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**FACTORS INFLUENCING SERVICE QUALITY IN SAVINGS AND CREDIT
CO-OPERATIVE SOCIETIES IN IGEMBE SOUTH DISTRICT**

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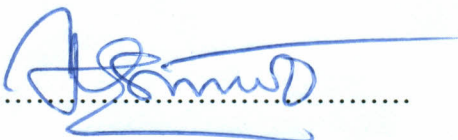
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DEDICATION

I dedicate this research project to my children, Kanana, Karani and Gakii, my sister Rose for their encouragement and relentless support while carrying out this study.

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I deeply acknowledge the contributions of my supervisors Mr. Kilika and Ms. Muchemi, lecturers in the school of Business; the principal and staff of St. Ritas Secondary School: your support is unlimited. I also acknowledge the emotional and physical support I got from my parents and friends. God bless you abundantly.

ABSTRACT

In the modern business world, it is important for any organization, whether profit or non-profit, governmental or private to mind about quality it provides to its customers. Organization's capability to provide conforming products is aimed primarily at achieving customer satisfaction which in turn leads to profitability, survival and sustenance in the market. This study focused on identifying the factors that influence service quality in SACCOs in Igembe South District. The study sought to find out if leadership, employee empowerment, adoption of ICT and timely availability of finances influence service quality in SACCOs.

The study was conducted in all the three SACCOs in district using a descriptive research design. The target population will comprise of 20 managers, 57 employees and 500 clients from the three SACCOs. The researcher used simple random sampling to select the sample that was included in the study. The data was mainly be collected by use of questionnaires. The data collected was qualitative and quantitative which was analyzed using descriptive and inferential statistics. The data so analyzed was presented using tables, bar graphs and pie charts.

The study revealed that employee empowerment to a large extent influence service quality positively while ICT has a strong negative correlation with service quality. This study has also shown that Leadership and availability of financial resources do not have much impact on service quality. From the findings of this study, employees of SACCOs should be trained continuously to empower them to quality services to their clients and customers should be trained on how to use ICT related devices so as to improve service provision to them.

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ABBREVIATIONS AND ACRONYMS

| | |
|--------|--|
| ATM | Automated teller machine |
| ICT | Information communication technology |
| IT | Information technology |
| ISO | International standards organization |
| MIS | Management information system |
| MMH | Maua Methodist Hospital |
| SACCOs | Savings and credit cooperative societies |

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OPERATIONAL TERMS IN THE STUDY

| | |
|--------------------------------|--|
| Savings and credit cooperative | This is a cooperative society that provides its member with saving and borrowing facilities. |
| Bank | A financial institution that provides banking services for profit. |
| Product | Anything offered to the members of the public for purchase, either a good or service. |
| Customer/client | A person who consumes an organization's products. |
| Quality | Ability of a product to meet and exceed customer expectations. |
| Service | Any product which is experienced when consumed and its intangible. |
| An Organization | Business enterprise offering products to members of the public. |
| An Employee | A person working for an organization. |

CHAPTER ONE

INTRODUCTION

This section provides the background against which the study was based. Further, it presents the statement of the problem, objectives of the study, research questions, and significance of the study, limitations and scope.

1.1 Background of the Study

In today's evolving business world, it is important for any organization, whether profit or non-profit, governmental or private to mind about the service quality it provides to its customers. Organization's capability to provide conforming products is aimed primarily at achieving customer satisfaction (ISO, 2010). Quality is all about meeting and exceeding customer expectations (Deming, 1993). Maintaining quality not only benefit the customer but also the firm.

One of the most important customer service skills an organization can develop is the ability to understand and effectively respond to the customer's needs and concerns. For a long time, a sale has been perceived to be mostly about trying to convince the customer that he needs the product (Deming, 1993). Excellent customer service starts by first taking the time to get to know the customers, situation, vision, frustrations and goals. Once an organization has a good handle on what is in a customer's heart and mind, then it will know how to offer the customer helpful solutions that are attractive to him because they have value.

Unlike goods quality, which can be measured with some objectivity, service quality is abstract and elusive. The unique features of services such as inseparability of production and consumption, intangibility, and heterogeneity make measurement of quality a very complex issue. In the absence of objective measures, firms must rely on consumers' perceptions of service quality to identify their strengths and/or weaknesses, and design appropriate strategies for marketing (Zeithaml et al., 1996).

Business organizations providing services mainly depend on their human resource to define quality. This is because the way employees handle customers tells whether the customers will be

satisfied or not (Hartley, 2009). This is why many companies nowadays are investing a lot in training their employees in interpersonal skills and customer focus with an aim of focusing towards customer satisfaction. In provision of services, physical evidence is very important (Peters, 2009). Although a service is intangible, some tangible elements should be delivered with the service. In banking, a plush banking hall, enough computers and well groomed staff spells out quality.

There is a held misconception among people not familiar with the current professional management thinking about the nature of quality and costs. The fact is that cost of quality includes many elements beyond the direct cost of manufacturing (Magi and Julander, 1999). The cost of poor quality products and service is more than that of good quality products. The seller as well as the user incurs these costs of poor quality. Higher cost to seller results in increased price of the product and reduced profit margin, (Krishna, 2010). The cost of poor quality to customer is decreased attractiveness of the product which leads to reduced sales. In this way poor quality hurts the company as well as its customers.

