



**HUMAN RESOURCE FACTORS AFFECTING SERVICE DELIVERY IN MICROFINANCE INSTITUTIONS IN KENYA: A  
CASE STUDY OF FAULU BANK, THIKA BRANCH**

**KAMUNYA FAITH NDUKA**

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Kamunya F. Nduta, Jomo Kenyatta University of Agriculture and Technology (JKUAT), Nairobi Kenya

Dr. Esther Waiganjo, Jomo Kenyatta University of Agriculture and Technology (JKUAT), Nairobi Kenya

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**ABSTRACT**

The study comprises of a representative section of the Kenya Microfinance industry operating in the country, taking a case study of Faulu Bank. Annual Report on the Microfinance sector in Kenya, (2012) Identified and analyzed existing 29 MFIs, DTMs and Banks. The purpose of the study was to investigate the factors affecting service delivery of Faulu Deposit-Taking Microfinance institutions in Thika branch, Kenya. Among the factors were Leadership behaviors and Organization commitment. The study was prompted by reports of customer complaints and customer switching leading less active borrowers as well as consumers having multiple bank accounts. The specific objectives were; to determine the influence of organization commitment on service delivery and to examine the influence of leadership behavior on service delivery in Faulu Bank, Thika branch, Kenya. The study covers Faulu Bank, Thika branch, Kenya. Primary data was collected using structured questionnaires. The study adapted to a case study research which was quantitative and qualitative in nature. It involved descriptive, inferential (Pearson correlation test) and analytical research designs. The Pearson's correlation test showed a significant correlation between the study variables. The study sample comprised of 40 employees who were selected through purposive and stratified sampling techniques respectively. The data was tested for reliability, analyzed using SPSS and results presented based on the study objectives. The findings of the study were; Faulu employees have a low organization commitment which affects service delivery; the leadership of Faulu is supportive but fails to set standard rules and regulation which frustrated employees affecting service delivery.

**Key Words: Microfinance, Service Delivery, Leadership Behaviour**

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**INTRODUCTION**

The desire to grow, expand outreach and improve the quality of financial services to its target client is a legitimate and fundamental goal for any financial institution. Growth allows financial

intermediaries to enjoy economies of scale and paves the way for sustainability. The desire to serve clients better is the motivation for transforming from a non-governmental organization (NGO) or a non-regulated

microfinance institution (MFI) into one which is regulated. To achieve a successful transformation into deposit-taking institution requires easier mobilization of funding, greater outreach and a more efficient delivery of service than in a credit only MFI (Frankfurt, 2005).

Faulu Kenya began as a programme of Food for the Hungry International (FHI) and started microfinance operations in 1991. Faulu Kenya became the first microfinance institution to be credited as a deposit taking institution (DTM) after receiving the license from CBK. Faulu has an outreach to 82, 328 borrower as of December 2011 and counts on a network of 25 branches extending to 7 out of the 8 provinces. The portfolio growth rebound in the last period while the customer base scaled down from 2009(Annual Report on Microfinance Sector in Kenya, 2012).

Faulu realized that the ability of the microfinance oriented banks to provide a larger scale of products, including credit and saving, is key to their success. Its decision to transform was therefore based on three main reasons: increased competition, increased demand for a wider range of services, and the need to lower the cost of funds in order to serve the client better. By deciding to transform Faulu also hoped to contribute to development the microfinance sectors by being a pioneer-the first MFI to transform into a DTM in Kenya (Frankfurt, 2005).

According Annual Reports and Financial statements of 2012, Faulu future outlook intend to grow its business through innovative ways in tandem with its mission of providing relevant financial solutions to Kenyans. Faulu will continue to implement a strategy focusing on delivery of value to the customers, cost management initiatives and improved staff productivity. The operating environment was characterized by high inflation and high interest rates occasioned by aftershocks of the sudden depreciation of the Kenya shilling against the United states Dollar, the Euro and other hard currencies in the tail end of

2011. In its bid to improve customer service, Faulu should continue to train and develop the employees equipping them with the necessary skills to effectively serve the customers. Such training should be geared towards customer care and leadership development programmes aimed at empowering employees.

The Kenyan Microfinance market is very competitive: four specialized banks already provide microfinance services and more are expected to follow. It is therefore in their best interest for DTMs to upgrade the quality of their infrastructure so that they can offer depositors the same advantages as banks with whom they compete for customers (Frankfurt, 2005).

