INVESTIGATION INTO THE IMPLICATIONS OF FINANCIAL RESOURCES IN DELIVERY OF SERVICES BY AGENCY FIRMS IN THE TEA SECTOR IN KENYA: A CASE STUDY OF KENYA TEA DEVELOPMENT AUTHORITY.

BY

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RESEARCH PROPOSAL SUBMITTED TO SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (FINANCE) DEGREE OF KENYATTA UNIVERSITY.
DECLARATION

The project is my original work and has never been presented for a degree, diploma or certificate to any university or college.

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REG NO D53/RI/11454/04

Signature

Date : 1st November 2010

The Research Project has been submitted for examination with my approval as the University Supervisor.

NDEDE F.W.S

Signature

Date : 30th November 2010

Chairman Department of Accounting and Finance

Signature

Date
ACKNOWLEDGMENT

I acknowledge my esteemed lecturer Mr. Ndede F.W.S who through his strenuous training efforts has equipped me with the relevant skills required and reaching at a recommendable height in academic competence. Also my dear wife Mrs. Eunice K. Nyagaka and my son Dr. Elui O nyagaka for their generous mutual support. May God reward you richly.
LIST OF ABBREVIATIONS

KTDA - Kenya Tea Development Agency

EPZ - Export Processing Zone

U.S.A- United States of America

TRFK- Tea Research Foundation of Kenya

TBK- Tea Board of Kenya
DEDICATION

This project proposal will be dedicated to my family, friends and employer from whom I got support, encouragement and prayers to enable me complete my studies.
ABSTRACT

This study had sought to investigate the implication of financial resources in the delivery of services by agency firms in the tea sector of Kenya. The specific objectives of the study were: to identify the challenges facing agency firms in the delivery of financial services and more so to establish the extent that financial commitment influence delivery of services and to establish how poor service delivery affect the performance of the agencies. The study adopted a descriptive design. It targeted a population of 500 staff of Kenya Tea Development Agency spread out in 57 tea factories. The researched a response rate of 78%. A sample size 50 representing 10% of the total population was obtained by stratified random sampling. Purposive sampling was used to obtain the managers. Questionnaires were used to collect primary data. Data was then arranged and coded for analysis. Frequencies and percentage were used for analysis. Data has been presented by the use of tables, pie-charts and bar graphs. The study revealed that operational costs are the major challenges faced by agencies in the delivery of services. Recommendations have been made to various stakeholders.
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OPERATIONAL DEFINITION OF TERMS

Agency- A relationship that connect the agent and a principal

Agent – An individual or institution working on behalf of another individual or institution.

Principal- Individual or institution assigning another individual or institution to carry a service on behalf

Performance- Ability to deliver services

Service- A business activity

Management service – Business activities undertaken by management.

Management- Those charged with the responsibility of running the fiscal of an agency.

Agency contract- An agreement to perform a particular activity
CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND INFORMATION

1.1.1 Historical Development of Agencies

In an organization where there are many competing uses of resources (Joy, 1977). And the resources are always scarce. One of the most important finance functions is to allocate the resource amongst the competing uses (Pandey, 2003). Adequacy of these resources would determine the direction on how services are delivered.

A firm needs to have adequate working capital to be used in it operations. According to Brigham and Houston (2009), working capital management originated with the old Yankee peddler who borrowed to buy inventory, sell the inventory to pay off the bank loaned then repeat the cycle. Even today firms follow a cycle where they purchase inventory, sell goods on credit and then collect accounts receivables. In case the receivables are not well managed, the resources will not be adequate to operate. In effect services will not be well delivered.
Achieving superior management services through sustainable effective programs by agency firms have been the pre-occupation of management scientist ever since the time of Tailor (1865 – 1915) and his contemporaries such as Henry Fayol. Successful generation of corporate leaders recognized that superior management services should be based on measurable criteria. Managing better organizational service delivery to a sustainable level can effectively be attained through many ways, some of them being management by objectives and management control systems (Armstrong, 2001). Control of inputs can sometimes be a real challenge to management. And this can affect service delivery.

Agency relationship ideally spells out a mutual performance obligation, intentions and responsibility (Republic of Kenya, 2005). It gives each party to the agreement to undertake their part of the bargain in delivery of service. Agency agreements known as management service contracts define expectations or the results to be achieved and the competencies required to attain these results, Armstrong (1999). Armstrong (1999), further states that agreement cover objectives and standards of performance, performance measures and indicators, competency assessment, core values and operational requirements.

The overall management of firms in an agency relationship, “managers are empowered by owners of firms to manage the resources and to make decisions on behalf of the shareholders” (Brigham and Houston, 2009). It is also
recognized in finance literature that in agency relationships managers may have personal goals that compete with principals' goals. This may lead to poor delivery of services. As observed by Jessen (1976), an employment contract with much a reward scheme may not be optional for either the principal or agent (Jessen, 1976). The quality of service delivery can therefore not be gained in only one factor.

Positive development had been witnessed since the signing of agreement between the Kenya Packers Association and Tabai tea of the U.S.A. to market tea in that country. This has since seen Kenyan tea securing 10% of that market. K.T.D.A (Kenya Tea Development Agency) had also reached an agreement with Safari Tea Canada to market tea in Canada and this agreement encouraged the Canadians to provide technology for the production of value added tea. The Kenyan government had decided to give all the tea factories export processing zone (EPZ) status. This assured the factories of constant electrical power and at a lower tariff. This will go along way in reducing costs of production.

