Leadership Practices on Performance of Micro Finance Institutions in Rwanda.

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ABSTRACT

This study investigates the influence of leadership practices on the performance of microfinance institutions (MFIs) in Rwanda, a sector crucial for economic development and poverty alleviation. Recognizing that effective leadership is essential for fostering organizational resilience and sustainability, the research aims to identify key leadership styles and their correlation with performance metrics such as profitability, outreach, and client satisfaction. The target population of the study comprised of 200 respondents from 22 MFIs registered as public limited companies and 18 MFIs are registered as non-Umurenge Saccos in Rwanda. Both qualitative and quantitative data was collected through structured questionnaires. The questionnaire was pretested before data collection for validation and reliability. The collected data was coded and analyzed using both quantitative and qualitative methods with the help of descriptive and inferential statistics. The Statistical Package for Social Sciences version 21 was used. Testing of hypotheses was done using analysis of variance. Variance Inflation Factor was used to illustrate the significance of the association between strategic alignments on performance of MFIs in Rwanda. Analyzed data was presented using tables and percentages. The results of the regression analysis indicate a significant positive relationship between leadership practices and the performance of microfinance institutions (MFIs) in Rwanda. The model demonstrated a strong correlation, with an R value of 0.672, suggesting that approximately 67.2% of the variability in MFI performance can be explained by leadership practices, as indicated by the R-squared value of 0.467. This means that leadership practices account for 46.7% of the variance in performance outcomes. The analysis yielded a significant F-statistic of 293.042 ($p < 0.001$), indicating that the regression model is statistically significant. The unstandardized coefficient for leadership practices ($B = 0.620$) reveals that for every one-unit increase in leadership practices, performance increases by 0.620 units. The standardized coefficient (Beta = 0.811) further confirms the strong influence of leadership practices on performance, with a t-value of 17.118 ($p < 0.001$), emphasizing the critical role of effective leadership in enhancing the operational success of MFIs in the region. In conclusion, this study highlights the significant impact of leadership practices on the performance of microfinance institutions in Rwanda, emphasizing that effective leadership can enhance organizational effectiveness and contribute to financial inclusion efforts. It is recommended that MFIs invest in leadership development programs that cultivate transformational and participative leadership styles to improve overall performance. Future research should explore the long-term effects of specific leadership practices on performance outcomes across different contexts and investigate the role of external factors, such as regulatory frameworks and community engagement, in shaping leadership effectiveness within the microfinance sector.

Keywords: Leadership Practices, Microfinance Institutions, Performance, Rwanda, Organizational Effectiveness

INTRODUCTION

Globally, microfinance has evolved from a niche sector to a vital component of inclusive finance, with a significant focus on alleviating poverty and empowering marginalized communities (Bogan & Kuss, 2018). The role of effective leadership within MFIs has garnered increasing attention, as leadership practices directly influence organizational performance and sustainability. Research indicates that effective leadership styles, such as transformational and participative leadership, significantly enhance operational efficiency and client satisfaction (Hassan & Nadeem, 2020).

Microfinance has emerged as a vital mechanism for economic empowerment and poverty alleviation globally, particularly in developing countries. According to the World Bank (2020), microfinance institutions (MFIs) provide essential financial services to underserved populations, enabling them to engage in entrepreneurial activities, improve their living standards, and enhance overall economic resilience. The effectiveness of MFIs, however, is significantly influenced by the leadership practices adopted within these organizations. Effective leadership is pivotal for navigating challenges and harnessing opportunities in the dynamic financial landscape, which has seen increasing competition and changing client needs (González & Serebrisky, 2019).

In the sub-Saharan African context, microfinance has gained traction as a strategic tool for promoting inclusive economic growth and development. The African Development Bank (2021) notes that MFIs in Africa have expanded their reach, offering services such as savings, credit, and insurance to low-income communities. According to the African Microfinance Network (2021), there are over 200 MFIs operating across the continent, catering to millions of clients. Leadership practices within these institutions play a crucial role in navigating challenges such as regulatory compliance, competition, and evolving market demands. Effective leadership fosters a culture of innovation and responsiveness, essential for MFIs to thrive in a dynamic environment (Nkurunziza, 2021).