The Kenya microfinance sector displays positive growth, strategic developments, and appears to be driven by products innovation. Portfolio shows sustained growth rates throughout the period under analysis, although the DTMs sub groups shows reduced growth levels mainly because of transformation costs and their difficulty in attracting savings (Annual Report on Microfinance Sector in Kenya, 2012).

### **Statement of the Problem**

The performance of an organization depends on the service quality. High service quality includes future encounters through positively affecting consumer's behavioral intentions and that in turn enhance organization performance (Cronin et al., 2000).Service quality practices in public sector organizations is slow and is further exacerbated by difficulties in measuring outcomes, greater scrutiny from the public and press, a lack of freedom to act in an arbitrary fashion and a requirement for decisions to be based in law (Teicher et al., 2002). Lack of regulation in the non-deposit taking entities, government influence, and quality of the human resources; account for the lowest perceived exposure of the sector (Annual Report on Microfinance Sector in Kenya, 2012).

There is declining service quality in Faulu Deposit-Taking Microfinance institution (DTM) resulting into customer complaints and customer switching leading to having multiple bank account(Annual Report on Microfinance sector in Kenya, 2012). According to the Annual Report (2012) on Microfinance sector in Kenya, Faulu DTM has had a deteriorating number of active borrowers. In the year 2009, the outreached number of borrower was at 102, 375 and has continued to decline to 96, 238 in the year 2010 and in the year 2011 the number stands at 82, 328 (Annual Report on Microfinance Sector in Kenya, 2012).

In Faulu deposit-taking microfinance (DTM) Portfolio yields stands at 34.2% as of Dec 2011, slightly down from previous year 34.9% and the operating expense ratio remains constant over the two year period at a fairly high 26.7% (Annual Report on Microfinance Sector in Kenya, 2012).In Faulu Kenya DTM the portfolio growth rebound in the last period while the customer base scaled down from 2009 and the organization structure has been rationalized translating to a reduction in the total staffing (Annual Report on Microfinance Sector in Kenya, 2012) and this has been aligned to poor service quality.

This may be attributed to Service climate characterized as rigorous, Leadership behaviors, low employee-commitment, job dissatisfaction, and customer perceptions as the main factors leading to poor services quality. Service climate is a general orientation to service, that emphasizes human resource practices, managerial priorities and customer orientation. Service climate is related to employee attitudes that subsequently affect service quality for customers (Yagil and Gal, 2002; Yoon *et al.*, 2001).

The study sought to establish how leadership behavior and organizational commitment affects delivery of service in Faulu DTM. It sought to address and recommend ways of improving the efficiency and effectiveness of its service delivery. The desire to grow, expand outreach and improve

the quality of financial services to its target client is a legitimate and fundamental goal and if left unchecked customers will continue to defect to other institutions within the industry.

### **Objectives of the study**

The study sought to investigate the factors affecting service delivery in Microfinance Institution in Kenya; A case study of Faulu Bank, Thika Branch. The Specific Objectives were to determine the influence of organization commitment and leadership behavior on service delivery of Faulu Bank, Thika branch, Kenya.

### **Research Questions**

1. How does organizational commitment influence service delivery of Faulu Bank, Thika branch, Kenya?
2. What leadership behavior influence service delivery of Faulu Bank, Thika branch, Kenya?

### **Scope of the study**

The study was limited to investigating organizational factors that affect service delivery in Faulu DTM. Though there were many factors affecting service delivery, the researcher will only deal with two variables, Organizational commitment and Leadership behaviors.

### **Theoretical Framework**

#### **a) Organizational commitment theory (The Meyer and Allen Three – component model, 1990)**

Meyer and Allen (1991) developed the three-component model or organizational commitment. Meyer and Allen's (1997) theory of organizational commitment suggested that "by understanding when and how commitments develop and how they shape attitudes and behaviors, organizations will be in a better position to anticipate the impact that change will have and to manage it more effectively".

Meyer and Allen (1984) initially viewed organizational commitment as two dimensional

namely, affective and continuance. Meyer and Allen (1984) defined the first dimension, namely affective commitment as “positive feelings of identification with, attachment to and involvement in the work organization”, and they defined the second dimension, namely continuance commitment as the extent which employees feel committed to their organization by virtue of the costs that they are associated with leaving”.

After continued research, Meyer and Allen (1990) identified a third component namely normative commitment. Allen and Meyer (1990) defined normative commitment as “the employee’s feelings of obligation to remain with the Organization”. The concept organizational commitment is described as a tri- dimensional concept, characterized by the affective, continuance and normative dimensions (Meyer & Allen, 1991).