It is more costly for a company or organization to seek out a new customer as opposed to keeping an old one (Matthews, 2009). The reality is that if businesses want to maintain their relationships with clients and customers in a positive light, they have to offer the highest of quality in both product and service. Many quality experts believe that the key to successful management of quality begins at the organizational systems that determine how products and services are designed and produced, the quality improvement process must begin with management's own commitment to total quality. Thus, creating and designing systems that have an impact on how products and services are produced, and fostering quality organizational culture is the responsibility of leadership at the top of the organization (Waldman, 1993)

Quality is a major, or perhaps the most important, factor in achieving competitive advantage for any company. No company can prosper unless it can deliver right quality product to its customers at reasonable costs (Headley and Miller, 1998). This is where ICT comes in to increase an organizations' commercial success, measured as the turnover percentage of sales generated from new or improved products. Furthermore, estimation results confirm the

acknowledged belief that new or improved organizational arrangements, conditional to ICT platforms, lead to a subsequent improvement in service quality, timeliness, reduced waste, transactions and coordination costs, which could, in turn, result in an improvement of the labor productivity (Ludivine, 2011).

A proper attention to maintaining correct quality enables a company to increase the utility it delivers to the customer, and at the same time reduces its cost. This gives the company double benefit of higher turnover and higher profit margin (Turban et al., 2010). This means that they have to acquire the right type of employees in terms of skills they possess, knowledge, experience and competence which are vital especially in provision of services (Tommasini et al., 2005). Organizations need to be sensitive to different needs and requirements in preparation of their operating costs, personnel and marketing strategy to improve the service quality they offer to their customers if they expect the customers to pay a premium for the services (Spathis and Petridou, 2004). Rising expectations of existing customers have created a competitive environment, and thus requiring employees to be properly trained in handling today's enlightened customer.

1.1.1 Dimensions of Service Quality

Service quality refers to the degree and direction of discrepancy between consumers' perceptions and expectations in terms of different but relatively important dimensions of the service quality which can affect their future behavior (Peters, 1988). In service marketing, service quality has been reported as a construct comprising of several variables, which are used by the customer to judge the quality of a delivered service. There are many dimensions of service quality by different marketers, but the most important are; tangibles, reliability, responsiveness, assurance and empathy (Zeithaml, 1988).

Tangibility defines the appearance of the physical facilities and surroundings, the equipment, personnel and the way of communication. The tangible dimension create the first hand impression which the customers get and may in future relate the service provider with. Every firm providing services will want the first hand impression that the customers get to be a great

picture. Simple aspects as greetings when customers arrive for the first meeting as well as the surroundings, like fresh air in light rooms, executive chairs, computers and well dressed staff are good indicators of quality (Cowling and Newman, 1995).

Reliability defines the ability of the company to perform and complete the promised service, quality, accurately and on time. Reliability is just as important because every customer wants to know that the supplier of the service is reliable and give the service agreed including great quality within the given timeframe without compromising on the quality (Zeithaml, Bitner 2003).

The company's willingness to help its customers and provide them with a good, fast and quality service is what is called responsiveness. In the service industry, the speed at which a service is delivered without compromising on quality is of paramount importance. Responsiveness makes the customer feel valued and wanted and any time the same service is needed may go back to the same company instead of going to competitors. Furthermore, the skills possessed by the service provider gives an assurance that the right service quality will be delivered (Munyoki and Muthusi, 2010).

Empathy defines a company that cares and gives individualized attention to its customers so that they feel special and valued as customers. Customers have different needs, expectations, perceptions and aspirations; therefore, it is very important to give the customers individualized and quality attention. The more special and valued they feel the higher the chances for them to return to a company and continue doing business (Zeithaml, Bitner 2003).

Therefore, for a company to provide the right service quality as defined by the above indicators it must have the right leadership with the right perceptions about customer expectations and who will instill quality values in their employees (Hartley, 2009). Adoption of the right technology enables an organization to provide a service within the shortest time possible while not compromising on quality. Timely availability of financial resources enables an organization to acquire the right human resource, equipment and technology to provide services effectively.

1.1.2 The Service Marketing Mix

Whenever marketers talk about marketing of a product, four fundamental factors of marketing are mentioned: product, price, distribution and promotion which are known as 4Ps which make up traditional marketing mix. But today's marketing has become more customer oriented than ever before and also the service sector of the economy has come to dominate economic activities thus necessitating the inclusion of the extra 3Ps which are people, physical evidence and process, which form the 7Ps of service marketing (Gabriel, 2005).

Service products are often 'invisible'. Services are created in the mind of the customer, and often he himself becomes part of the product, therefore the product has to be designed with care to meet the expectations of the customers. Promotion defines how the target group is informed or educated about the organization and its products. This includes all the promotion tools such as advertising, personal selling, sales promotions, Public Relations and many others. Place means that the service should be accessible, at the right time, in the right quantities. Some of the revolutions in business have come about by changing place (Gronroos, 1987),

In today's competitive world, the internet and mobile telephones have increased the accessibility of product services. One of the most difficult activities in marketing is pricing for a service. This is because apart of the actual service, there is ambience added to it. The marketer has also to consider the labor cost, material and overhead costs (Zeithaml et al., 2003). Customers will pay a price for a product without any complaints if they perceive it to be of the right quality.

All people directly or indirectly involved in the consumption of a service are an important part of the extended marketing mix. Workers, Employees, Management and consumers often add significant value to the service offering. Employees of service providing firms interface with customers a great deal and therefore must possess the right skills that ensure good customer relations practice. Although a service is intangible, it should be accompanied by some tangible elements to create confidence in the mind of the customer that the organization has the ability to deliver the expected quality (Peters and Waterman, 1988). In banking, a plush banking hall, enough computers and well groomed staff is evidence of the ability to provide quality services.

Process defines the way a product is delivered to the final consumer. It describes and analyses the procedure, mechanisms and flow of activities by which services are consumed. Customer management processes are an essential element of the marketing strategy (Kotler, 2005). The way customer needs and requirements are identified, the way customer complaints are handled and the way orders are handled are some of the processes involved in making marketing of services effective.