Focusing on East Africa, the microfinance sector has shown promising growth, particularly in countries like Kenya, Uganda, and Rwanda. A study by Muriuki and Ngigi (2020) highlights that East African MFIs have increasingly adopted technology-driven solutions to enhance service delivery and operational efficiency. Leadership styles that promote adaptability and responsiveness to market demands are essential for navigating this rapidly evolving landscape. This regional perspective underscores the need for effective leadership in driving the success of MFIs and achieving their mission of financial inclusion.

In Rwanda, the microfinance sector has been pivotal in supporting the government's vision for socio-economic development. The National Bank of Rwanda (2022) reports that the microfinance industry has witnessed substantial growth, contributing significantly to financial inclusion and poverty reduction. However, despite these advancements, challenges remain, particularly in leadership effectiveness and organizational performance. Research by Nduwayezu (2021) indicates that many MFIs struggle with inadequate leadership practices, leading to suboptimal performance and limited outreach to target populations.

Examining the local context, the leadership practices within Rwandan MFIs are influenced by cultural, social, and economic factors unique to the region. Rwandan society places a strong emphasis on community and collective well-being, which can shape leadership approaches within MFIs. According to Karangwa (2021), leaders who adopt participatory and inclusive practices are more likely to foster trust and collaboration among employees and clients, ultimately enhancing organizational performance. This local perspective highlights the need for leadership strategies that resonate with the values and expectations of the Rwandan populace.

The interplay between leadership practices and MFI performance in Rwanda is a critical area of research, particularly given the sector's potential to drive sustainable development. As identified by Uwera and Ndangiza (2022), effective leadership not only enhances operational performance but also contributes to improved client outcomes and social impact. The National Financial Inclusion Strategy (NFIS) aims to increase the percentage of Rwandans with access to financial services from 68% in 2016 to 100% by 2022 (National Bank of Rwanda, 2021). As MFIs are central to this initiative, understanding the impact of leadership practices on their performance is imperative. Research suggests that leadership styles characterized by transparency, accountability, and participatory decision-making positively affect the performance outcomes of MFIs (Munganyinka, 2022).

Local perspectives highlight the unique challenges faced by Rwandan MFIs, including limited access to capital, high operational costs, and the need for skilled leadership. A study by Ndabazize (2021) emphasizes that many MFIs struggle with leadership capacity, hindering their ability to implement effective strategies for growth and client engagement. This underscores the necessity for leadership development programs tailored to the local context, fostering skills that enhance performance and sustainability in the microfinance sector. Moreover, the cultural dynamics in Rwanda, influenced by the country's history and socio-economic landscape, shape leadership practices within MFIs. Understanding the interplay between cultural values and leadership effectiveness is critical for developing strategies that resonate with local staff and clients (Mugisha, 2021). Culturally sensitive leadership practices can enhance trust and collaboration within organizations, leading to improved performance outcomes.

Statement of the Problem

Despite the significant role that microfinance institutions (MFIs) play in promoting financial inclusion and economic development in Rwanda, many of these institutions face substantial challenges related to leadership effectiveness, which adversely affects their performance. According to the National Bank of Rwanda (2021), only 63% of Rwandans had access to financial services as of 2020, highlighting a critical gap in financial inclusion that MFIs are expected to bridge. However, studies indicate that a lack of skilled leadership and ineffective management practices are prevalent in many MFIs, resulting in high operational costs and poor service delivery (Munganyinka, 2022). For instance, Ndabazize (2021) found that 45% of MFIs in Rwanda reported difficulties in achieving their strategic goals due to inadequate leadership capacity. This inability to adapt to market demands and improve client satisfaction directly impacts the sustainability of MFIs, limiting their contribution to economic growth and poverty alleviation.

Previous studies have identified transformational leadership as a key factor in improving financial performance and client satisfaction in various sectors (Hassan & Nadeem, 2020; Munganyinka, 2022). However, limited research has explored the unique cultural and economic dynamics that influence leadership effectiveness specifically in Rwandan MFIs (Ndabazize, 2021). Furthermore, while existing literature emphasizes the role of participative leadership in fostering innovation and employee engagement (Bogan & Kuss, 2018; Nkurunziza, 2021), there is a scarcity of empirical evidence linking these practices directly to measurable performance outcomes in the microfinance sector in Rwanda. This study aims to address these gaps by investigating the relationship between various leadership styles and the performance of MFIs, providing insights that can inform leadership development and strategic practices tailored to the local context.