The three- component model was developed as a result of three common themes within the commitment literature as noted by Meyer and Allen. Common to the three dimensions of organizational commitment is the view that organizational commitment is a psychological state that characterizes organizational members’ relationship with the organization and has implications for the decisions to continue or discontinue membership in the organization (Meyer & Allen. 1997).

Hence, organizational commitment has an important role to play in determining quality service delivery. This implies that commitment is more likely to lead to better service delivery and long term customer relationships can be built.

### **b) Path-goal leadership theory (House, 1971)**

Situational (contingency) approaches to leadership. Situational theories contend that the effectiveness of leadership traits or behaviors is dependent on characteristics of the situation,

including features of the organization, the workplace, and the followers. The three situational theories of leadership that have received considerable theoretical and empirical attention: Fiedler’s contingency theory, the path-goal theory of leadership and substitute for leadership (Colette, 2006).

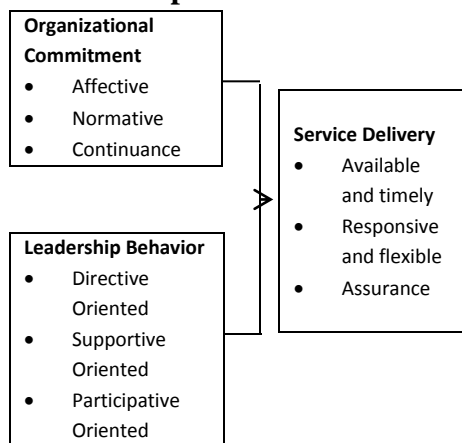
Path-goal leadership theory had two objectives: (a) Identify the role and behaviors of effective leaders, and (b) explore the situational contingencies that modify those behaviors. First, the theory posits that a leader’s role is to align the goals of followers with those of the organization. Next, a leader must facilitate the achievement of those goals. This is accomplished by helping followers realize that they have the capabilities to meet their goals, clarifying the path between the effort that they exert and goal attainment, and ensuring that the goals are valuable to followers (Colette et al., 2006).

Path-goal leadership theory identifies four categories of leadership behaviors that motivates follower to achieve their goals. Participative leadership behavior involves including followers in decision making and soliciting follower feedback. Consistent with the focus on participation in decision making that was already prevalent in the 1970s, this leadership behavior was hypothesized to enhance motivation by fostering overlap between follower and organizational goals and by providing followers with more appreciation and understanding of the pathway between effort and goal achievement. Directive path-goal-clarifying leadership behavior mimics initiating structure, motivating followers by providing task structure, feedback, and procedures that reduce role ambiguity, linking follower effort to performance and goal attainment, and communicating the rewards contingent on performance. By contrast, Supportive leadership behavior is similar to consider, whereby leaders demonstrate their concern for the needs and best interest of followers and, by doing so, remove some of the

potential obstacles that may prevent follower from obtaining their goals. The final leadership behavior identified in the theory is achievement-oriented leadership behavior, which involves creating challenging and high-standard performance goals and expressing confidence in followers' to meet such challenges. Followers should then respond with greater self-efficacy and effort toward goal attainment (Collette et al., 2006).

Therefore leadership behavior adapted by the managers will have great influence to the effectiveness of the service delivery processes. Managers' leadership behaviors impose great influence on the working attitudes, behaviors and performance of employees.

### The Conceptual framework



(Independent Variables) (Dependent Variable)

**Figure 1: Conceptual framework**

### Organizational Commitment

Organizational commitment from this point of view is characterized by employee's acceptance of organizational goals and their willingness to exert effort on behalf of the organization (Miller & Lee, 2001). Commitment is a force that binds an individual to a course of action of relevance to one or more targets (Cohen, 2003). Organizational commitment is a state in which an employee identifies with a particular organization

and its goals, and wishes to maintain membership in the organization.

Morrow (2003) describes organizational commitment as characterized by attitude and behavior. Miller (2001) describes an attitude as "evaluative statement or judgments-either favorable or unfavorable-concerning a phenomenon". Organizational commitment as an attitude reflects feelings such as attachment, identification and loyalty to the organization as an object of commitment (Morrow, 2003). Therefore, Organizational commitment is a state of being, in which organizational members are bound by their actions and beliefs that sustain their activities and their own involvement in the organization (Miller & Lee, 2001).