The economy had witnessed major reforms in the last five years (Tap 2006). These included removal of import controls, price and foreign exchange controls among other reforms in the liberalization and restructuring process. These deregulations have no doubt opened up domestic economy to stiff competition in every sphere of business. In real sense, the success story of Kenyan tea is a product of three main developments. First, the government policy after
independence to integrate small-scale growers into the mainstream of Tea growing. Currently the small-scale growers under the umbrella of Kenya Tea Development Agency (KTDA) account for sixty percent of the total tea production while the multinational sector and large-scale growers account for the remaining forty percent. Secondly, the establishment of an efficient estate sector under the British tea companies has also introduced revolutionary improvements in the estate and factory management with resulting five-fold increases in output. And thirdly, the selection of high yielding varieties mainly by the Tea Research Foundation of Kenya (TRFK) and the selective application of herbicides and improved planting and cultivation methods, have had a dramatic effects on yield (Gesimba, 2005).

1.1.2 The Kenya Tea Development Agency

Kenya Tea Development Agency’s predecessor the Kenya Tea Development Authority, was established in 1964 by an Act of parliament as a parastatal charged with the responsibility of developing and fostering the young and nascent small scale growers sector, Republic of Kenya, (1964). From one initial factory serving 19,000 growers and only 4,700ha of tea today. K.T.D.A has 57 factories processing 60% of tea produced in the country on behalf of small-scale tea farmers spread in 24 districts. The factories are owned by 380,000 growers who cultivate 92,800ha of Tea (Gesimba, 2005). Although the tea industry has been completely liberalized, government control still exists under the Tea Board
of Kenya (TBK) whose directors are directly elected by key stakeholders in the industry. The government still continues to oversee the maintenance of rural access roads and generally creating an enabling environment for expansion of domestic and international tea market. The board has embarked on a five year plan to promote tea as a beverage of choice among Kenyans. Currently, Kenya’s per capita tea consumption stands at 0.44kg/year or approximately 5% of the total marketed tea. The mandate of the board also included registration of growers licensing of tea manufacturing factories, research, and registration of buyers, brokers, packer’s management agents and tea consumption promotion.

The tremendous growth of Kenya Tea Development Authority from 1964 to 2000 previously a parastatal before being privatized and acquired a new status, namely Kenya Tea Development Agency Ltd, the growing of tea by small-scale sub-sector in Kenya has created a niche in the global tea trade (Gesimba, 2005). It is not clear whether this tremendous achievement was as a result of the shift from the initial authority to the present agency status. It is as a result of this gap that the study intends to investigate the factors that influence service delivery.
1.2 STATEMENT OF THE PROBLEM

Amidst the tremendous performance by the tea industry in the early 2000s, the industry now faces challenges of poor financial service delivery. Mutai (2002) argued that some of the challenges facing the agency are due to failure of the agency to provide farmers with market information. This has led to mistrust and misunderstanding between KTDA and the farmers. Another challenge to the tea industry is the rising cost of production.

KTDA annual reports and financial statements since 2004-2005 continued to show rise in cost of production. This had resulted into fluctuation of prices and lack of marketing strategies. If the trend is allowed to continue service delivery by the agency, will continue to be affected. This would mean loss of jobs, production of tea which is a major exchange earner to the country and revenue related and eventual loss of Kenya's position in the global market for tea. The study therefore, sought to find out the implication of resources to deliver services.
1.3 OBJECTIVE OF THE STUDY

The general objective of the study was to interrogate the implication of financial resources in the delivery of services by agency firms in the tea sector of Kenya.

The specific objectives were:

1. To assess the factors that influence delivery of services
2. To assess the factors that influence delivery of service more.
3. To establish the extent to which financial commitment influences delivery of service.
4. To assess how poor delivery of service affects performance of a firm.
5. To suggest ways of improving service delivery.

1.4 RESEARCH QUESTIONS

1. What are the factors which influence delivery of services?
2. Which of the factors are more influential in the delivery of service?
3. How does financial commitment affect management delivery of service?
4. What is the implication of financial resources in relation to delivery of services?
5. How can management delivery of services be improved?
1.5 SIGNIFICANCE OF THE STUDY

The finding of this study is many folds ranging from benefits to management to the farmers and to the society.

**Management:** Managers of organization stand in fiduciary relationships with the organizations they manage. The outcome off the study is useful to them as they can now define the financial directions of their firms, and improve on the service delivery.

**Farmers:** Farmers depend on the services of the agency. Definitely improved service delivery would improve revenue generation and reduce costs of input.

**Employee:** With improved service delivery staff definitely would benefit from improved package. More jobs would also be created and retained.

**Society:** The general society is related to improved service delivery. Continued supply of quality tea, reduced cost of input and therefore reduced prices.

**Policy makers:** The government and other state agencies involved with policy making are to benefit from the information generate by the study that will improve delivery of services.

