covered. For instance in Ethiopia, the performance of MFIs is affected by lack of the breadth as well as the depth of their outreach (Kinde, 2012). The Kenyan context shows a vibrant sector with some of the DTMFIs having grown to become top-tier banks (Lafourcade et al., 2005; Njue

et al., 2016). However, the full spectrum shows a sector that has not realized its full potential and struggles with financial sustainability. Further, many of the DTMFIs do not have a sufficiently wide reach. Some of the challenges affecting these institutions are; balancing between social impact and financial sustainability; competition for borrowers from banks; competition for borrowers from other microloan services and a dynamic operational environment (Kigen, 2011; Ngumo et al., 2017).

The idea of performance of DTMFIs encompasses the financial performance as well as social impact and other components such as the cultural context. The cultural context has the leadership interplay hence affecting the way leadership is practiced in the respective DTMFIs. Improved achievement of results can be realized when institutional leadership is concerned with the interests of the institution and its stakeholders(Nkurunziza et al., 2019). The leadership in these institutions has to be cognizant of these realities, that DTMFIs deal with more than one bottom line. There is, therefore, a need for DTMFIs to have a leadership approach that gives them foresight in developing strategies that will ensure that they remain key players in the financial sector. In this way, DTMFIs will be able to adapt to the dynamic environment and meet their mission of financial inclusion in a sustainable manner (Heifetz et al., 2009a). Performance in this study was measured by the number of customers and deposits, uptake of new technology, staff satisfaction and retention.

The concept of adaptive leadership was first introduced by Heifetz in 1994. It is the practice of rallying other leaders and followers to respond to challenging and strenuous times and thrive (Heifetz et al., 2009b). The aspect of thriving in dynamic contexts is from evolutionary biology as discussed by Heifetz et al. (2009a) who argue that just like a species, for an organization to adapt, it has to portray three characteristics. First, the species has to preserve the core aspects that are essential for its survival. Secondly, it has to discard the gene that is not useful at the moment. Thirdly, it has to create and develop competencies that give it a new lease of life like never before. Adaptive leadership is vital in an institution because it gives the institution the capacity to be agile and to thrive amidst complex challenges (Highsmith, 2013). Adaptive leadership was operationalized through adaptive work which concerns itself with diagnosis of the past, the present, and planning for the future. The second aspect of adaptive leadership was emotional intelligence, which covered the areas of empathy, social skills, self-awareness, self-regulation, and self-motivation.

Deposit Taking Microfinance Institutions

With this contextual reality, examining the performance of DTMFIs is critical. In 2021, DTMFIs in Kenya held Kshs 49.7 billion in deposits (AMFI, 2022). This is a critical amount considering that this is the same amount that is available for circulation as loans. In the same report, it was reported that the DTMFIs have more than 2 million clients, while the overall Microfinance sector had more than 7 million underscoring the significance of these institutions (AMFI, 2022, 2021). In terms of financial performance, the DTMFIs had a cumulative loss of Kshs 653M with eight

out of the twelve recording a loss. Whereas they were just recovering from COVID-19 effects, it clearly shows a need for closer examination. It is for this reason that the study seeks to investigate the effect of adaptive leadership on the performance of DTMFIs in Nairobi County, Kenya

LITERATURE REVIEW
Theoretical and empirical literature was reviewed to identify research gaps.
Theoretical Literature Review

Adaptive leadership theory
The study was premised on Adaptive leadership theory. The theory was first discussed by Heifetz (1994), who proposed that just like humans, organizations go through various changes and challenges as they grow. Further development saw Heifetz et al. (2009a), argue that technical challenges are straightforward and can be dealt with by technical solutions while adaptive challenges are more complex and need adjustment of the leaders' value system and the internal systems of the organization to appropriately respond to the external system. Bailey et al. (2012) added to this by postulating that adaptive leadership theory is based on the complexity science theory, which presupposes that organizations are made of complex systems and therefore adjustment in one area affects the rest of the organization. Adaptive leadership theory supports adaptive leadership and adaptive work in this study.

Balanced Score Card (BSC) Model.
BSC, as explained by Kaplan and Norton (2004) focuses on wider aspects of performance beyond financial. These include customers, learning and growth within the organization, and internal processes besides financial resources. Measurement of performance in DTMFIs is multifaceted, and this model comes in to ensure that all aspects of the institutions are well covered. The BSC's initial focus was on how leaders can balance between financial and nonfinancial measurements for organizational prowess. However, these expanded to have a wider focus that includes strategy and has become a critical tool of strategic decision-making. This shifted focus from the shareholders to both the shareholders as well as other stakeholders such as employees and customers (Hasan & Tai Mei, 2017). The BSC model supported the performance variable in this study.