Meyer and Allen (2002) use the tri-dimensional model to conceptualize organizational commitment in three dimensions namely, affective, continuance and normative commitments. These dimensions describe the different ways of organizational commitments development and the implication for employees' behavior.

#### a) Affective Commitment dimension

This model represents the individual's emotional attachment to the organization. Affective commitment refers to employees perceptions of their emotional attachment to their organization and its goals (Meyer et al., 2002). Employees with high affective attachment to organization have strong motivation to contribute to the organization goals because they see them as theirs (Rosenberg, 2008).

According to Kate and Masako (2002) individuals and organizational factors may influence the level of affective commitment, individual factors include, for example, factors such as personality, values orientation, education or age, while organizational factors include believing that employee's roles and job goals are clearly defined and receive management support.

Members who are committed on an affective level stay with the organization because they view their personal employment relationship as congruent to the goals and values of the organization (Beck & Wilson 2000). Affective commitment development involves identification and internalization (Beck & Wilson, 2000).

#### **b) Continuance commitment dimension**

Continuance commitment represents cognitive attachment between employees and their organization because of the costs associated with leaving the organization (Stanley et al., 2002). Continuance commitment can be regarded as an instrumental attachment to the organization, where the individual's association with the organization is based on an assessment of economic benefits gained (Beck & Wilson, 2000). Thus commitment is developed based on the positive extrinsic rewards obtained through effort-bargain without identifying with the organization's goals and values.

Van Dick and Wagner (2004) argued that continuance commitment refers to the continued membership in an organization because of two reasons: perceived cost of leaving the organization such as reduction in pay, pension benefits or facilities and second due to the lack of alternative job opportunities. Continuance commitment ensures that employee do not resort to exit in response to their dissatisfaction and ensure that organization members remain in their organization despite being dissatisfied or discontented (Appelbaum et al., 2004)

#### **c) Normative Commitment dimension**

The strength of normative organization commitment is influenced by accepted rules about reciprocal obligation between the organization and its members (Suliman & Lees, 2000). The reciprocal obligation is based on the social exchange theory, which suggest that a person receiving a benefit is under a strong normative obligation or rule to repay the benefit in some way (McDonald & Makin, 2000).

## **Leadership Behavior**

Leadership behaviors adopted by managers have been argued to influence the effectiveness of the service delivery process, resulting in greater levels of service quality being provided to organizational customers (Zeithaml & Bitner, 2001). Gary Yukl (2006) defines leadership as "the process of influencing others to understand and agree about what needs to be done and how to do it and the process of facilitating individual and collective effort to accomplish shared objectives. Northouse (2004) defined leadership as "a process by which an individual influence a group of individual to achieve common goals". Viewing leadership as a process means that leaders affect and are affected by their followers either positively or negatively (Goffe & Jones, 2007).

Leadership is often seen as a key factor in coordinating and aligning organizational processes (Lewis et al., 2007). Leadership include visioning, change management, strategy development, organization design, culture management and community collaboration (Thomas, 2007). Leadership can be observed at several levels; groups, team, programs, agencies, communities, societies/ countries and even worldwide (e.g., international affairs) (Thomas, 2007).

Leadership produces change and includes establishing direction through visioning, aligning people with the vision and strategies and motivating and inspiring staff. A leader must assess contingency factors in the environment and in staff and the situation, considering staff characteristics and using leader-members processes to shape organizational climate program capacity (e.g., the service delivery model and client characteristics will affect ultimate outcome (Thomas, 2007).

The Path-Goal theory suggested a three-factor model on leadership behavior as described below; Leadership behaviors are primary learned and are often categorized task-oriented, relation-oriented and participative (Yukl, 2006).

#### a) **Directive behavior**

The directive behavior of effective manager is focused on operational planning, directing and coordinating work activities, clarifying tasks roles, monitoring operations and performance quality and providing resources rather than doing the same kind of work as their subordinates (Yukl, 2006).

According to Lunenburg *et al.* (2000) and Rollinson *et al.* (2002) Directive leadership behavior's structure has the characteristic such as close control over employees, inspecting employees performances, telling them what to do and describing them their roles, standardizing their behavior, not trusting them, not participating them into decision making process and dominating them.

#### b) **Supportive behavior**

Supportive behavior include being supportive and considerate, providing recognition, coaching and mentoring, encouraging participation in decision making and encouraging co-operation. Effective manager showed relation-oriented that are supportive and considerate. They initiated efforts to understand subordinate, keep them informed, listen to their ideas, recognize them and empower them (Yukl, 2006).