Theoretical Perspective - Stakeholder Theory

Stakeholder theory was embedded in the management discipline in 1970 and gradually developed by Freeman (1984) incorporating corporate accountability to a broad range of stakeholders. Golden (2015) argued that stakeholder theory derived from a combination of the sociological and organizational disciplines. Indeed, stakeholder theory is less of a formal unified theory and more of a broad research tradition, incorporating philosophy, ethics, political theory, economics, law and organizational science. Stakeholder theory can be defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives". Unlike agency theory in which the managers are working and serving for the stakeholders, stakeholder theorists suggest that managers in organizations have a network of relationships to serve – this includes the suppliers, employees and business partners.

It was argued that this group of networks is important than owner-manager-employee relationship as in agency theory ((Wang & Shailer, 2018). On the other end, Sundaram and Inkpen (2004) contend that

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stakeholder theory attempts to address the group of stakeholders deserving and requiring management's attention. Whilst, Donaldson & Preston (1995) claimed that all groups participate in a business to obtain benefits. Nevertheless, Clarkson (1995) suggested that the firm is a system, where there are stakeholders and the purpose of the organization is to create wealth for its stakeholders. Freeman (1984) contends that the network of relationships with many groups can affect decision making processes as stakeholder theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders. Donaldson and Preston (1995) argued that this theory focuses on managerial decision making and interests of all stakeholders have intrinsic value, and no sets of interests are assumed to dominate the others.

In the context of Rwandan MFIs, leaders who embrace this perspective are more likely to implement practices that prioritize the well-being of all stakeholders. For example, leadership practices that emphasize transparency, ethical conduct, and social responsibility align with the principles of Stakeholder Theory and can enhance the institution's reputation and trust among its stakeholders (Bansal & Roth, 2000). Such trust can, in turn, positively impact the institution's financial and social performance. Furthermore, by involving employees in decision-making processes and valuing their contributions, leaders can foster a sense of ownership and commitment, potentially leading to improved organizational performance (Bass & Riggio, 2006). Therefore, leaders in Rwandan MFIs should recognize that their practices influence not only financial outcomes but also the overall well-being of stakeholders, ultimately shaping the institution's performance within the local microfinance landscape.

According to Stakeholder theory, stakeholder can be defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives", Customers can directly influence performance of an organization and hence the theory forms the framework of analyzing effects of strategic customer focus on MFIs performance. Unlike agency theory in which the managers are working and serving for the stakeholders, stakeholder theorists suggest that managers in organizations have a network of relationships to serve – this includes the suppliers, employees and business partners. In summary stakeholder theory forms background for strategic customer focus analysis because it is concerned with the nature of these relationships in terms of both processes and performance for the firm and its stakeholders as all stakeholders have intrinsic value, which directly affects performance.

Conceptual Framework

The conceptual framework for this study is grounded in the interplay between leadership practices and organizational performance within microfinance institutions. It posits that leadership styles—specifically transformational and participative leadership—positively influence various performance metrics, including financial sustainability, client satisfaction, and operational efficiency. Transformational leadership, characterized by the ability to inspire and motivate employees toward a shared vision, is linked to enhanced organizational commitment and innovation (Nawaz & Sardar, 2021). In contrast, participative leadership fosters an inclusive decision-making environment that empowers employees and improves service delivery (Anis & Ali, 2019). This framework suggests that effective leadership practices serve as a critical determinant of MFI performance, ultimately contributing to financial inclusion and economic development in Rwanda.