Emotional Intelligence theory
Emotional intelligence explains the leaders' ability to display and use emotions effectively. Mixed and ability models are the most commonly used models in understanding emotional intelligence. Mixed models consider various features such as empathy, motivation, persistence, optimism, and social skills (Cabello & Fernández-Berrocal, 2015) while the ability model explains EI as an integration of various capabilities such as accurately perceiving, assessing, and expressing emotion, accessing and generating feelings and thoughts, and understanding the whole aspect of emotions. The field of EI was extensively discussed by Mayer in 1990 and expanded further by

Goleman in 1995. The emotional intelligence model supported the emotional intelligence variable in the study.

Empirical Literature Review
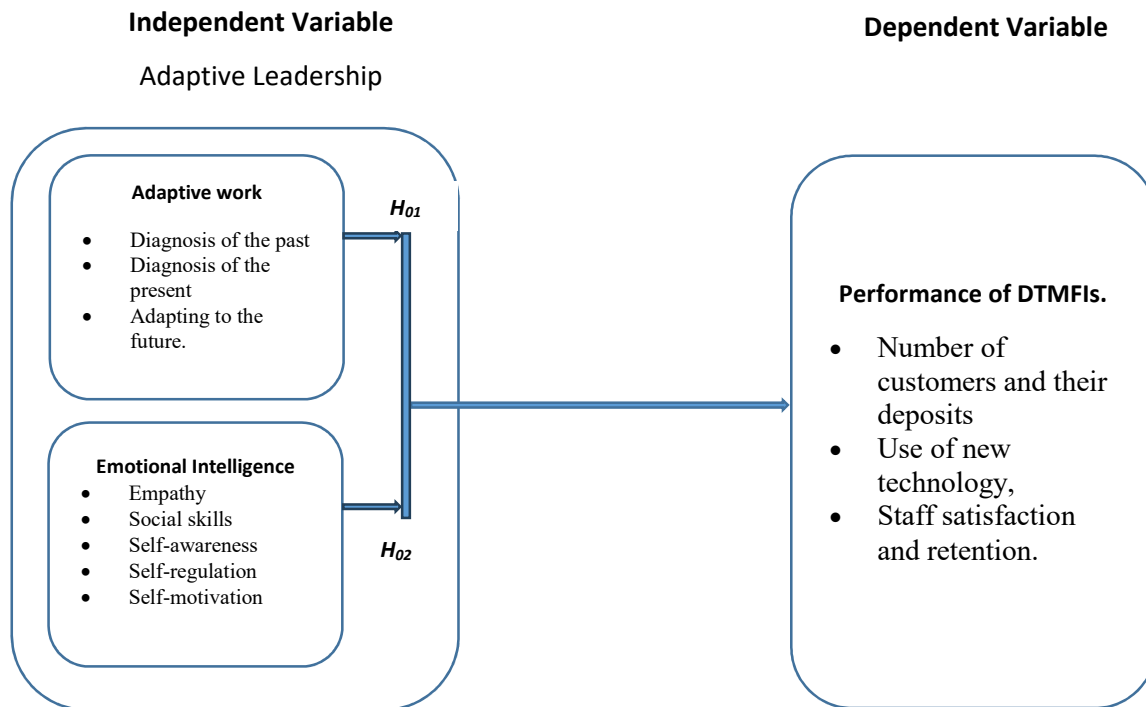
Adaptive leadership and performance

Adaptive leadership has been used in various institutions as expressed through literature review. Wamburu et al. (2023) in a study amongst insurance companies in Kenya revealed a strong connection between adaptive leadership and performance. This study was carried out among 311 senior and middle-level managers. In another study, Nebiyu and Kassahun (2021) found that adaptive leadership affected the performance of deans and managers in institutions of higher learning in Ethiopia. In research carried out among 5,640 deans, directors, and academic staff, it was established that the practice of adaptive leadership had contributed significantly to the effectiveness of the leadership in the institutions. Separately, Chughtai et al. (2023) found that in learning organizations, a strong relationship existed between adaptive leadership and innovation. The study was carried out among 373 permanent employees in pharmaceutical companies. In essence, these studies were undertaken in various sectors such as insurance and learning institutions. These studies were done in other institutions, while the current study is carried out in DTMFIs in Nairobi County.