It is considered as supportive leadership (consideration; people-oriented) shows concern for subordinates' wellbeing and personal needs, and is similar to the consideration or people-oriented leadership styles (Opolot, 2011).

#### c) **Participative leadership**

Participative leadership is defined as leadership that involves employees across levels of the hierarchy in decision-making. Participative leaders involve their subordinates in making and implementing decisions (House, & Gupta, 2004). Rather than just individual supervision, effective managers use more group activities to facilitate and encourage subordinate to work together and participate in decision-making (Yukl, 2006).

Leaders with this behavior seek subordinates' input on important decisions' and values' point of view. Participative leaders also tend to be more tolerant of differences because they know that those differences can improve decision making (Opolot, 2011). However, there is no one best behavior of leadership. The effectiveness of a particular behavior is dependent on the organizational situation (Omolayo, 2004; Rad & Yarmohammadian, 2006). Effective manager consider the quality, subordinate acceptance, and timeliness of the decision when deciding whether to use autocratic, consultation or group decision process (Yukl, 2006).

### **Critique of existing literature relevant to the study**

Service quality is a field of many ambiguities. It is hard to define, what we understand under bad and under good services. What makes it more complicated is that different customer found different features important in the same service (Paranyi, 2005). Due to specification of service delivery, service quality is hard to evaluate for the customers since it no measurable objectives than the quality of product.

A positive and significant relationship exists between the organizational commitment and service quality. This is an indication that in a bid to improve on service quality in banks, the overall commitment, support and positive work attitude of the employees who feel involved, who are attached with the bank, who feel happy to be part of the banks family, who support the overall goals and strategic directions, who accept and expect that the overall bank problem are also part of their own problem are very important This will lead to improved service delivery as employees act professionally, treat customer fairly well, know their needs and empathize with them ( Opolot, 2011).

Employees view the training as an imposed obligation rather than a way to maximize their potential and they do not realize that by



improving their performance and innovation of their knowledge they may contribute to better business results of the organization they belong to; unfortunately top managers do not realize this as well. From their relationship with the employee it is plain to see that the employees are still treated as an expense, rather than an investment worthy of investing (Vemic, 2007).

### **Research gaps**

Recognizing and closing gaps offers high quality customer services to the consumer and helps them to achieve their goals whilst maximizing market share and financial results through customer satisfaction. It also helps managers to identify areas of weakness and make improvement to a company service delivery (Sara, 2011).

The available literature help identify the customer gap. There is a difference between customer expectation, customer perception and the actual services provided at different stages of service delivery. The gap can be closed by understanding customer needs and knowing customer expectations (Wilson et al., 2008).

The delivery gap is the gap between service quality specification and service delivery. The gap exposes the weakness in employee performance. This is due to subsequent failure to train the employee and put good processes and guidelines in action. As a result employees are ill equipped to manage consumer's needs. This gap can be closed by assessing the training needs of the employee and offering training in areas of weakness (Mukherjee et al., 2003).

The effect of staffing training on customer service delivery has not attracted that attention of banks, although they acknowledge it as the means to generate revenue. But, customers experiencing poor service are likely to tell 20 people out their experience which is not good advertisement for a business. This may deter others from trying the product or service of the company (CIM, 2010).

The issue of comfortable physical working environment has been left out by many researchers as a possible factor that affects services delivery. Wilson et al. (2008) put forward that the environment of service delivery can influence emotion and service quality of employees serves toward their customers. Quiling & Haibo (2010) thinks that good work environment can motivate the work enthusiasm of employees.

## **RESEARCH METHODOLOGY**

### **Research design**

This refers to the researcher's approach or procedure to be adopted and applied in dealing with a given research problem it constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2003).

The study will concentrate on factors affecting service delivery of Faulu Bank, Thika branch, Kenya. Among the factors were; leadership behavior and organization commitment.

The study adapted to a case study based on descriptive research design, inferential statistics (Pearson correlation test) and both qualitative and quantitative approaches will be used in the process of the study. Quantitative approach will enumerate statistical data while the qualitative approach will deal with opinions and viewpoints in the study.

The design was adapted because the researcher aims at studying the ideas and practices of the participants in their own setting and from their own perspective and will capture the reality at the organization in its full and natural context, hence elicit detailed findings.