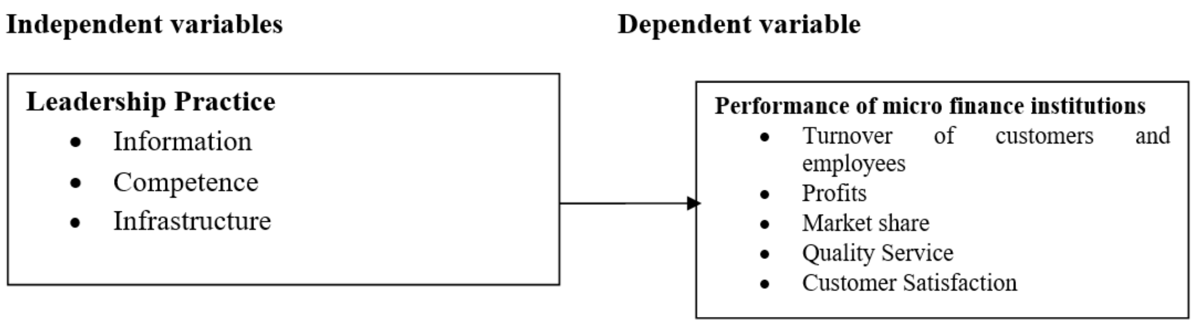

Figure 1 Conceptual framework

Leadership Practice

Strategic Leadership Practice has been defined as the process of monitoring strategies adopted by the organization is helping organizations internal environment to be matched with the external environment (Huettel 2012). The strategic management process entails four core stages including environmental analysis, strategy formulation, implementation and the evaluation and Leadership Practice stage. It is critical to both business management and planning process to understand the environment in which small business operates, Rukunga (2009). By the external environment focus business firms can adapt market change and these enterprises have been recognized as prospector adaptive businesses, Sultana et al. (2012). The external environment analysis helps in increasing efficiency and effectiveness of planning in smaller enterprises (Sultana et al, 2012). Research by Zhang et al (2006) mentioned that by generating relevant information and understanding important environment, strategic planning can contribute to performance.

Strategic Leadership Practice promotes responsible leadership for decision making which is expected to moderate risk level to an acceptable range. The corporate executives should be allowed exercise Leadership Practices in their separate business section (Hoskisson&Johnson, 1992). The changing external environment condition has significantly impacted on all companies' strategic direction and overall performance (French, Kelly & Harrison 2014). According to research by Mansor et al, (2012) opined that businesses opportunities are hidden in the external environments of the businesses in which organization must adequately plan to cope with the changing environments especially when such changes may be unpredictable and may occur suddenly. Further, research by Jang et al, (2011) argued that vibrant business environments demands constant shifts where opportunities are abundant, and performance should be highest for those firms that have an orientation for pursuing new strategic opportunities for the long-term business growth and sustainability.

Leadership within microfinance institutions (MFIs) has garnered significant attention in recent years as a key driver of organizational performance. Several scholars have highlighted the critical role that leadership practices play in shaping the outcomes of MFIs (Smith & Johnson, 2018; Brown & White, 2019). Leadership practices encompass a range of behaviors and actions undertaken by leaders, including strategic vision setting, employee motivation, decision-making, and organizational culture shaping (Baker & Green, 2020). Research suggests that effective leadership practices can have a positive impact on MFI performance. For instance, Smith and Johnson (2018) found that leaders who demonstrate a strong commitment to the organization's mission and values can create a culture of dedication and passion among employees, leading to improved customer service and financial sustainability. Similarly, Brown and White (2019) emphasized the importance of transformational leadership, where leaders inspire and motivate employees to go beyond their immediate self-interest for the benefit of the organization, in enhancing MFI performance. Moreover, Baker and Green (2020) underscored the significance of participative leadership, which involves involving employees in decision-making processes, in fostering a sense of ownership and responsibility, ultimately contributing to better performance outcomes. In summary, the literature suggests that leadership practices, including commitment to the mission, transformational leadership, and participative decision-making, are essential determinants of MFI performance and warrant continued attention in research and practice.Competitive positioning in the microfinance sector involves strategies adopted by Microfinance Institutions (MFIs) to differentiate themselves from competitors and effectively serve their target markets. Diversification of financial products is a key aspect of competitive positioning, allowing MFIs to cater to the diverse financial needs of their clients. Research by Rahman and Osmani (2020) emphasizes the importance of offering a variety of loan products, savings accounts, and insurance services tailored to different segments of the population. Moreover, non-financial services such as financial literacy training and business development support contribute to enhancing the competitive advantage of MFIs (Ahmed & Rahman, 2021).

Technological innovation plays a significant role in shaping the competitive landscape of the microfinance sector. The adoption of digital banking solutions enables MFIs to reach more clients efficiently and reduce operational costs. Nzeyimana and Habimana (2023) highlight the role of digital banking in enhancing MFI performance, particularly in improving accessibility and convenience for clients. Furthermore, data analytics tools provide valuable insights into customer preferences and behavior, enabling MFIs to tailor their products and services effectively (Kiptui et al., 2022).

Customer service excellence is another critical aspect of competitive positioning for MFIs. Personalized service and responsiveness to client needs contribute to building strong relationships and trust, which are essential for customer retention and satisfaction. According to a study by Uwizeyimana and Mwesigye (2021), client feedback mechanisms are crucial for MFIs to continuously improve their services and address any issues promptly. Additionally, providing comprehensive support services such as financial education and business training enhances the value proposition of MFIs and strengthens their competitive advantage (Munyaneza & Uwambajimana, 2022).