Kim (2020) conducted a study on how employee resilience can support an organization by adapting to change after a crisis in terms of adaptive work. In a nationwide survey of 380 employees, it was established that resilient employees can help their organizations bounce back through their psychological ability, adaptability, and positive communication. Marques-Quinteiro et al. (2019) carried out a study on employee adaptive performance and job satisfaction in a crisis context focusing on self-leadership. The study was conducted amongst 52 private bankers using a quasi-experimental design. The study showed that change in performance and job satisfaction was positively related to a change in self-leadership. Further, the study recommended that self-leadership training was critical in improving adaptive performance. These studies focused on staff resilience and self-leadership while the current study focusses on staff retention.

Lumen and Lumen (2010) conducted a study on how emotional intelligence affects the relationship between managers and employees and its effect on performance. The quantitative study carried out amongst 155 managers and employees showed a positive relationship between emotional intelligence and performance. Separately, Briones (2020) developed a model for high-potential leaders based on the personal values and emotional intelligence of officers in a Microfinance in the Philippines. Using descriptive correlation, focused group discussions and surveys were conducted on 523 out of 1,235 Unit Managers who were considered high-potential leaders within microfinance. The study concluded that values and emotional intelligence are possessed by high-potential leaders in achieving their desired status. In another study, Wangari and Macharia (2019) sought to establish the influence of emotional intelligence on organizational performance among

insurance companies in Kenya. Using a positivistic research philosophy and a semi-structured questionnaire, 208 respondents drawn from the lower, middle, and top-level leadership were selected. The findings showed that performance in Kenyan insurance companies was significantly influenced by emotional intelligence.

Conceptual Framework and Hypothesis

Independent Variable   **Dependent Variable**

Adaptive Leadership

Adaptive work
• Diagnosis of the past • Diagnosis of the present • Adapting to the future.

H_{01}

Emotional Intelligence
• Empathy • Social skills • Self-awareness • Self-regulation • Self-motivation

H_{02}

Performance of DTMFIs.
• Number of customers and their deposits • Use of new technology, • Staff satisfaction and retention.

H_{01} *Adaptive work has no statistically significant effect on the performance of Deposit Taking Microfinance Institutions in Nairobi County.*

H_{02} *Emotional intelligence has no statistically significant effect on the performance of Deposit Taking Microfinance Institutions in Nairobi County*

Source: Author (2024).

RESEARCH METHODOLOGY

The study employed the post-positivist research philosophy. Further, descriptive and explanatory research design was used. A descriptive research design was chosen because it helped to describe the characteristics of the variables. Further, an explanatory research design was used to establish the relationship between the independent and dependent variables. The target population was 298 senior, middle-level and lower-level managers drawn from 12 DTMFIs registered by CBK and are members of AMFI Kenya. A sample size of 169 was computed using a confidence level of 95% and an error of 0.05. Stratified random sampling was used because of the three categories of senior,

middle-level, and lower-level managers. Sample size was calculated using a formula as recommended by Kothari (2014).

A semi-structured questionnaire was used as the primary tool for data collection. The research instrument sought comprehensive demographic data and provided a scale of 1 to 5 on the various variables. Inferential analysis comprising correlation and regression analysis was done. Qualitative data was analysed using qualitative content analysis.

To investigate the effect of adaptive leadership on the performance of DTMFIs in Nairobi County the following multiple linear regression model was used.

$$P = \beta_0 + \beta_1 AW + \beta_2 EI + \varepsilon$$

Where; *P* is the performance of DTMFIs in Nairobi County, β_0 is the constant

β_1, and β_2, are the variable coefficients, *AW* is adaptive work and *EI* is emotional intelligence

ε is the error term.

RESULTS AND DISCUSSION

Response Rate

The target population was 298 senior, middle-level and lower-level managers in DTMFIs in Nairobi County. A sample size of 169 was calculated, and 102 respondents filled the questionnaire. Middle-level managers had the highest return of 80%, followed by senior managers at 67% and lower-level managers at 51%.

Demographic Analysis

Demographic information sought information related to the level of management, gender, level of education, and work experience of the respondents. The results showed that senior managers were 13.7%, middle-level managers were 35.3% and lower-level managers were 51%. The data shows that more than half were lower-level managers at 51%. In terms of gender, there were 62.7% male respondents while 37.3% were female. All the respondents had post-secondary education, with 1% with a doctorate, 14.7% with a master's degree, 63.7% with a bachelor's degree, 19.6% had a diploma, and 1% with a certificate. It was therefore established that more than 75% of respondents had a bachelor's degree implying that they had the necessary technical skills and they could give relevant information on the study variables.