### **Target Population**

This is a group of individuals, objects or items from which samples are for measurement (Kombo & Tromps, 2006). According to Mugenda and

Mugenda (2003), target population refers to the population that the researcher defines; to which he or she wants to generalize the results. The target population was all the 29 microfinance institution in Kenya and the study population was comprised of all employees of Faulu Bank, Thika branch. The total population comprised of 40 people; the representatives consist of 4 managers, 8 officers, 18 clerks and 10 subordinate staffs.

### **Sample and Sampling design**

Sampling is a process of selecting a number of individuals or objects from a population such that the selected group contains elements that are representative of characteristics found in the entire group (Kombo, 2002). This involved selecting a sufficient number of elements from the population so that by studying the sample properties and characteristics one was able to generalize these properties and characteristics to the entire population.

A sample size of 30 of employees was be selected using stratified random sampling technique with the purpose of generating detailed and comprehensive data suitable for a case study. There is need of a sample being representative, reliable, flexible and efficient (Kothari, 2004). A sample size of 30 reduces the probability of missing a perception, with 10% incidence to less than 5% (Griffin & Hauser, 2000). Therefore a sample size of 30 in this study was good enough to achieve approximate normality and result into a minimal confidence interval or margin risk of error and confidence level.

### **Research Instruments**

For this study both primary and secondary data collection methods was used. The primary data of this paper was from the employee questionnaire survey and observation. The secondary source of information include, published research studies, books and office records on Microfinance institutions. Direct observation was used to monitor parameter like behavior, performance;

employees customers contact, responses and then notes were taken for analysis.

### **Data Collection procedures**

This is a brief description of the process to be followed while conducting the study (Mugume, 2010). This was the process of gathering data from the source which include both primary and secondary sources. Data accuracy and validity depended on the effectiveness of the methods used in collecting it. Tool that was used to assist the researcher to collect data included questionnaires that were issued to the sample population at random.

Permission to conduct the study was obtained from the authority at Faulu Bank using an introductory letter from the Head of the School of Human Resource department

### **Data Analysis and Processing**

Data analysis is the process of refining and organizing that raw information into a clear, systematic and scientific form in which it can easily be interpreted hence understood (Mugume, 2010). Data was analyzed using both qualitative and quantitative measures. Descriptive analysis and inferential statistics (Pearson correlation test) of data was used. Quantitative data that is numerical was coded and analyzed using SPSS statistical package. On the other hand the qualitative data which is in the form of written work was summarized and the responses that came up was redefined to get the finding and some of the responses coded and converted into percentages and other statistical forms. The results were reported using frequency tables, bar graphs and pie charts.

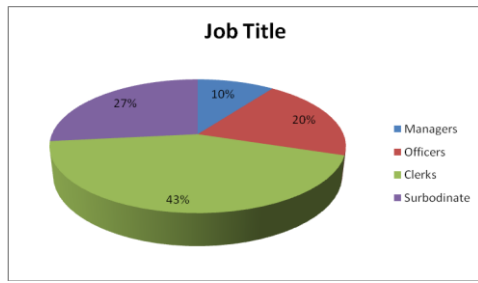
## **FINDINGS AND DISCUSSION**

### **Demographic Information**

#### **Job description**

The study had a sample size of 30 respondents. All the 30 respondents successfully filled and returned questionnaire representing 100% response rate. The respondent consisted of four different categories of employees where 10%

were managers, 20% were officers, 43% were clerks while 27% were subordinate as shown in Figure 4.1. The distribution of the employee was a fair representative of job categories in the organization.



**Figure 2. Job Description**

### Gender

On gender distribution the researcher made a deliberate attempt to balance the number of male with that of female respondents in order to avoid gender disparity. Hence out of the 30 respondents, 40% were male while the rest 60% were female. Thus the findings gave a good representative sample of gender. So it is apparent that both males and females got their job performance affected by factors in their work environment. This percentage was also significant because priorities in life tend to vary for the different genders at certain ages in life and this affects their priorities in their work place.

### Age of the respondents

The age of the respondents was largely below 39 years where 70% of the respondents were within the 21-29 age brackets, 23% were within 30-39 while only 7% were within 40-49 years. The age distribution shows that Faulu had a relatively youthful workforce. A young workforce is likely to change jobs more frequently than old staff.

### Organization commitment

The study sought to establish the relationship between employees' organization commitment

and service delivery by Faulu. The respondents were required to indicate their opinion on eight statements on organization commitment. As shown in Figure 4.5 100% of the respondents disagreed that they would be happy to spend the rest of their career in Faulu. Similarly 100% of the respondents disagreed that they have a sense of obligation to the people in Faulu. Further, 90% of the respondents felt that the major reason they work for the organization is because other organization may not match the benefit that Faulu offers.