**Literature:** The findings of the study will also add academic literature to the already existing literature.
1.6 SCOPE OF THE STUDY

The study covered only the managers in Nairobi head office, warehouse Mombasa, various tea factories and tea zones. The choice of these areas was informed by the fact that services are largely delivered by staff in the various offices.
CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter discusses and presents related literature reviewed. The chapter has been categorized into main review, empirical conceptual framework.

2.1 MAIN REVIEW

2.1.1 Management service by agency firms in the Tea sector in Kenya

The use of agency firms to manage small holders Tea sub-sector is a process of sustainable service delivery management that leads to better performance and enhanced profitability to the entire stakeholders. Boston Institute for Developing Economies (BIDE,2000), argument says that many countries have had success in improving the performance of their own public and private enterprises through engaging serious management agents on performance contracts. In Denmark, an evaluation of the performance contracts systems had established that efficiency gains for agencies under performance. Performance contracts, exceeded those of agencies that had not been put on performance contracts were found to contribute to efficiency and quality service delivery (BIDE, 2000).
Since performance contributing was introduced in Kenya in the early 2000s, most of agencies from managers are engaged under performance contracts.

In the Danish experience, the agency performance contract had considerable psychological effect, as its nature of a contract with another party, implies that principal as well as agent feel more obliged to live up to the contract requirements than they would have done. One important component of performance contracting is management of cost, delivery of service, improved profitability and value addition on the capital of the firm.

Armstrong (1994), stated that agency performance contracts define expectations of the concerned parties. They define work to be done, they result to be attained and the attributes (skills, knowledge and expertise) and the competencies required in achieving these results. They also identify the measures used to monitor, review and assess the performance. Skills in management especially skills in financial management is critical for all decisions made in a firm. According to Pandey (2003) there is no distinction between financial and other activities of the firm. This is because every business decision has financial implication. Productions as well as marketing have financial implication. Similarly, there is financial implication in virtually all business decisions, (Brigham and Houston, 2009). To be able to effectively carry out these functions, a financial manager needs to be adequately skilled in financial skills.
The Commonwealth Secretariat (1995) describes an agency contract as a contract between the owners of an enterprise on the one hand and on the other hand the agents managing the enterprise, setting out certain targets/results to be achieved in a given time frame. The agency contracts also enumerate the mutual obligations of the two parties in achieving the targets set in the contract. Agency performance contract is a freely negotiated agreement between the principal (in these case small-holders) and the agency (K.T.D.A), it specifies the intentions, obligation and responsibilities of the parties (Daily nation, Tuesday March 2005).

2.1.2 Types of Agency Contracts

There are two main types of agency performance contract; these are French-based system and the signaling systems. The French-based system does not allocate weight to targets. There is therefore no distinction between targets in terms of emphasis and such performance evaluation is subjective. This system is practiced in France, Senegal, Benin, Morocco, and Latin America. The signaling system allocates weight to targets. It is therefore objective. It is practiced in Pakistan, South Korea, Ghana, Nigeria, and America (government of Kenya sensitization/ Training manual on agency performance contracts, 2005).
2.1.3 Effective Management Services and Imposed minimum wage Award

According to the tea research foundation, the most worrying problem to the managing agents is the danger caused by rising cost of production. The most worrying problem is the danger cause by the rising costs of production. This applies most forcibly to the estate sector where labor account for some two thirds of production costs ex-factory. The main problem arises from the pattern of wage awards imposed on the industry. Since 1990, the basic wage rate has risen 10 times; in fact since 1998 it has gone up by more than 50%, the danger signals are evident: small producers have been resigning from the industry body in order to escape the statutory basic wage award. Kericho labour costs are twice those in Uganda. Daily rates are paid by smallholders growers in rural areas are half those offered by estates. Already, some areas of low tea are seriously loss making and it will only be a matter of time before they are taken out of production. In other words there could be a loss of output as well as of employment. The policy response should be to freeze wage rates until the world market situation improves (Langat, 2005).

The other challenge that faces tea growing is changing rain pattern. Although the districts that grow tea receive adequate amounts of rainfall, drought periods affect production leading to wide fluctuations input. Output fluctuations can be as high as between 285 million kilograms to 300 million kilograms. Output fluctuations contribute further to the decline in the real earnings of farmers from
tea. Availability of drought tolerant clones seems to be the only way the growers can overcome this challenge as is observed by Tea Research Foundation reports.

2. 1. 4 **External factors verses sustainable effective management services:**

Several external factors are behind the rising cost of production in the sector as has been established by the Tea research foundation (TRF). Just to mention a few, poor infrastructure, unreliable electricity, and high cost of fuel, high brokerage fees, and packaging materials, imposed minimum wage award and market information. They further increase the cost of production and lower the income to the stakeholders at large.

According to K.T.D.A annual report and financial statement 2004-2005, the factories have been the hardest hit by the ban on procurement of wood fuel from the forest. This is because the factories rely on wood fuel to cure the tea. Since the ban was affected, three years ago to procure fuel from farms where trees are rare and therefore sold at exorbitant prices.

2. 1.5 **External Environment Analysis**

Most firms face external environments that are growing more turbulent, complex and global, which make them increasingly difficult to interpret. Hitt (1997), to cope with what are often ambiguous and incomplete environmental
data and increase their understanding of the general environment, Agency firms engage in a process called external environmental analysis. This process includes four activities namely, scanning, monitoring, forecasting and assessing. He further stressed that the processes should be conducted on a continuous basis.