The human resource which is the staff and leadership of a service providing organization should be confident and competent on the processes that lead to delivery of services within the shortest time possible without loss in quality. This is why training of employees to equip them with skills for effective customer handling is necessary. In the service industry especially the banking sector, quality to some extent is measured by the speed at which the service is delivered. Computerization and adoption of the right ICT ensures that the service needed by the customer is delivered faster and conveniently without loss in quality (Ombati et al., 2010). Timely availability of financial resources is necessary so as to enable the organization to acquire the right human resource, to acquire the right technology needed and to take advantage of any emerging trends in service marketing.

Provision of quality services is of paramount importance as far as profitability, survival and sustenance of service providing firms is concerned. For an organization to provide quality services, it needs a focused leadership who are capable of translating customer perceptions into the right quality specifications (Zeithaml et al., 2003). Since quality is defined by human resources, then a service provider needs to have empowered employees in terms of their qualifications and experience who are capable of delivering the expected service to the customers. Timely availability of finances enables an organization to acquire the right human resource and technology as well as take advantage of emerging trends in the service industry. Therefore there is need for an investigation into factors that may influence service quality.

1.1.3 Igembe District SACCOs

SACCOs in Igembe South District are a phenomenon of the 1990s. The first organization of this kind, Meru North SACCO was started in 1991 (Carol, 2011) to cater mainly for tea growers.

Other SACCOS operating in the district in order of their establishment are; Nyambene Arimi and Maua Methodist. Nyambene Arimi SACCO came into existence also to cater for the growing number of tea farmers and the bulk of its clients are from Kiegoi Tea SACCO (Anamba 2011). MMH started in 1994 providing back office services only. Then in 1997, following the withdrawal of Barclays Bank from Maua town it started front office activity (marketing manager, 2011). The main objective for starting Maua Methodist was mainly to provide saving and borrowing facilities to the employees of Maua Methodist hospital. Keeping in line with their main objectives, these SACCOS have diversified their clientele to provide services to dairy farmers, Miraa farmers, business people and employees of in the formal sector (Murianki, 2009).

All the SACCOS in Igembe South District operate in Maua town, side by side with other financial institutions. There is a lot of competition from these institutions, which necessitates SACCOS to keep on improving the quality of their services so as to compete favorably with these financial organizations.

1.2 Statement of the Problem

It is important for an organization to provide quality products. Quality has been recognized as having the potential to deliver strategic benefits, such as improved customer retention rates, attraction of new customers, increased market share, building competitive advantage, whilst also enhancing operational efficiency and profitability.

Service quality differs from material goods quality due to its unique characteristics of intangibility, inseparability, heterogeneity and perishability. Services are provided and consumed simultaneously and due to this, the best judge of service quality is the customer. Hence, it is necessary to identify and prioritize customer expectations for service and incorporate these into the process for improving service quality (Kassim and Bojei, 2001).

Past studies have shown a link between operational capabilities (human resources, technology, financial resources and space), service quality and profit. The link is such that service quality is a function of operational capabilities, while quality is a key driver of profits (Soteriou and Zenios,

1997). In essence, quality of product services provided determines customer satisfaction which in turn has a direct bearing on profits.

Thus, service quality is a proxy for organizational performance. It is a subjective performance indicator, whereby customers evaluate the outcome of service delivery (Brady and Cronin, 2001). Service quality is an outcome variable that is regularly related to the effectiveness of human resource management in organizations. It is an important theme in human resource management as the main objective of the organizations, where the quality of services or products is seen as an important way to enhance organizational performance by attracting and retaining satisfied customers (Fang, 2001).

Service quality is influenced by expectation process quality and output quality. The standards of a service are defined by the customer who have experienced that service and used their experience and feelings to form judgment. Service companies are trying to find ways to improve and provide superior quality services since they are the greatest resource in both the short and long run survival of the service provider (Rozario and Munna, 2009).

Service quality therefore, is vital to the survival and success not only of service organizations but also those firms that provide tangible goods; these organizations need to be aware of the exact set of factors that influence quality. Many studies that have been done on service quality mainly focus on other organizations like banks (Soteriou and Zenios, 1997; Wahab, 2008), moreover these studies focus on a single factor like technology and its influence on quality. No studies have been done on a comprehensive set of factors influencing service quality in SACCOs in Kenya. This was why the researcher undertook this study to investigate the exact set of factors that influence the service quality provided by SACCOs.

1.3 Objectives of the Study

1.3.1 General Objective

The study aimed at investigating the factors that influence service quality in SACCOs.

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

- i) To assess the effect of leadership on service quality in SACCOs.
- ii) To establish how adoption of information communication technology (ICT) affects the service quality in SACCOs.
- iii) To investigate whether employee empowerment affects the service quality in SACCOs.
- iv) To find out whether timely availability of financial resources influences the service quality in SACCOs.

1.4 Research Questions

The research sought to answer the following questions:

- i) What is the effect of leadership on the service quality in SACCOs?
- ii) Does adoption of ICT affect service quality in SACCOs?
- iii) To what extent does employee empowerment affect service quality in SACCOs?
- iv) Does the timely availability of financial resources influence service quality in SACCOs?

1.5 Significance of the Study

This study was of importance to the following parties:

1.5.1 SACCOS

This study helped the managements of SACCOs to understand more on the factors that influence the service quality provided by these institutions and therefore make the right policies as far as human resource, finances, leadership, ICT and other areas affecting the operations of SACCOs.

1.5.2 More Researches

The researcher hoped that the study would stimulate interest and more studies would be done on SACCOs and their strategic position in provision of financial services in Kenya.

1.5.3 Ministry of Co-operatives

The researcher hopes that the study would give information that can be used for policy making especially on how to improve SACCO operations.