In terms of working experience, the data showed that 8.8 % had worked for one year, 18.6% between one and three years, and 30.4% for four to six years. A higher proportion of the managers had worked for seven to nine years which was 31.4%. 10.8% had worked for more than ten years. In essence, therefore, 42% of the managers had worked for more than 10 years, while 72% had worked for more than 10 years, pointing towards low staff turnover.

Descriptive Statistics
Descriptive Analysis for Adaptive Work

The study set out to find out to what extent adaptive work exists and is practiced in DTMFIs in Nairobi County. Feedback was sought on various aspects of adaptive work on a five-point scale where 5-very great extent, 4- great extent, 3- moderate extent, 2- little extent, and 1-no extent. The results are presented in Table 1.

Table 1: Descriptive Statistics for Adaptive Work.

	Mean	Std. Deviation
The leaders of the institution have the foresight and are focused on the future of the organization	3.97	.959
The institution has a strategic plan that paints the picture of its future aspirations	3.96	.855
The organization has both short-term and long-term plans.	3.92	1.002
The institution has a dashboard on organizational performance	3.68	.846
The employees in the organizations understand the aspirations of the organization as set out in the strategic plan.	3.60	1.007
Our institution conducts reviews on the performance of the firm.	3.56	.939
The firm has a research and development department that seeks information on the current trends to inform decision-making and strategy development	3.20	1.081
Aggregate Mean	**3.6975**	**.61480**

The overall mean for adaptive work was 3.6975 (SD=0.6148), showing that most of the managers agreed to a great extent that adaptive work was practiced within the DTMFIs in Nairobi County. The standard deviation of 0.6148 shows that there is a low divergence in opinion. In particular, most leaders in the DTMFIs had foresight (mean=3.97, SD=0.959), and this is articulated in the strategic plan (mean=3.96, SD=0.855). The least aspect in existence in DTMFIs is a research and development department (mean=3.20, SD=1.081).

The findings are consistent with a study done by Rarick et al (2013) which showed that cultural intelligence, as an aspect of adaptive leadership behaviour was a predictor of adaptive performance. Further, research done by Marques-Quinteiro et al. (2019) showed a statistical significance between self-leadership and performance. Additionally, a study compilation of

various articles on adaptive performance by Park and Park (2019) showed that a clear vision, climate of innovation, and learning organization promoted adaptive performance. These, as discussed, are key aspects of adaptive work.

Descriptive Analysis for Emotional Intelligence

The evaluation of emotional intelligence was done using a five-point scale where 5-very great extent, 4- great extent, 3-moderate extent, 2- little extent, and 1- no extent. The results are presented in Table 2.

Table 2: Descriptive Statistics for Emotional Intelligence

	Mean	Std. Deviation
Staff relate well with the customers.	4.19	.793
Staff relate well with their colleagues	4.03	.895
All employees exhibit good social skills	3.69	.783
Staff are self-motivated in performing their duties	3.63	1.033
Self-regulation is practiced by the leadership of the institution	3.55	1.001
The institution undertakes self-awareness training for all its staff	3.53	1.022
There are policy guidelines on equipping leaders and employees with social skills	3.48	.909
The leaders deal with the employees with empathy	3.47	.792
Aggregate Mean	**3.6949**	**.54573**

The aggregated results for emotional intelligence had a mean score of 3.69 (SD=0.545), showing that emotional intelligence was practiced in the DTMFIs to a great extent. Further, a standard deviation of 0.545 showed that there was a low divergence in opinion amongst the managers. The results show that staff relate with the customers (mean=4.19, SD=0.793), as well as their colleagues (mean=4.03, SD=0.895). In this category, the leader's empathy towards their employees was the least (mean=3.47, SD=0.792). In general, the results show that staff have good social skills, and relate to a very great extent with the customers and which each other. The findings concur with a study done by Uchenna et al. (2019) that concluded that emotional intelligence directly and significantly affected the job performance of frontline employees in Microfinance banks in Nigeria. Additionally, the findings are in concurrence with those done by Briones (2020) who concluded that high-potential leaders in the Microfinance sector had values and emotional intelligence that helped them to attain desired results. This also confirms the study conducted by Wangari and Macharia (2019) which determined that emotional intelligence had a significant influence on organizational performance among insurance companies.