According to Hoskisson (1997), an important objective of studying the general environment is identification of opportunities and threats. Opportunities are conditions in the general environment that may help a company achieve strategic competitiveness. Whereas threats are conditions in the general environment that may hinder a Company’s efforts to achieve strategic competitiveness. In essence, external environmental opportunities represent possibilities while, threats are potential constrains.

Duane (1997), to analyze the general environment several resources are used. Included among these are a wide variety of printed materials (e.g. Trade publication News papers, Business publications, the results of academic results and of Public polls); attendance and participation in trade shows; the content of conversation with suppliers, customers and employees of public-sector organizations; and business-related “rumors” provided by many different people. Additional sources of information and data include individuals in “boundary spanning” positions who interacts with external constituents such as sales persons, purchasing managers, public relations directors and human
resource managers. Decision makers should verify the validity and the reliability of the sources of which their environmental analysis are based.

2. 1.6 General Environment

The general business environment is composed of segments (and their individual elements) that are external to the firm. Although the degree of the impact varies, these environmental segments affect each industry and its firms. The challenge is to scan, monitor and assess these elements in each segment that are of a greater importance to the firm. Results should include recognition of environmental changes, trends, opportunities and threats. Opportunities are then matched with a firm’s core competencies. When these matches are successful, the firm achieves strategic competitiveness and earns above average returns. The components of general environment include: the demographic segments, economic segments, political / legal segments, socio-cultural segments, technological segments and global.

2. 1.7 Industry Environment Analysis

Compared to the general environment, the industrial environment has a more direct effect on strategic competitiveness and SWOT analysis. The intensity of industry competition and industry’s profit potential (as measured by the long-run returns on invested capital) are a function of five competitive forces which are
the threats of new entrance, suppliers, buyers, product substitute, and the intensity of rivalry among competitors. Developed by Michael Porter, the five forces model of competition expands the arena of competitive analysis. When studying the competitive environment, firms concentrate on companies with which they competed directly but today competition is viewed as a grouping of alternative ways for customers to obtain the value they desire rather than being limited to direct competitors. This is particularly important because in recent years the industry boundaries have become blurred. The five forces model recognizes that suppliers could become a firm's competitors (by integrating forward), as could buyers (by integrating backward). Additionally, firms choosing to enter a new market and those producing products that are adequate substitutes could become competitors for an existing company.

The analysis of organizational performance and affective organizational strategies are required for the organization to accomplish its mission while being guided by an investment perspective. This provides important evidence of total organizational effectiveness, particularly when measured against previous performance or that of similar organizations including competitors. The efficiency and effectiveness of the finance function can be assessed in terms of the acquisition and management of financial resources. In the never-ending search for competitive advantage, organizations attempt to discover by analysis where they have potential sources of such advantage which through renewal they can deploy against the competition. Value chain analysis proposes a system
view of the organization composed of stages in transformation process with inputs and outputs to each of the distinct stages.

### 2.2 EMPERICAL LIERATURE

Rae Leslie (1983) stated that training must be driven by business needs of the organization. The first stage in training process should be to identify clearly the business need and the gap between the current standards and the required standards of performance. Training must then be closely matched to an appropriate training source. Dale (1997) defined training as an organized procedure by which people learn knowledge and skills for a definite purpose.

Training and development for K.T.D.A employees is therefore mandatory for the provision of better services to their principal (small holders). This is governed by revised management agreement signed with each party. The specialized services provided are financial, secretarial, personnel and administrative to factory companies in accordance with specific agreements and the above-mentioned management agreements. Clear distinction is established regarding the personnel employed by K.T.D.A Ltd. And those engaged by factory companies (Ministry of Agriculture, Sessional Paper No.2 of 1999 on the Liberalization and Restructuring of the Tea Industry).
Training and development of staff has been recognized as a crucial element in the attainment of organizational goals and objectives. Observations show that it is lack of effective training, which lowers performance, levels. The objective of training is to improve the employees performance, develop the knowledge and skills this benefits both the employee and the organization in that employee become confident, flexible, productive and give quality service, the employee get the sense of belonging, he/she feels part of the organization and this reduces high labor turnover and absenteeism.

Bentley Trevor (1991) argued that investment in the people both in development and maintaining appropriate skills is a vital part of the organizational strategy for the future. This is because effective training enhances knowledge; skills, attitude and behavior of people change hence their performance.

Bentley not only views training as a one off investment but as a continuous investment. Training is not only needed to create the skilled workforce, but also maintaining the high level of skills demanded by the ever changing environment, he concluded that the business of training is about making sure that the people on whom the organization depends are equipped with the knowledge and skills that they need for handling a rapid environmental change.

MC Graw-HILL (1980), no one is a perfect fit at the time of hiring aid, some training and education must take place. According to his findings training and development would return value to the organization in terms of increased
productivity, heightened morale, reduced costs, and greater organizational stability and flexibility to adapt to changing external requirements.

Roger (1981), training seeks to improve and develop knowledge, skills and attitude of employees apart from benefits accruing to the individual worker (greater veracity, extra skills etc) many advantages accrue to the firm. Employee become more flexible, the productivity and quality work should improve. Job satisfaction might increase with consequent reductions of absenteeism and staff turnover rates and the business need not fear the consequences of new technology.