1.6 Limitations of the Study

The following are the likely limitations of the study:

1.6.1 Time

The researcher, being in full time employment, the only teacher for business studies in the school and with the maximum workload may experience the constraint of time. The researcher sought for a study leave.

1.6.2 Finances

The study was limited to only one district in the whole of Meru County. If there were enough finances, all the nine districts should have been included in the study. The researcher got financial assistance from the CDF and borrowed a loan from bank.

1.6.3 Scope

The study was limited to only one district in the whole country. For conclusive results, all districts should have been included to make the study more accurate. The researcher hoped that by studying all the three SACCOs in the district, it would give a clear picture of the SACCOs in the country.

1.7 Scope of the Study

The study focused on establishing the factors that influence the service quality rendered by SACCOs in Igembe South District. The study was done on all the three SACCOs in the district. The respondents included the management, staff and clients of the three SACCOs. The findings have been generalized to all the SACCOs

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presented a review of some of the literature related to the study. The researcher identified and evaluated knowledge of various studies and other people's work contributing towards quality and the factors that influence service quality.

2.2 The Concept of Quality

Quality has been defined from different perspectives and orientations, according to the person making the definition, the measures applied and the context within which it is considered. It has been defined as "excellence" (Peters and waterman, 1995) "value" (Feigenbaum, 1995), "fitness for use" (Juran and Gryana, 1988), "conformance to requirement" (Crosby, 1979) and meeting and exceeding customers expectations" (Parasuraman et al., 2010).

The meaning of quality differs depending on circumstances and perceptions, for example, quality is a different concept when focusing on tangible products as opposed to when focusing on services. The meaning of quality is also time based and situational in that what is perceived to be of quality now may not be so in future, or a product may be of quality in one situation but not in another (Britner, et al., 1996). A product is expected to be fit for use in that the product does what it is expected to do. When customers perceive a product to be of quality, they expect it to meet and exceed customer expectations (Deming, 1993). Quality can also be seen from the point of view of how a company's products compares with those of competitors.

In manufacturing, quality is a measure of excellence or a state of being free from defects, deficiencies, and significant variations, brought about by the strict and consistent adherence to measurable and verifiable standards to achieve uniformity of output that satisfies specific customer or user requirements (ISO, 1986). It is the totality of features and characteristics of a product or service that bears its ability to satisfy stated or implied needs. Quality is the overall value someone might gain from a product, ignoring its price (Hanson, 2011).

Organizations are driven to provide and maintain service quality by their customers, employees' satisfaction and organizational focus. In customer driven organizations, quality is established with the focus on satisfying or exceeding customer expectation, needs and preferences (Deming 1993). A culture of product/service driven quality requires conformance to requirements and zero defects which aims at producing a product/service that meets stated or documented requirements.

Service quality has been reported as having a positive relationship to cost, profitability, customer satisfaction (Peters and Waterman, 1984), behavioral intention and positive word of mouth. Quality is the most purchase decision factor influencing the customer's buying decisions. Also, it has strategic benefits of contributing to market share and return on investment (Zeithaml, 1984) as well as in lowering manufacturing costs and improving productivity.

2.3 Processes Leading to Service Quality

Service organizations nowadays are operating in a business environment which is volatile as a result of the stiff competition necessitated by the increased number of competitors. Therefore, delivering a quality service is a norm rather than an exception. In view of this, a clear understanding of service marketing mix is of paramount importance.

The service marketing mix is made up of seven fundamental factors namely: product, price, place, promotion, people, physical evidence and process. The Service characteristics of intangibility, heterogeneity, inseparability and perishability create various implications for their effective marketing. Intangibility and perishability means that services cannot be inventoried, patented, stored, returned or readily displayed which makes it difficult for customers to make purchase decisions (Zeithaml et al., 2003). Heterogeneity means that the provider may have no knowledge that the service delivered matches what was planned and promoted or promised (Zeithaml et al., 2003). Inseparability implies that a service may be created, dispensed and consumed simultaneously. This means that service providers are involved concurrently in the production and marketing efforts.

Place means that the service should be accessible, at the right time, in the right quantities. Some of the revolutions in business have come about by changing Place. In today's competitive world, the internet and mobile telephones have increased the accessibility of product services. One of the challenges faced by a service provider is the pricing of a service (Zeithaml et., 1991). Intangibility, heterogeneity, inseparability and perishability means that services cannot be inventoried, patented, readily displayed or communicated and this makes price - quality relationship complex and it is difficult to determine unit cost of a service.

Service providers use various methods to promote their products such as advertising, personal selling, publicity and public relations. Heterogeneity of a service means that it is created, dispended, and consumed simultaneously therefore the service providers are involved in production and marketing simultaneously (Kotler, 2000). Moreover the perishability of a service brings difficulties in balancing supply with fluctuating demand which poses promotion problems.

People at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization's benefits. People mainly include employees, management (leadership) and customers (ISO, 9004:2009). Top management empowers employees through their defined responsibilities and authority. This is accompanied by the documented job description with the necessary job requirement and specifications. Job specification defines the necessary competencies for personnel performing work affecting quality of a Product. Qualification of personnel is judged on the basis of education, training, skills and experience (ISO, 9001). If any of the key competencies is lacking, an employee is trained to equip him with skills to deliver quality services to the customers. Having the required job competencies enables an employee to be motivated, committed, innovative and creative.

Leadership (management) establishes unity of purpose and direction of the organization. Leaders create and maintain internal environment in which people become fully involved in achieving the organizations objectives. Leadership is in charge of establishing a clear vision of the organization's future as well as setting challenging goals and targets for the employees and providing them with the necessary resources, training and freedom to act responsibly and accountably. Past studies have shown that trust and confidence in top management results in employee satisfaction and thus increased commitment (Conger and Kanungo, 1987).