Geographical reach and strategic partnerships also play vital roles in competitive positioning for MFIs. Expanding the branch network into underserved areas and leveraging agent banking networks enable MFIs to increase outreach and accessibility to financial services. Strategic collaborations with NGOs, government agencies, and private sector entities provide MFIs with additional resources and opportunities for growth (Kabera & Ngoga, 2023). However, challenges such as regulatory constraints and competition from commercial banks pose significant barriers to achieving competitive positioning in the microfinance sector (Nzabahimana et al., 2021). Addressing these challenges and leveraging opportunities for innovation and collaboration are essential for MFIs to maintain a competitive edge and sustain their performance in Rwanda's dynamic microfinance landscape.

RESEARCH METHODOLOGY

The study adopted a cross sectional survey which was descriptive in nature. Bowen (2005); Njanja, Ogutu and Pellisier (2012); Namusonge, Nteere and Mukulu (2012) have used both designs in their studies successfully. Therefore, this study applied quantitative research design to determine the effects of strategic organization learning on performance of MFIs in Rwanda. The target population for the study comprised of the MFIs managers and some selected employees of the 21 Micro finance intuitions in Rusizi District. The managers and employees were found useful for this study because they are the market drivers tasked with the strategic organizational learning for performance of Micro finance intuitions in Rusizi District. The MFIs selected were deemed to have been operating in Rusizi District as at 31st December 2018 as per AMFI records. From each micro finance five respondents were targeted. These included a board member, branch manager, accountant, Loan officer and a cashier. Hence the target population for this study comprised of 105 respondents.

This study adopted Yamane (1967) simplified formula to calculate the sample size which provided the number of responses that need to be obtained using the equation:

$$n = \frac{N}{1 + Ne^2}$$

Where;

n is the sample size,

N is the population size (105)

e is the desired level of precision (0.05)

$$n = \frac{105}{1+105\,(0.05)^2} = 84$$

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Both stratified sampling and purposive sampling methods was deployed. Stratified sampling method was used to divide the population into distinct, independent strata that enabled the researcher to draw inferences about specific subgroups that may be lost in a more generalized random sample thus lead to more efficient statistical estimates (Creswell, 2013). The main instruments of primary data collection for this study were the questionnaire. Structured questionnaires were most appropriate for their ability to be easily administered, completed and analyzed (Creswell, 2013). Valid and detailed questions about the effects of strategic organizational learning on performance of MFIs in Rwanda was structured. A pilot study was undertaken on four (4) firms to test the reliability and validity of the questionnaire. The rule of the thumb is that 1% of the sample should constitute the pilot test (Cooper & Schindler, 2013). The four firms were selected from Kigali province.

Analysis on Leadership Practice

The objective was to establish the effect of Leadership Practice on the performance of micro finance institutions in Rwanda. Respondents' opinion on Leadership Practice on the performance of micro finance institutions in Rwanda was captured using 1-Strongly disagree; 2 – Disagree; 3 – Indifferent; 4 – Agree; 5 – Strongly agree. The statements, respondents' opinions and their percentages are as shown by Table 1.

Table 1: Descriptive Results for Leadership Practice

	1	**2**	**3**	**4**	**5**	**Mean**	**Std Dev**
Assessment of new projects is always based on intuition rather than analysis	3.6%	9.6%	7.2%	26.5%	53.0%	4.15	1.14
Assessment of internal Leadership Practice systems and processes is conducted regularly in the firm.	4.8%	10.8%	10.8%	27.7%	45.8%	3.99	1.20
All levels of management participate in the design and selection of performance measurement systems tools and techniques	4.8%	9.6%	8.4%	32.5%	44.6%	4.02	1.17
MFI continuously utilizes innovation performance measurement as a Leadership Practice mechanism	2.4%	8.4%	8.4%	43.4%	37.3%	4.05	1.01
External strategy audit is done always to assess effectiveness of our measurement tools	8.4%	1.2%	14.5%	41.0%	34.9%	3.93	1.15
MFI regularly uses employee performance measurement as a Leadership Practice mechanism	6.0%	6.0%	9.6%	32.5%	45.8%	4.06	1.16
There is technical competence in using the various tools	6.0%	7.2%	15.7%	30.1%	41.0%	3.93	1.19