2.3 CRITICAL REVIEW

Effective sustainable management services are a critical issue in the business world given the liberalization and restructuring programs going around the global economy (Nyongo, 2003). According to Tiampati, K.T.D.A CEO (2005), several factors, which affects sustainable service delivery by management agency firms vary according to and industry in question. Tea sector, they include those that are relating to production cost such as labor cost, fuel, transport, Infrastructure, Market Information, and Training among others. When Human Resources are recognized to be the force that drives business, the focus will be directed on training and development to enhance staff performance. Along with this the work force will acquire those skills needed to strengthen service delivery
to the tea factories. This challenges the traditional ways of managing agency firms to focus on profitable activities.

Other external factors also need to be given critical look especially cost effective activities. For instance, when minimum wage award is highly fixed, the factories will be forced to use mechanized Tea picking methods, which has met resistance in the recent past. This therefore, calls for harmonization of minimum wage awards between the stakeholders (Atwoli, 2006). Fuel prices has become an international crisis and therefore Kenyan case is not exceptional, the tea sector should therefore bear the cost or look for alternatives which are cost effective. Fuel prices affect even Transportation cost and all these reduce the small holder’s income in long run

A number of literature reviewed established that most studies have been carried out targeting production of quality tea and Marketing the same at better prices. Various strategic policy responses have been made. These have been very good contributions but there is still strong need for studying the factors that affects effective sustainable management services by K.T.D.A Ltd to the small holders. The overall study is good in that the study will find its applicability in the entire Tea sector. It is further established that factors such as power supply, transport, market information, minimum wage award and training affects all stakeholders in the Tea Industry equally. They are usually uncontrollable and hence a need to study their effects on the service delivery in totality.
2.4 CONCEPTUAL FRAMEWORK

This study adopted a conceptual framework to guide in exploring the factors influencing quality service delivery in KTDA. The conceptual framework took into account the independent variable as those concepts which influence the decision (independent variable). The dependent variable in this study was service delivery. Independent variables included; costs of inputs, output prices, market, financial commitment and technologies. These variables have a direct impact on the agency’s service delivery (dependant variable). These concepts are represented diagrammatically as indicated below.
Factors influencing KTDA Service delivery

- Cost of input
- Financial commitment
- Managerial skills
- Output prices
- Market
- Technologies

Moderating factors
- Global market
- Government intervention
- State of economy

Quality of service delivery status

Fig. 2.1

Source: Researcher (2010)
2.4.1 Operationalization of Variables

**Cost of input:** - Cost of transport, fuel, brokerage fees, involvement and allowances.

**Management skills:** - Level of education, professional training.

**Financial commitment:** - Existence of budgets for operational costs

**Output prices:** - Amount payable for a unit of tea.

**Technology:** - Mode of production

**Market:** - Existence of regional and global customers.

**Quality of services:** Timely delivered and customer satisfaction.
CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 INTRODUCTION

This section discusses the research design, location of the study, target population, sampling technique and sample size, data instrument, data collection procedures and data analysis.

3.1 RESEARCH DESIGN

This study adopted a descriptive design. Descriptive design was appropriate for this study since the aim of the study is to obtain accurate and complete information about factors affecting service delivery. Descriptive studies are formulized and typically structured (Schindler, 2004, Kothari, 2006 and Saunders et al, 2009), the object of the design is to portray an accurate profile of persons and situations (Robson, 2002. 5a) in Saunders et al (2009). The purpose of this study was to investigate the financial implications on service delivery.

3.2 LOCATION OF THE STUDY

The study was conducted within KTDA branches around the growing areas and KTDA headquarter in Nairobi. KTDA had been chosen for it is the major
agency in the Tea Sector in Kenya. It was envisaged that findings of this study was possible to be replicated in other agencies.

3.3 TARGET POPULATION

The population of this study was made up of all KTDA staff in the 57 tea factories who are in the line of provision of service. The staff of KTDA involved with service delivery are estimated to be 500, Borg and Gall (1989) observed that population should be large enough to permit generalization of a study.

3.4 SAMPLING DESIGN AND SAMPLE SIZE

The design for the study will be stratified random sapling. The target population will be stratified on the basis of functional areas of; procurement, management and finance. The reason for this stratification is to be based on the firm policies which vary from division to division. The sample size designed for the study is 50 which is 10% of the target population. To obtain the sample proportionate allocation will be used. Simple random sampling will then be used to pick the respondents.
Table 3.1: Sampling frame

<table>
<thead>
<tr>
<th>Category of respondents</th>
<th>Frequency</th>
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<tr>
<td>Procurement</td>
<td>120</td>
</tr>
<tr>
<td>Management</td>
<td>212</td>
</tr>
<tr>
<td>Finance</td>
<td>168</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
</tr>
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</table>

Source: Personnel data (2010)

3.5 DATA COLLECTION INSTRUMENTS

Primary and secondary data will be used for the study. The primary data was collected through a structured questionnaire. The questionnaires contained both open and closed ended questions. Questionnaires was adopted for this study because the questionnaires already in a usable form and would enable the research obtain the desired information. Secondary data was obtained from company records such as the company journals, policy documents and management information system. In addition, other studies, journals and periodicals related to agency service delivery will be also consulted.
3.6 DATA COLLECTION PROCEDURE

The researcher obtained a letter of introduction from Kenyatta University before proceeding to the field. Questionnaires were then administered by dropping and picking back as agreed by the respondents. This procedure was found to be appropriate as it was found to be less costly. It also gave the researcher opportunity to explain to the respondents areas where they were not clear.