Although a service is intangible, it should be accompanied by tangible evidence, which enables the customer to draw conclusions about the quality of a service to be provided, physical evidence create mood, longing, attraction, and desire to visit again and again and recommend the service provider to other consumers. A prestigious office, furniture, business cards, well groomed staff, internet/ web pages, and availability of computers are necessary signs of quality.

The service providers need to be well knowledgeable of the way the service is generated and delivered to the customers. The way customer needs and requirements are identified, the way customer complaints are handled and the way orders are handled are some of the processes involved in making marketing of services effective. Communication about the nature, creation and delivery of a service to the customers is an essential component of the process. Since customers cannot see service they will build confidence on the information given to them by service providers about the whole process about the service in detail. Once the service provider is not confident about the information he is giving about the process, customers can object the offer. The power of IT needs to be integrated in this component as it can speed up the availability of information about the service and save time in the delivery of the same (Elisante, 2005).

Timely availability of financial resources enables an organization to acquire the necessary resources for creation and delivery of services. If an organization has to acquire the right caliber of human resource, it has to provide an attractive pay package and also motivate employees well get them to be committed to objectives. Huge amounts of finances needed to equip an organization with the right ICT and in the right quantities needed for the organization's effective and efficient provision of quality services (Denni, 1996).

2.4 Theoretical Model of Service Quality

There is a positive correlation between service quality and customer satisfaction. The service quality model explains what aspects would bring a difference distance/gap between what the customer expects and what is actually sold to him. Due to the unique characteristics of services, service providers can only judge from the customer satisfaction whether they have provided a quality service or not. A consumer of a service will judge service quality characteristics such as accessibility, communication, competence, courtesy, credibility, reliability, responsiveness,

securities and tangibles. If any of these determinants of quality are missing from a service provided, then the consumer will experience a gap between what was expected and what was actually delivered (Zeithaml et al., 1985). This concept can be illustrated in a model:

SERVQUAL/Gap Model

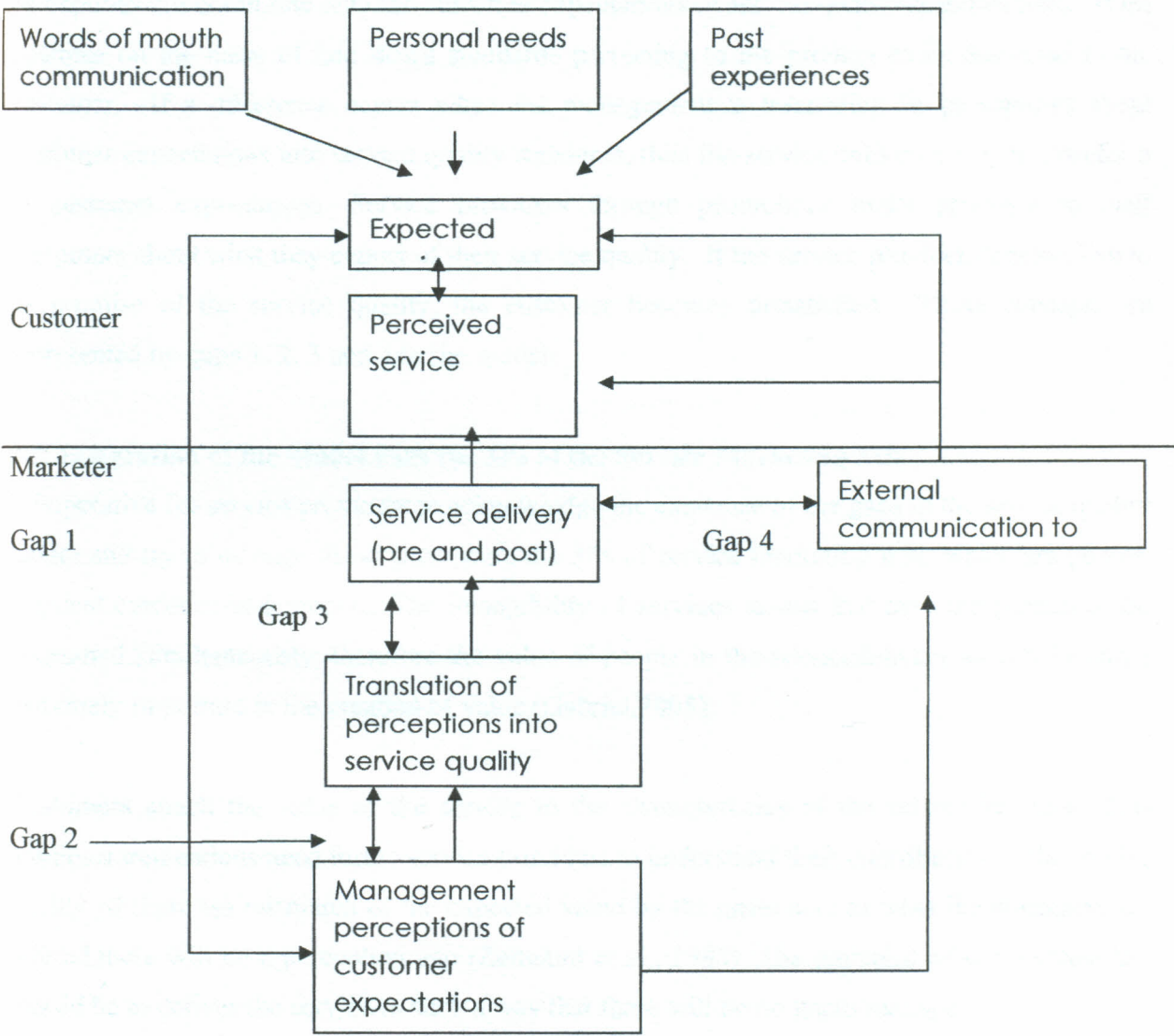


Fig. 1 Source – Zeithaml et al. (1985)

Customers can build expected service quality from what they hear from other people, personal needs and past experiences. If what is expected is not what is delivered, then there will be

customer dissatisfaction. The difference between customer expectations and what is actually delivered may arise if; the management perceptions about customer expectations are different from the customer expectations.