It follows therefore that employees in Faulu are not fully committed to the organization. Save for the benefit they receive majority are not willing to spend the rest of their career in the organization and they have no obligation to the organization.

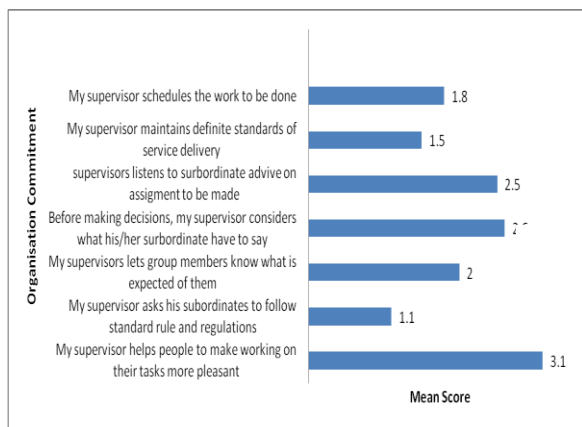
**Table 1. Organization Commitments**

	Disagree		Neutral		agree		Strongly agree	
	Count	%	Count	%	Count	%	Count	%
I feel a strong sense of belonging to the organisation	6	20.0%	12	40.0%	12	40.0%	0	.0%
I feel emotionally attached to this organization	22	73.3%	8	26.7%	0	.0%	0	.0%
I would be very happy to spend the rest of my career with this institution	30	100.0%	0	.0%	0	.0%	0	.0%
I have a sense of obligation to the people in this organization	30	100.0%	0	.0%	0	.0%	0	.0%
This organization deserve my loyalty	0	.0%	22	73.3%	8	26.7%	0	.0%
One of the major reasons I continue working for this organization is; leaving would require considerable personal sacrifice and other organizations may not match the benefits that I acquire here	27	90.0%	0	.0%	0	.0%	3	10.0%
I feel that there are too few options to consider leaving this organization	6	20.0%	24	80.0%	0	.0%	0	.0%

### Leadership Behavior

The study sought to understand leadership behavior of Faulu. The leadership behavior was measured by inquiring specific leadership practices as viewed by employees. The employees were required to indicate their agreement on eight statements regarding their leaders' behavior.

As shown in Figure 4.5 employees indicated that supervisor helps people to make working on their tasks more pleasant. This particular leadership behavior had the highest mean score of 3.1. Further, the employees indicated that supervisor's listens to subordinate advice on assignment to make and had a mean score of 2.5. Similarly, supervisors consider subordinate opinion before making decisions. However, the employees indicated that supervisors do not require subordinates to follow standard rule and regulations.



**Figure 3 Leadership behaviors**

The findings on the leadership behavior implies that Faulu have a supportive leadership characterized by consultation and listening of opinions from the subordinates. However, lack of standard rules and regulation may confuse and frustrate subordinates for lack of set procedure to perform the duties.

### Correlation coefficients

The objectives of the study were based on the relationships between the two variables; organization commitment and leadership as independent variables and service delivery as the dependent variable. The relationship between the variables was established using Pearson correlation tests ( $r$ = correlation coefficient) and shows the magnitude of the effect on one variable has on service delivery. The study computed the

Pearson's correlation, as shown in the Table 4:3 below

**Table 2 Correlation Coefficients**

The correlation table shows the variables significant and weight.

Correlations		
Leadership behaviors	Pearson Correlation	Service Delivery
	Pearson Correlation	.581
	Sig. (2-tailed)	.001
	N	30
	Pearson Correlation	.585
	Sig. (2-tailed)	.001
	N	30
Correlation is significant at the 0.01 level (2-tailed).		
Correlation is significant at the 0.05 level (2-tailed).		

It follows therefore as far as service delivery is concerned organization commitment was the most important factor, leadership was second. This implies that for the organization to improve on service delivery, organization commitment by the employees have to be emphasized since it impact heavily on service delivery.

### **The relationship between organization commitment and service delivery**

From the analysis of the results in the table 4:3 organization commitment indicated that there is a significant and positive relationship between organizational commitment and service delivery ( $r=.585^{**}$ ,  $p<.001$ ). Strengthening of organization commitment within the organization will lead to improved service delivery. The result implies that organization commitment dimensions such as sense of belongingness to the organization, emotional attachments, organization loyalty, and career development in the same Microfinance, all leads to improved service delivery. This greatly shows affective commitment is influenced as individual emotional attachment towards the organization varies and most individual show low commitment.