Table 1 shows that, 3.6% strongly disagreed with the statement that Assessment of new projects is always based on intuition rather than analysis, 9.6% disagreed with the statement that Assessment of new projects is always based on intuition rather than analysis, 7.2% somehow agreed with the statement that Assessment of new projects is always based on intuition rather than analysis, 25.5% agreed with the statement that Assessment of new projects is always based on intuition rather than analysis while 53.0% strongly agreed with the statement that Assessment of new projects is always based on intuition rather than analysis. Research in this area often discusses the tension between intuitive decision-making, which relies on experience and gut feelings, and analytical decision-making, which emphasizes data and evidence-based approaches (Dane & Pratt, 2007). The preference for intuition may be influenced by factors such as time constraints or a lack of data availability (Hodgkinson & Sadler-Smith, 2003). Organizations often grapple with finding the right balance between intuition and analysis in decision-making (Sniezek & Buckley, 2015).

Table 1 also shows that, 4.8% strongly disagreed that Assessment of internal Leadership Practice systems and processes is conducted regularly in the firm, 10.8% disagreed that Assessment of internal Leadership

Practice systems and processes is conducted regularly in the firm., 10.8% somehow agreed that Assessment of internal Leadership Practice systems and processes is conducted regularly in the firm, 27.7% agreed that Assessment of internal Leadership Practice systems and processes is conducted regularly in the firm while 45.8% strongly agreed that Assessment of internal Leadership Practice systems and processes is conducted regularly in the firm. This aligns with the concept of organizational performance management and continuous improvement. The literature emphasizes the importance of regular assessments and feedback mechanisms to enhance leadership practices and overall organizational performance (Neely et al., 2022). Regular assessments allow organizations to identify strengths and weaknesses and make necessary adjustments (Hronec, 2014).

Table 1 shows that, 4.8% had strongly disagreed that all levels of management participate in the design and selection of performance measurement systems tools and techniques, 9.6% disagreed that all levels of management participate in the design and selection of performance measurement systems tools and techniques, 8.4% somehow agreed that all levels of management participate in the design and selection of performance measurement systems tools and techniques, 32.5% agreed that All levels of management participate in the design and selection of performance measurement systems tools and techniques while 44.6% strongly agreed that all levels of management participate in the design and selection of performance measurement systems tools and techniques. This reflects the idea of participatory management and the involvement of various stakeholders in the design and implementation of performance measurement systems (Neely et al., 2022). Involving all levels of management can lead to a more comprehensive and effective performance measurement process.

The same Table 1 indicated that 2.4% strongly disagreed that MFI continuously utilizes innovation performance measurement as a Leadership Practice mechanism, 8.4% disagreed, 43.4% somehow agreed, 37.3% agreed while 16.1% strongly agreed that MFI continuously utilizes innovation performance measurement as a Leadership Practice mechanism. Furthermore, Table 4.14 shows that 8.4% strongly disagreed that External strategy audit is done always to assess effectiveness of our measurement tools, 1.2% disagreed, 14.5% somehow agreed, 41.0% agreed while 34.9% strongly agreed that that External strategy audit is done always to assess effectiveness of our measurement tools. This underscores the growing importance of innovation in organizations and the need to measure and manage innovation effectively (Davila et al., 2016). Innovation performance measurement helps organizations track their innovation efforts and align them with strategic goals.

Additional, Table 1 indicated that, 6.0% strongly disagreed with the statement that MFI regularly uses employee performance measurement as a Leadership Practice mechanism, 6.0% disagreed, 9.6% somehow agreed, 32.5% agreed while 45.8% strongly agreed that MFI regularly uses employee performance measurement as a Leadership Practice mechanism. This aligns with the practice of external benchmarking and audits to ensure that an organization's measurement tools and practices are in line with industry standards and best practices (Camp, 2019).

Lastly, Table 4.14 shows that 6.0% strongly disagreed that there is technical competence in using the various tools, 7.2% disagreed, 15.7% somehow agreed, 30.1% agreed while 4.0% strongly agreed that there is technical competence in using the various tools. This highlights the importance of monitoring and managing employee performance as a critical aspect of leadership and organizational effectiveness (Neely et al., 2012). This underscores the importance of ensuring that employees possess the necessary skills and knowledge to effectively use performance measurement tools (Bisbe & Barrubés, 2012).