Management of an organization is in charge of translating the customer specifications into service quality specifications. There may occur a distance if the translation of management perceptions are not in line with the customer expectations of service quality specifications. TQM operates on the basis of laid down standards pertaining to the product to be delivered to the customer. If a difference occurs when the management is translating its perceptions about customer expectations into service quality standards, then the service delivered may not conform to customer expectations. Service providers through promotions make promises to their customers about what they expect of their service quality. If the service provider does not live to its promise of the service quality, the customer becomes dissatisfied. These concepts are represented by gaps 1, 2, 3 and 4 in the model.

2.5. Integration of the Model with the 3Ps of the Service Marketing Mix

It imperative for service providers to acknowledge the existence of the gaps in the service quality model and try to manage these gaps using the 3Ps of service marketing mix, which are people, physical evidence and process. The intangibility of services means that they are produced and consumed simultaneously, therefore the value of people in the servicedelivery system becomes extremely important in the creation of value (Gabriel,2005).

Customers attach the value of the service to the characteristics of the service provider. This implies a tremendous need forthe service providers to understand their contribution to the service quality. If there isa mismatch of the expected value by the customers to what the customers are offered,there will be a perception gap (Zeithaml et al., 1985). The intention of serviceproviders should be to deliver the service in such a way that there will be no gap to manage.

Physical evidence represents the tangible part of a service. It is evidence that the service provider will be able to offer the service required. In the banking industry, a plush banking hall, well groomed staff and many computers are some of the physical indicators of the ability to provide a quality service. If the customer is not impressed by the tangible aspects of the service, he creates

doubts on the quality and the reliability of the service to be provided (Gabriel, 2005). Customer contentment with the physical evidence narrows the gap to be managed.

The service providers need to be well knowledgeable of the way the service is generated and delivered to the customers. In this case the aspect of communication, communication objectives and strategies forms part of the process. Since customers cannot see a service they will build confidence on the information given to them by service providers about the whole process about the service. Once the service provider is not confident about the information he is giving about the process of the service, customers can object the offer. The power of IT needs to be integrated in the process component as it can speed up the availability of the information hence a good customer service (Elisante, 2005).

The relative importance of the 3Ps; people, physical evidence and process together with timely availability of financial resources in the marketing of services cannot be underrated; it is for this reason that the researcher reviews literature on how these influence service quality.

2.5.1 Leadership and Quality

The terms management and leadership have many definitions, but for the purposes of this research the term leadership will encompass and refer to management, for managers lead change and drive transformation in organizations. (Kotter, 1998) states that leadership and management are complementary systems of action and that while management is about coping with complexity, leadership is about coping with change. All managers are leaders for the help others to identify and achieve goals (Williams and Woodward, 2002), this, to them, is a critical leadership function. There is no single and clearly agreed upon definition of leadership (Kanji and Moura, 2001), the following are some of the definitions of leadership: A process ordinary people use when they are bringing forth the best from themselves and others (Kouzes and Posner, 2002). Leaders are credible, inspire shared vision, enable others to act, model the way and recognize their employees' contributions.

In any business, exceptional leadership skills are needed in order to succeed. Whether you own the business, manage it or is an employee looking to make his or her way up the corporate

ladder, the right leadership style is essential in order to reach your goals. It can be said without argument that well-honed leadership skills are the most important component of being a success in the business world (Knight, 2011). One of the most important qualities leaders must have to ensure success of an organization is being in control of situations all the time. This is shown by the leadership style adopted; Laissez faire means that the leader is not in control, autocratic implies too much control while participative ensures employee participation and minimum control (Guest, 1987). Other qualities an effective leader is expected to possess include; ability to communicate effectively, be a great listener, delegate, be organized, have passion, be brave and honest, lead by example, be brave and take ownership and responsibility (Yoskivtz, 2011).

Many quality experts believe that the key to successful management of quality begins at the organizational systems that determine how products and services are designed and produced, the quality improvement process must begin with management's own commitment to total quality. Thus, creating and designing systems that have an impact on how products and services are produced, and fostering organizational culture (Waldman, 1993) is the responsibility of leadership at the top of the organization, but this does not exempt leaders at middle and lower level management(Wageman, 2001). Quality issues are a concern for all management levels.

In an organizational set up, leadership is viewed in the context of managing quality linked variables such as organizational culture, leadership, total quality oriented behaviors and policies, and outcomes of total quality efforts in a preliminary attempt aimed at deriving the theoretical linkages among these constructs. There is a strong impact of leadership on organizational culture (Waldman et al., 1993), which subsequently impacts values, attitudes, and behaviors of individuals in organizations attempting to manage for quality. In such organizations leadership focuses directly on the total quality oriented behaviors and policies which add value to an organization such as inspiring vision, encouraging change and intellectual stimulation (Cohen and Bailey, 1997).

There are three generally accepted core principles of total quality management – namely customer focus, participation and teamwork, and continuous improvement, these three provide the building blocks of the theory of leadership for quality (England and Lee, 1974). Leadership

management for quality specifically depends on the extent to which leader's value focusing on customers (both internal and external), the extent to which they value teamwork and participatory processes, and the extent to which they value systematic experimentation for continuous improvement purposes. The leader's values are seen as the driving force that influences both leader's behaviors and eventual outcomes. The view that firmly held human values drive human behaviors is true in this case (Conger and Kanungo, 1987).