3.7 DATA ANALYSIS METHOD

This section describes the techniques used in the analysis of data. Data for the study were mostly descriptive. Upon receipt of the questionnaires, the researcher cleaned the data for possible errors and unclarity. Statistical Package for Social Studies (SPSS) was used to code the data. Data was then analyzed by means of descriptive statistics which included frequency distribution tables and percentages to describe the situation under investigation.
CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.0 INTRODUCTION

The purpose of this study was to investigate the implication of finance resources in the delivery of services by agency firms in the tea sector in Kenya. This section presents the data analysis, discussions, findings and interpretation of the findings. The organisation of this chapter is based on the responses to the research questions as discussed in chapter one.

4.1 RESPONSE RATE

The researcher was able to collect 39 out of 50 questionnaires that were sent out. This represented a response rate of 78%. The high response rate could be attributed to the emphasis put by the researcher on the importance of the study.

4.2 AGE OF RESPONDENTS

Respondents were asked to show their age range. From the analysis, the respondents in the age brackets of 20-25 represented 7.8%, those in the age range of 26-30 were 17.9%, 31-35 represented 23.1%, those in range 36-40 represented 33.3% and those above 40 years were represented at 17.9%.
Majority of the respondents were mature, indication of experience and high skill in management. Age distribution is indicated on table 4.1.

**Table 4.1: Range of age of respondents**

<table>
<thead>
<tr>
<th>No of ages</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-25</td>
<td>7.8%</td>
</tr>
<tr>
<td>26-30</td>
<td>17.9%</td>
</tr>
<tr>
<td>31-35</td>
<td>23.1%</td>
</tr>
<tr>
<td>36-40</td>
<td>33.3%</td>
</tr>
<tr>
<td>41 years and above</td>
<td>17.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2010).

**Range of age of Respondents**

![Range of age of Respondents](image)

**Figure 4.1:**

Source: Researcher (2010)
4.3 MARITAL STATUS OF RESPONDENTS

Respondents were asked to indicate whether or not they were married. Data analysis indicated that 30 of the 39 who responded to the questions were married. This represented 77% while 9 representing 23% were not married. They were not asked whether they are divorced or separated.

Table 4.2 Marital Status

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>30</td>
<td>76.9%</td>
</tr>
<tr>
<td>Not married</td>
<td>9</td>
<td>23.1%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Researcher (2010)

Marital status was viewed as an indicator of the mix within the ranks of management. Marriage is widely viewed as an indicator of integrity and stability amongst managers. Table 4.2 shows how the respondents are positioned. The distribution is also indicated by the figure 4.2 below.
4.4 LEVEL OF EDUCATION

The respondents were asked to indicate their level of education ranging from secondary education and postgraduate degrees. Of the 39 respondents who responded to the questionnaire none indicated secondary level education, as 11 respondents representing 30.8% indicated diploma, 21 or 53.8% were holders of first degree while 6 or 15.4% indicated they had postgraduate qualifications. Table 4.3 shows distribution of the respondent with regards to the level of education.
Table 4.3: Level of Education

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Diploma</td>
<td>11</td>
<td>30.8%</td>
</tr>
<tr>
<td>First degree</td>
<td>21</td>
<td>53.8%</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>6</td>
<td>15.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Source:** Researcher (2010)

Higher level of education should be associated with high level of management skills to demonstrate a high performance by the agency in financial service delivery.

Level of Education.

![Pie chart showing level of education distribution](image)

**Figure 4.3:**

**Source:** Researcher (2010)
4.5 PROFESSIONAL TRAINING

In addition to the level of education, 69% of the respondents indicated that they had professional skills in various fields. Though the percentage of those without professional skills was high at 31% still their level of education and the high skilled manpower represented at 69% should translate into a high performance indicator, both in the past and in the present period.

Distribution of professional qualifications

Figure 4.4:  
Source: Researcher (2010)

4.6 WORK EXPERIENCE

Respondents were asked to indicate their work experience at the agency and also in other organizations. Data analysis indicated that work experience ranged between 1 year and 5 years. Majority of the respondents 24 indicate they had
work experience of 5 years and above representing 64.1%. Those with work experience of between 3 years and 4 years were 10 representing 25.6% while those with one year to 2 years work experience were 4 representing 10.2% and finally those with less than 1 year was one representing 2.4%.

Table 4.5: Distribution of Work experience

<table>
<thead>
<tr>
<th>No of years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 and above</td>
<td>24</td>
<td>64.1%</td>
</tr>
<tr>
<td>3 and 4</td>
<td>10</td>
<td>25.6%</td>
</tr>
<tr>
<td>1 and 2</td>
<td>4</td>
<td>10.2%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Researcher (2010)
Work Experience

Figure 4.5:

Source: Researcher (2010)

Those with work experience with other organizations is indicated in figure 4.6

Experience with other firms

Figure 4.6:

Source: Researcher (2010)
Those who worked in other organizations and moved to KTDA indicated high level of job satisfaction, hence high performance.