Descriptive Analysis for Performance

Performance was measured by different aspects on a five-point scale; 5-, Very significant improvement, 4-Significant improvement, 3-Moderate improvement, 2-Little improvement, and 1-No improvement. The outcome of this is summarized in Table 3.

Table 3: Descriptive Statistics for Performance

	Mean	Std. Deviation
Overall performance of your institution	3.92	.886
Uptake of new technology	3.63	.933
Use of new technology to sign up more customers	3.58	.838
Overall amount in deposits	3.53	.853
Staff satisfaction with their work	3.48	1.041
Number of customers	3.48	.728
Amount in terms of deposits per customer	3.41	.968
Staff retention	3.35	1.224
Aggregate Mean	**3.5478**	**.64870**

The overall mean for performance was 3.5478 with a SD of 0.6487 showing that the managers agreed to a great extent that performance improved. A low standard deviation of 0.6487 showed a low divergence in opinion, pointing to the concurrence of the managers. The results are in concurrence with Thu (2020) who established that the performance of microfinance institutions improved the lives of the ethnic minorities. Additionally, Owino and Kibera (2019) found out that organizational culture, in which adaptive work is enshrined affected the performance of Microfinance Institutions in Kenya.

Inferential Analysis
Correlation Analysis

This study used Pearson correlation coefficient and adopted the thresholds as discussed by Saunders et al (2009) where a perfect relationship is shown by ±1, a strong relationship by ±0.5 and above, a moderate relationship between ±0.30 and ±0.49 and a weak relationship is represented by ±0.29 and below. The correlation between the independent and dependent variables was done as displayed in Table 4.

Table 4: Correlation Analysis

		Adaptive Work	Emotional Intelligence	Performance
Adaptive Work	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	102		
Emotional Intelligence	Pearson Correlation	.655**	1	
	Sig. (2-tailed)	.000		
	N	102	102	
Performance	Pearson Correlation	**.566****	**.576****	1
	Sig. (2-tailed)	.000	.000	
	N	102	102	102
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Field Data (2024)

Correlation between performance and adaptive work was moderately strong and positive (r=0.566). This is consistent with the results from research carried out by Marques-Quinteiro et al. (2019) that showed a strong correlation between performance and self-leadership in times of crisis. Performance and emotional intelligence (r=0.576) had a moderately strong and positive relationship. This finding is in support of another finding by Uchenna et al. (2019) which established a strong and positive connection between emotional intelligence and performance.

Regression analysis for adaptive leadership and performance.

The study set out to evaluate the effect of adaptive work on performance of Deposit Taking Microfinance Institutions in Nairobi County, Kenya. For this study, a null hypothesis that adaptive work has no significant effect on the performance of Deposit Taking Microfinance Institutions in Nairobi County was adopted. This was done by regressing adaptive work and emotional intelligence against performance. The results are presented in Table 5.

Table 5: Summary model, ANOVA, and Coefficients for adaptive work and performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.628a	.395	.382	.50978

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.774	2	8.387	32.273	.000b
	Residual	25.728	99	.260		
	Total	42.501	101			

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.678	.363		1.868	.065
	Adaptive Work	.349	.109	.331	3.193	.002
	Emotional Intelligence	.428	.123	.360	3.476	.001

Table 5 shows R= 0.628 indicating a moderately strong positive correlation between adaptive leadership and performance of DTMFIs in Nairobi County. Further, it was observed that R square (R^2) was 0.395, indicating that 39.5% of the variation in performance was attributed to adaptive leadership. The results also showed that the F-statistic was 32.273, which was greater than the F-critical (1,100=3.94) and p=0.000<0.05. The model was therefore considered fit to predict performance in DTMFIs in Nairobi County.

In terms of coefficients, the results indicated that the β_0 was 0.678, and therefore with all factors held constant, performance would be 0.678. The outcome further showed that the beta coefficient for adaptive work was 0.331, and that of emotional intelligence was 0.360. This means that holding all other factors constant, a unit change in adaptive work would result in a positive change of 0.331 in performance while a unit change in emotional intelligence would result in a 0.36 change in performance. Additionally, the findings showed that the p-value for adaptive work was p=0.002<0.05 and emotional intelligence p=0.001<0.05 hence significant. The study therefore rejected the null hypothesis one Adaptive work has no statistically significant effect on the performance of Deposit Taking Microfinance Institutions in Nairobi County and null hypothesis two that that Emotional intelligence has no statistically significant effect on the performance of Deposit Taking Microfinance Institutions in Nairobi County. The study thus concluded that adaptive leadership has a significant effect on the performance of DTMFIs in Nairobi County.