The set of values associated with these three core principles of TQM are proposed to lead to the corresponding leader communication behaviors. Participation and teamwork values of leaders are proposed to be related to team design behaviors, structuring behaviors, and implementing participation system behaviors. Continuous improvement values are proposed to be related to systematic experimentation behaviors (Mount, 1991).

Leaders high in intelligence tend to be imaginative, curious, and experiment with new ways, rather than doing things the tried-and-true way (Hughes et al., 2002). Leader values of information sharing and analysis are proposed to be related to both their experimentation behaviors and participatory behaviors. Leader behaviors in terms of communicating the importance of both internal and external customers, communicating the importance of continuous improvement of processes and outcomes, and emphasizing the importance of organization-wide participation and teamwork are all leader behaviors associated with the management of quality in organizations (Dean and Bowen, 1994).

From a leadership point of view, those who focus on and assess the requirements of both internal and external customers are likely to be successful than those who do not (Choi and Behling, 1997). It argued that top managers who viewed customers as partners in a cooperative relationship and aimed to satisfy these customers were more effective in leading their organizations to be effective than others. Moreover, the concept of market orientation suggests that customer orientation on the part of organizational executives is likely to have a strong relationship to organizational performance (market) (Slater and Narver, 1994).

Thus, leaders who focus on internal and external customers and their satisfaction are more likely to be effective than others. In addition to their own focus on internal and external customers, the leader's role consists of highlighting the importance of the organization's internal customers as well as external customers to everyone in the organization (Savoilanen, 2000). The importance of the internal customers of the business and the need for it to satisfy the needs of those internal customers should be first and foremost according to principles of quality management. The effectiveness of quality leaders will vary as a direct function of the degree to which they effectively communicate with their customers (Mittal, 1999).

2.5.2 ICT Innovation in Business Organizations

ICT is the automation of processes, controls, and information production using computers, telecommunications, software and ancillary equipment such as automated teller machine and debit cards (Khalifa, 2000). It is a term that generally covers the harnessing of electronic technology for the information needs of a business at all levels. ICT is also defined as a convergence of microelectronics, computing (hardware and software) and telecommunications (Kandiri, 2009).

Today's business world has been deeply influenced by Information and Communication Technology (ICT) and the application of ICT among businesses is widespread. ICT is rapidly changing global production, work and business methods and trade and consumption patterns in and between enterprises and consumers. Every business must bring ICT into their business operation and take advantage of the benefits they offer (Denni, 1996). Nowadays all organizations both small and large are increasingly using and adopting information and communication technology due to the advent of Personal Computer, cost-effectiveness and cheaper ICT products. The use of ICT can improve business competitiveness (Alberto and Fernando, 2007).

There is also considerable evidence to suggest that the introduction of new technology into organizations of all kinds and sizes has a major impact on the structure and functioning of those organizations (Twist, 2000). The adoption of what called the Internet Business Solution (Varian

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et al., 2002) has resulted to the growth of organizations which is very essential because it results in attraction and keeping of quality managers, to stay economically healthy, to enhance competitive advantage, to meet customer needs and to increase market share (Daft, 1998). In order to achieve growth, they need to put into account quality of products and services that would attract and sustain their clientele base.

The 'innovation – enabler' role of ICT is observed only at the moment of its commercial success, measured as the turnover percentage of sales generated from new or improved products. Furthermore, estimation results confirm the acknowledged belief that new or improved organizational arrangements, conditional to ICT platforms, lead to a subsequent improvement of product quality, timeliness, reduce waste, transactions and coordination costs, which could, in turn, result in an improvement of the labor productivity (Ludivine, 2011).

Electronic commerce has its genesis in the banking sector. The application of information and communication technology concepts, techniques, policies and implementation strategies to banking services has become a subject of fundamental importance and concerns to all banks and indeed a prerequisite for local and global competitiveness (Nguyen, 2011). ICT directly affects how managers decide, how they plan and what products and services are offered in the banking industry. It has continued to change the way banks and their corporate relationships are organized worldwide and the variety of innovative devices available to enhance the speed and quality of service delivery (Agboola, 2011).

Some banking services that have been revolutionized through the use of ICT as including account opening, customer account mandate, and transaction processing and recording (Irechukwu, 2000). ICT has provided self-service facilities (automated customer service machines) from where prospective customers can complete their account opening documents direct online (Worehen, 2000). It assists customers to validate their account numbers and receive instruction on when and how to receive their cheque books, credit and debit cards. ICT products in use in the banking industry include Automated Teller Machine, Smart Cards, Telephone

Banking, Electronic Funds Transfer, Electronic Data Interchange, Electronic Home and Office Banking (Agboola et al., 2011).

Access to information is very important as far as the quality of products is concerned, not only in business organizations but also in the public sector. Availability of information about goods and services empower customers (Willcock and Graeser, 2001) and creates value for money and improves quality of goods and services provided. It reduces also unnecessary expenditure for the citizens. ICT initiatives are being used to increase the accessibility of products and services and to reduce unnecessary expenditure on the public. Availability of information with regards to products and services should not only be at the service point, but should also strive to increase the availability of products and services to the public who are far away from those service points. Therefore the main area of focus would be to increase the availability of information to the public who are far away from service points through the use of ICT initiatives (Visser and Twanomurinzi, 2001).

ICT is highly important in TQM because of the increased need for information accessible to teams throughout the organization. Information systems should work closely with a company's TQM development program in order to understand exactly the type of information system best suited for the firm, including the form of the data, the summary statistics available, and the frequency of updating. Implementing total quality management requires broad and sweeping changes throughout a company ((Irechsukwu, 2000).

