

**Transforming From Microfinance Institution To Microfinance Bank In Kenya?  
Manage Institutional Change Well**

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**Abstract**

To provide a legal framework for transformation of Microfinance Institutions (MFIs) in Kenya into Microfinance banks, the Microfinance Act was enacted in 2006 and amended 2013. Even though the transformation was intended to stimulate growth in the microfinance sector, only three MFIs had successfully transformed by 2010. Evidence from other countries points out management of institutional change as a major factor affecting the transformation of MFIs, the available information is not conclusive on the specific aspects of management of institutional change that affect transformation and the extent of the effect. Thus, this study sought to establish the effect of management of institutional change in the transformation of Microfinance institutions into Microfinance banks in Kenya. The objectives of this study were to establish the extent to which management of institutional change affects the transformation of microfinance institutions into Microfinance banks in Kenya and to make recommendations for successful transformation. The target population was the 48 institutional members of the Association of Microfinance Institutions (AMFI) of Kenya. The study selected 100 respondents using simple random sampling from a purposive sample of 25 MFIs. Data was first explored for the underlying factor structure through factor analysis before being subjected to descriptive and inferential statistical analysis. The results showed a significant association between management of institutional change and successful transformation of MFIs into Microfinance banks in Kenya. The study concluded that management of institutional change was a significant factor in the transformation of microfinance institutions. The study recommends that transforming MFIs should prepare well so as to successfully manage institutional change. It recommends further research to determine the impact of MFI transformation on overall financial inclusion in Kenya.

**Key Words:** Institutional change, Microfinance, Microfinance bank, Microfinance institution, Transformation.