Past study according to Opolot (2011) results indicate a positive relationship between organization commitment and service quality in Commercial Bank in Uganda ( $r=.305^{**}$ ,  $p<.01$ ). The results implying that organization commitment dimension such as feeling emotional attached to the bank, developing the career in the same bank for the rest of employees life in the Bank and employee feeling as part of the Bank family lead to improved service quality.

### **The relationship between leadership behaviors and service delivery**

The correlation indicates a positive relationship between leadership behaviors and service delivery ( $r=.581^{**}$ ,  $p<0.1$ ). The observation signifies that if supervisors help people make their tasks more pleasant, let members know subordinates have to say, schedule the work to be done and define standards of services delivery, thus helping building a better service delivery channel.

Opolot (2011) results in Commercial Bank in Uganda showed a positive relationship between leadership behaviors and service quality ( $r=.374$ ,  $p<.01$ ). This implies that if supervisors treat all employees as equal, encourage use of uniform

procedures, involve subordinate in decision making or consult them before action is taken, this is bound to result into improved service quality.

The chapter provides the summary of the findings, conclusion and the recommendation of the study. The findings of the study will be provided according to the objectives of the study.

## **SUMMARY OF THE FINDING**

### **Organization commitment**

The study found out that employees in Faulu are not fully committed to the organization. Save for the benefit they receive majority are not willing to spend the rest of their career in the organization and they have no obligation to the organization.

### **Leadership behavior**

The findings on the leadership behavior included that Faulu have a supportive leadership characterized by consultation and listening of opinions from the subordinates. However, lack of standard rules and regulation may and frustrate subordinates for lack of set procedure to perform the duties. This is because employees indicated that their supervisors do not require the staff to follow any standard rules and regulations.

### **Correlation Coefficient**

The correlation coefficient was computed using Pearson's correlation coefficient. The study found out that all the factors under consideration were statistically convenient with a significant level of less 0.05. The factor with highest correlation coefficient was organization commitment which implies that organization commitment was the factor with highest influence on service delivery and Leadership followed.

### **Conclusion**

Given the findings the study concludes that organization commitment and leadership behavior are important factors which affect service delivery.

Organization commitment is of great significant to service delivery. This is an indication that a bid to improve service delivery in Faulu , overall organization commitment, lead to support and positive work attitude as employees are willingly to accept the organization goals and ensure they are delivered. Though organization commitment was an important factor affecting service delivery Faulu's employees have a low organization commitment thus affecting the service delivery of the organization.

Leadership behavior is significant to service delivery at Faulu, since leaders providing the right service climate, resources and opportunity for employee to grow who will in turn tend to be satisfied and passionate with their duties and will have the interest of their organization by ensuring service delivery to customers is effective .Supportive leadership creates better avenue of communication and friendly working environment enhancing service delivery.

### **Recommendations**

The study recommends comprehensive training programs that encompass all critical areas that improve commitment and competency of the employees. The Bank manager should design and implement training programs with specific aims of improving service delivery that will in turn lead to improved organization performance. Assessment should be done to identify the training need among the employee to ensure that the performance gap that results from lack of enough skill and knowledge are covered up in time to enhance service delivery.

In order to ensure quality service delivery the management needs to put in place regular audits to assess and evaluate all aspect; organization commitment and leadership behaviors. This will be used to identify areas of weakness that will

need to be improved and come up with corrective measure as well as preventive.

### **Areas for further research**

The need an excellent service delivery is vital for every institution to ensure it boost the performance of the organization and also customers are delivered with the right service and in the best way possible. Further research in areas of service delivery in all institutions especially the Microfinance and Banking sectors is recommended.

Further research should carry out a comparative study of the various Microfinance institution and compare and contrast how the Variables leadership behavior and organization commitment influence the service delivery. We also suggest that the researchers could do interviews that are more detailed in explaining questions and follow up questions to establish in details the influence.

More research to explore other factors such as; Turnover, customer expectation and perception, service culture, human resource strategies and they contribution to quality service delivery in various institution.

The impact of quality services delivery on organizational performance that is quality and satisfying is an area recommend for further research. Organizational performance being considered as an extent an organization is able to meet the needs of its stakeholders and its own need for survival.

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