4.7: COST OF OPERATIONS

Respondents were asked to indicate challenges of cost on the provision of financial services. Data analysis indicated various categories of costs including cost of transport, fuel cost, and personal cost emolument and allowances as well as brokerage cost. In this category of challenges, 8 of them representing 20.5% said emolument on allowances are the main challenges. Those saying that fuel cost and brokerage fee are the main challenges were 3 and 3 respectively with 5.1% and 7.6%.

Table 4.7: Impact of cost on service delivery

<table>
<thead>
<tr>
<th>Types of cost</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teamwork</td>
<td>26</td>
<td>66%</td>
</tr>
<tr>
<td>Emolument and allowances</td>
<td>8</td>
<td>20.5%</td>
</tr>
<tr>
<td>Fuel</td>
<td>2</td>
<td>5.1%</td>
</tr>
<tr>
<td>Brokerage</td>
<td>3</td>
<td>7.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Researcher (2010)
Impact of cost and service delivery

![Pie chart showing cost distribution]

**Figure 4.7:**

*Source: Researcher*

### 4.8: ROLE OF FARMERS IN FINANCIAL SERVICE DELIVERY

The respondents were asked to indicate the role played by farmers in the sub-sector management of agency in order to realize effective financial delivery service and all the 39 respondents which is 100% sited farmers as the backbone in as far as effective financial service delivery is concern. The role of the farmer was seen in the light of supply of quality tea which is two leaves and bud in cooperating with extension officers who will offer the required training on modern practices. At the same time choice of responsible representatives as directors who are non popular and understand their roles fully and will not obstruct the
management in executing their roles as should be however, the agency is taken
to be open to farms on its operation to remove suspicion that will lead to farmers
hawking their tea to other players in the industry.

4.9 ROLE OF MARKETING AND BROKERAGE FEE IN FINANCIAL
SERVICE DELIVERY

Regarding brokerage fee and marketing cost the respondents were asked to
compare the agriculture sector vis-à-vis the world economy and they were
unanimous that the cost on the two challenges impacted negatively on the
producer price on the tea sub-sector in Kenya. All the respondents sited the
necessity to reduce the long chain of distributing agents so as to increase the
producers’ price by encouraging direct export using KTDA brand name. At the
same time the respondents suggested that so as to increase the market segment,
locally and intentionally, aggressive marketing be encouraged, and this will
include government support in reducing statutory taxes.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The purpose of this study was to investigate the implication of financial resources in the delivery of services. This chapter presents the overall summary of the study and the specific findings. It draws conclusions and makes recommendations that may be used by management, farmers and state agencies. The chapter also presents some suggestions for further reading.

5.6 SUMMARY OF THE FINDINGS

As already indicated at the introduction, the study had set out to investigate the implication of financial resources in delivery of services. In order to concentrate on the nature and the scope of the research problems and the conceptual framework, the review of critical and empirical literature, the study was conducted. Research evidence indicates that financial resources are critical for the delivery of services by agency organizations. Financial resources contribute directly to the quality of service delivered by agency firms. In addition financial resources act as incentives to the workforce. This was explained by the high number of staff who has been in the employment of KTDA for over five years.
It was observed that in the past when performance was good, financial requirements were not as high as indicated by the study in the immediate past. This implies agencies need to be adequately funded to be able to deliver services.

From the results, it is shown that cost of inputs, transportation and fuel cost are on the increase. This exposes the agency to insufficiency of funds. This makes the operational cost of KTDA to head to an unsustainable level. In the period of liberation, it is not possible to continue to remain in competition with ever increasing costs of input as this erodes the profitability of the agency.

Demographic results of the study have indicated that majority 51.2% are mature people. The study has also shown that a large number of respondents 27 or 69.2% have attained first degree and above. This shown that there are highly skilled manpower. Again a large number of the respondents were found to be married, implying that majority of the management are stable and people of integrity. Therefore, the only factors found to be of more influence to delivering of services is financial resources.
5.7 DISCUSSION

It would appear to be that factors responsible for effective delivery of services are varied. They include both internal and external factors. Evidence obtained by the study has indicated that inadequacy of financial resources or lack of it has influence in the quality of service delivery. Conditions created by the markets; domestic, regional or global also have influence in the delivery of services. It was observed that skill in financial management is also pertinent to management of resources. On the basis of findings discussed above, recommendations have been made to add to the already existing practice and policy.

5.8 RECOMMENDATIONS

a) Management- Those charged with responsibility of running agencies should be in the forefront of resource mobilization to adequately fund their organization.

b) Policy makers- It is not enough to first formulate policies. It is incumbent upon policy makers to put in adequate measures for monitoring and evaluating the effectiveness of the policies.
5.9 CONCLUSION

It is hoped that the findings of this study will help to generate healthy discussions and will also help to create a better operational environment or agency firms. Responsible management is critical to healthy operations of enterprises. If the management, policy makers, farmers, employees and every other stakeholder take up these roles effectively, then the delivery of services will be of high quality and this will translate into financial inkle down to boost producer price.