These findings are in concurrence with those done by Akhigbe and Akhigbe (2021) in MFIs in Rivers State, Nigeria. The study established that dedication had more correlation with other variables, and concluded that work engagement positively correlated with the degree of individual work performance. Additionally, AlAbri (2022) carried out a study on how human resources management practices affected an employees adaptive performance. Human resources factors were found to be major determinants of employees' adaptable performance.

With regards to emotional intelligence, the results were consistent with previous studies. For instance, Lumen and Lumen (2010) established that there was a positive relationship between emotional intelligence and performance. Additionally, Uchenna et al. (2019) found that there was a direct and significant relationship between emotional intelligence and performance. The aspects

of emotional intelligence that were examined included empathy, the ability to socialize, the ability to regulate self and self-motivation.

Analysis of Qualitative Data

The qualitative data was analyzed by summarizing the feedback received on the open-ended question for each variable. Under adaptive work, the managers indicated that adaptive work had contributed to better performance of their institutions. The managers had to help others to understand change and adapt accordingly. Adaptive work had also helped the staff to acquire multiple skills hence staff could be deployed in multiple areas with ease. The effect of the COVID-19 pandemic meant that staff mostly met virtually, and these meetings were more frequent, ensuring that work went on uninterrupted.

The second was emotional intelligence. The managers indicated that staff had become more aware of themselves, other staff, and the customers through training which was undertaken as a key aspect of organizational learning. Staff were trained on their strengths and weaknesses, and how to work in tough circumstances. This improved self-awareness and employees found it easier to work in areas of natural gifting. Staff also improved in decision-making, and job satisfaction, and in the process, experienced less stress. In general, there was an improvement in the positive working environment through regular communication. In the process, the employee's ability to deal with clients was improved reducing complaints.

The third and final aspect of qualitative feedback was performance. The managers reported that DTMFIs performed well due to; favourable interest rates, retention of customers, recruitment of new customers and good financial and management policies, savings campaigns that targeted their clients on the benefits of saving, and the introduction of broad financial services for the clients. Factors that helped improve performance were both internal and external. Among the staff, morale had been boosted through a change of internal culture, good staff relations with each other, staff buying into the vision, appropriate staff development leading to the acquisition of the needed skills, increased accountability, and hard work was critical to improved performance. Other factors were; good customer relations that resulted in customer retention, use of technology in operations, loan follow-up, customer centricity, good risk management strategy, partnership with global firms and good governance of the institutions. A key external factor was constructive competition from other DTMFIs.

Several challenges affected the performance of DTMFIs. Competition amongst the DTMFIs, commercial banks, and other non-regulated entities was key. Additionally, poor repayment of loans, lack of sufficient funding, low profitability due to stiff competition, increased cost of operations, and technological revolution were the other challenges.

Conclusions and Summary

The general objective was to investigate the effect of adaptive leadership on performance of DTMFIs in Nairobi County. This was done by examining two aspects of adaptive leadership which are adaptive work and emotional intelligence. Descriptive analysis showed that adaptive leadership and EI are practiced to a great extent in the DTMFIs in Nairobi County. Correlation results showed that adaptive work and emotional intelligence had a moderately strong and positive relationship with performance.

Regression analysis results showed that adaptive work and emotional intelligence had a statistically significant effect on the performance of DTMFIs in Nairobi County. The study therefore recommends that senior, middle-level, and lower-level managers should focus on various elements of adaptive work and emotional intelligence for improved performance.

Contribution to the Body of Knowledge

This study has contributed knowledge in two ways. The first is the theoretical contribution, while the second contribution is empirical. In terms of theoretical input, the study added knowledge and the application of adaptive leadership theory, emotional intelligence theory and balanced scorecard in Deposit Taking Microfinance Institutions. This means that the theories can be used in a broader range of contexts. Further, the study has contributed to the understanding of the two variables of adaptive leadership , that is adaptive work and emotional intelligence. Emotional intelligence is the least predictor of performance when each of them is considered in isolation. Secondly, the findings have contributed to the available literature on the empirical connection between adaptive leadership and performance. The study contributes to the knowledge by illustrating that there exists a positive and significant statistical relationship between adaptive leadership and performance in the context of DTMFIs. Previous scholars had also operationalized variables differently. This study operationalized adaptive leadership variables into adaptive work and emotional intelligence.

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