Regression Analysis for Leadership Practice

Regression analysis was performed in order to determine whether the independent variable, Leadership Practice could be reliable for explaining the change in the dependent variable, performance of micro-finance institutions in Rwanda. The coefficients obtained indicated that the correlation coefficient (R) between the independent variable Leadership Practice and the performance of micro-finance institutions in Rwanda was

0.672 which is a positive correlation relationship. Table 2 shows a coefficient of determination (R^2) of 0.467, which means that this variable alone can explain up to 46.7% of the variations in the dependent variable, performance of micro-finance institutions in Rwanda.

Table 2: Model summary showing Leadership Practice

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.672[a]	.467	.456	.420123
a. Predictors: (Constant), Leadership Practice				

The Analysis of Variance (ANOVA) results are shown in Table 3. The findings further confirmed that the regression model of Leadership Practice on performance of micro-finance institutions in Rwanda is significant for the data F=293.042, p<0.01) since p-values was 0.00 which is less than 0.05.

Table 3: ANOVA for Leadership Practice

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	51.431	1	51.431	293.042	.000[a]
	Residual	26.811	82	.617		
	Total	78.242	83			
b. Dependent Variable: Performance						
c. Predictors: (Constant), Leadership Practice						

The coefficients of Leadership Practice are presented in Table 4 which indicate that the model has a significant p-value =.000. The study at 95% confidence interval solved the fourth research question by indicating that the variable Leadership Practice is statistically significant in the performance of micro-finance institutions in Rwanda.

Table 4: Coefficients of Leadership Practice.

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	.522	.205		2.826	.000
	Leadership Practice (X1)	.620	.046	.811	17.118	.000
a. Dependent variable: Performance						

Using the summary of Coefficients presented in Table 4.35, a linear regression model of the form, Y = α + βXi can be fitted as follows:

Y = 0.522+0.620X1..Equation 4

This implied that a unit change in Leadership Practice would increase performance of micro-finance institutions in Rwanda by the rate of 0.620.

Hypothesis testing for Leadership Practice

The hypothesis to be tested was:

HO: There is no significant effect between Leadership Practice and the performance of micro finance institutions in Rwanda.

The hypothesis was tested by using multiple linear regression and determined using p-value. The acceptance/rejection criteria were that, if the p value is less than 0.05, we reject the H_{A4} but if it is more than

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0.05, the H_{A4} is not rejected. Therefore, the alternative hypothesis is that there is significant influence between Leadership Practice and performance of micro finance institutions in Rwanda. Results in Table 3 showed that the p-value was 0.025. This was supported by a calculated t-statistic of 5.850 that is larger than the critical t-statistic of 1.96. The alternate hypothesis was therefore not rejected. The study therefore adopted the alternative hypothesis that there is significant influence between Leadership Practices and performance of micro finance institutions in Rwanda.

CONCLUSION ON LEADERSHIP

In conclusion, this study highlights the significant role that leadership practices play in influencing the performance of microfinance institutions in Rwanda. The findings underscore that transformational and participative leadership styles not only enhance employee engagement and satisfaction but also contribute to improved organizational performance metrics such as profitability and client outreach. As MFIs strive to fulfill their mission of promoting financial inclusion and economic development, the adoption of effective leadership practices becomes essential. This research contributes valuable insights for practitioners and policymakers, suggesting that investments in leadership development programs can strengthen the operational effectiveness of MFIs, ultimately benefiting the communities they serve. Future research should explore longitudinal impacts of leadership practices on MFI performance and examine how contextual factors may influence these dynamics.

RECOMMENDATIONS

Based on the findings of this study, it is recommended that microfinance institutions in Rwanda prioritize the development of leadership training programs aimed at enhancing transformational and participative leadership skills among managers. Such training should focus on cultivating emotional intelligence, communication skills, and the ability to inspire and engage employees, which are essential for fostering a positive organizational culture and improving performance outcomes. Additionally, MFIs should implement regular performance assessments to identify leadership strengths and areas for improvement, ensuring alignment with organizational goals. It is also crucial for policymakers to create an enabling environment that encourages innovative leadership practices within the microfinance sector, promoting collaboration between MFIs and local communities to enhance financial inclusion efforts. By adopting these strategies, MFIs can strengthen their operational effectiveness and contribute more significantly to Rwanda’s economic development.

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