5.10 SUGGESTIONS FOR FURTHER RESEARCH

The study was carried out on Kenya Tea Development Agency which is first one of the many agency firms. It is thus suggested that further research be carried out with regard:

1) Similar agency in and around the region since problems may not be similar in all agencies.

2) A similar study could be done in other forms of ownership such as centre, local government institutions.

3) Gender and management of agencies.
### Appendix 1: Study Budget

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>AMOUNT KSHS.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal Writing</td>
<td>40,000</td>
</tr>
<tr>
<td>Data Collection Instrument</td>
<td>8,000</td>
</tr>
<tr>
<td>Secondary Data Collection</td>
<td>12,000</td>
</tr>
<tr>
<td>SPSS Analysis</td>
<td>15,000</td>
</tr>
<tr>
<td>Questionnaire Administration</td>
<td>19,000</td>
</tr>
<tr>
<td>Final Report Writing &amp; Stationery</td>
<td>30,000</td>
</tr>
<tr>
<td><em>(Typing, Photocopying &amp; Binding)</em></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>124,000</strong></td>
</tr>
</tbody>
</table>
REFERENCES


Jesse et al; (2001). *Executive Compensation as an agency problem*


Marcus; (1999); *Fundamentals of Corporate Finance 3rd Edition.* McGraw –Hill Publication

Munzig, (2002),*Enron and Economics of Corporate Governance*


Appendix 2: Letter of Introduction

Dear Respondent,

RE: ASSISTANCE IN FILLING IN THE QUESTIONNAIRE

This is kindly to inform you that I am a student at Kenyatta University pursuing Masters in Business Administration and as part of the course requirement; I am expected to carry out research project work of which I am researching on "The challenges facing agency firms in Kenyan Agricultural Sectors case of K.T.D.A Ltd.

The purpose of this letter is to request you for assistance in responding to the questionnaires and returning them to me. You are further assured that any information given will be used for the purpose of the study only.

Looking forward to your assistance and corporation

Yours faithfully,

Elijah Omare
Appendix 3: Questionnaire

SECTION A (BIO DATA)

1. Kindly state your age bracket

20 – 25
26 – 30
31 – 35
36 – 40
40 and above

2. Tick your marital status please

Married
Single

3. What is highest level of your education?

Secondary
Diploma
First Degree
Post graduate
Professional C.P.A. etc

Other specify ............................................................................................................
4. How long have you worked with the Kenya Tea Development Agency?

- Less than 1 year
- 1 year – 2 years
- 2 years – 5 years
- 5 years and above

5. Have you ever worked in another Agency firm before joining KTDA?

- Yes
- No

6. If yes, please kindly specify including duration worked?

................................................................................................................................................
................................................................................................................................................
................................................................................................................................................

SECTION B

7. In your own view how does transportation cost influence cost of production tea sub sector?

................................................................................................................................................
................................................................................................................................................
................................................................................................................................................
8. In your opinion do the following factors influence cost of production in Tea sector?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of fuel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emolument &amp; Allowances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High brokerage fees</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Based on your response above, state how?

(1) .................................................................

(2) .................................................................

(3) .................................................................

(4) .................................................................

(5) .................................................................

10. Kindly rate the following factors on how they influence Production cost?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Low</th>
<th>Average</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emolument &amp; Allowances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brokerage fees</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
11. In your independent judgment what are the major factor affecting effective sustainable management services in Tea sector?

12. What are the possible control measures for the factor you have chosen in question 11 above?

13. How does cost of FUEL as an economic factor affect the sustainable effective management services of KTDA in its service delivery efforts to the tea farmers?
14. Indicate the significance of the impact of the following efficacy on service delivery by Agency firms in Tea sector [Use 1 = Very Large Extent, 2 = Large Extent, 3 = Very Low, 4 = Average, 5 = Low, 6 = No Effect]

<table>
<thead>
<tr>
<th>Items</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6</td>
</tr>
<tr>
<td>Emoluments &amp; Allowances</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
</tr>
<tr>
<td>Cost of fuel</td>
<td></td>
</tr>
<tr>
<td>High Brokerage Fees</td>
<td></td>
</tr>
<tr>
<td>Cost of fertilizers</td>
<td></td>
</tr>
</tbody>
</table>

15. Kenya Tea Development Agency Ltd. owes its smooth management to farmers’ efforts to ensure steady tea production. Is this statement true?

Yes □ No □

(a) If yes, explain how farmers can influence the price of tea in the industry?

...........................................................................................................................................
...........................................................................................................................................
...........................................................................................................................................
...........................................................................................................................................

53
16 What suggestions would you like to make in relation to

(a) Managing the devastating conflicting issues between KTDA and farmers.

(b) Managing KTDA affairs in the liberalized agricultural sector in the world economy.
To: TO WHOM IT MAY CONCERN

SUBJECT: ELIJAH NYAGAKA OMARE – REG. NO. D53/RI/11454/04

This is to confirm that the above named is a Master of Business Administration MBA (Finance Option) student in the department of Accounting Finance in the School of Business, Kenyatta University.

He is through with course work and has successfully defended his Masters degree proposal and has done all the corrections that were pointed out by the examiners during the defence. He is now embarking on data collection.

Any assistance accorded to him will be much appreciated by this office.

Thank you.

ISAAC LOKERI (MR.)
FOR: MBA COORDINATOR

/ an