It also affects all other decision to implement total quality concepts throughout the company is strategic in nature. It sets the direction for the firm and the level of commitment. For example, some companies may choose to directly may just want to be as good as the competition. It is operations strategy that then dictates how all other areas of operations management will support this commitment. The decision to implement TQM affects areas such as product design, which needs to incorporate customer-defined quality. Processes are then redesigned in order to produce products with higher quality standards (Visser and Twanomurinzi, 2001).

2.5.3 Quality and Staff Empowerment

Human resources development is a framework for the expansion of human capital within an organization (Jyothi, 1986). It is a combination of training and education, in a broad context of adequate health and employment policies, which ensures the continual improvement and growth of the individual, the organization, and the national human resourcefulness (Jyothi, 1986). The capacities of individuals depended on their access to education. Human Resources Development is the medium that drives the process between training and learning in a broadly fostering environment. Human Resources Development is not a defined object, but a series of organized processes, with a specific learning objective (Nadler, 1984):

Human resources development is the structure that allows for individual development, potentially satisfying the organization's goals (Passareli, 2007). Development of the individual benefits the individual and the organization. In the corporate vision, the human resources development framework views employees as an asset to the enterprise, whose value is enhanced by development, its primary focus is on growth and employee development. It emphasizes developing individual potential and skills (Elwood, Olton and Trott 1996) Human Resources Development in this treatment can be in-room group training, tertiary or vocational courses or mentoring and coaching by senior employees with the aim for a desired outcome that develops the individual's performance. At the organizational level, it can be a broad strategy for fostering creative contributions to organizational productivity (Galway, 2008).

The success of any organization depends to some extent on the quality of the human resource it has (Trott, 1996). Getting the right employees begins with proper selection procedures, followed by training and evaluation. Training is highly important as it improves employees' customer relations, and enables him to work effectively with other employees (Drawback, 1994). This should be followed by proper compensation, including fringe benefits and incentives and motivation. The management should create an environment where employees are able to feel secure to contribute positively towards organization objectives (Wickramaratne, 1995). Proper training increases employee's commitment to work. Faced with a very challenging and physically demanding work environment, they able to be committed to what they are doing, and

by and large share the institutional vision and mission and this reduces employee turnover (Brislin and Dlamini, 2006).

Broad skill is a term which refers to the stock of knowledge required by the workforce. The term skill, in this case, is used not only as an indicator of competences, capability or dexterity, but in a broader sense where the concept of knowledge and experience predominate (Tommasini et al., 2005). Broad skill is synonymous with the ability to perform a job well, thanks to knowledge acquired at school, on-the-job training and learning by doing. Competence is an important employee qualification in the changing in the world of production where quality dictates the success of any organization, whether a service or a goods provider, consequently, knowledge and capabilities have somehow reduced the value of educational and vocational qualifications as indicators of individual capabilities sought or held (Leoni, 2006). Employee competence is of paramount importance especially in service provision because of its unique nature.

While the production of goods is something concrete, services are usually an immaterial activity and intangible. Services cannot be stored up or transferred; the focus is on people interacting with people and serving the customer rather than transforming physical goods. The result of a service is achieved through social acts, starting with direct contact with the customer. This therefore means that the quality of service is the result of workers' behavior and motivation (Normann, 1965).

Task discretion is a term that defines the degree of workers' control over the job. Particularly, it provides the opportunity for them to influence the work process, make decisions about it, and be responsible for it. According to some authors (Blauner, 1964) As a result of technological innovations and new ways of organizing work, there has been a task discretion enhancement, with a shift in responsibility towards the employees (Blauner, 1964).

The new personnel management policy, which differs with the traditional paradigm of the scientific organization, considers workers' autonomy a factor that is able to improve client communication, flexibility and adaptation to market conditions and above all improve quality

especially in the service industry where an employee may need to make impromptu decisions especially when out in the field. Work autonomy should be accompanied by the development of individual skills (Gallie et al., 2001). With the development of new technology and high quality processes, workers should be granted greater discretion to use their initiative in work and take responsibility for work quality.

One of the principles of TQM is continuous improvement of both products and processes. Continuous improvement by the small steps is realized due to each employee's involvement. Kaizen improvements should proceed without any additional investment or through small investments (Suzuki, 1993). A good kaizen idea should have positive influence on areas outside the maternal department of employee, affect the level of ordinary duty of employee, be characterized by the high level of practicality. It means that employee must devote a lot personal time and energy, to achieve effective implementation, and obtain the results exceeding desired ones (Asada, 2000).

Employees' involvement in continuous improvement of quality is not possible if they have the right qualifications and experience in what is expected of them (Warsaw, 1998). The experience of poor quality is exacerbated when employees of the company either are not empowered to correct quality inadequacies or do not seem willing to do so have all encountered service employees who do not seem to care. The consequences of such an attitude are lost customers and opportunities for competitors to take advantage of the market needs (Vroom, 1964).

Successful companies understand the powerful impact customer-defined quality can have on business. For this reason many competitive firms continually increase their quality standards (Guest, 1977). It is a TQM's philosophy is to empower all employees to seek out quality problems and correct them. With the old concept of quality, employees were afraid to identify problems for fear that they would be reprimanded. Often poor quality was passed on to someone else, in order to make it someone else's problem (Szewieczek, 1987).

The new concept of quality, TQM, provides incentives for employees to identify quality problems (Warsaw, 1998). Employees are rewarded for uncovering quality problems, not punished. In TQM, the role of employees is very different from what it was in traditional systems. Workers are empowered to make decisions relative to quality in the production process. They are considered a vital element of the effort to achieve high quality. Their contributions are highly valued, and their suggestions are implemented. In order to perform this function, employees are given continual and extensive training in quality measurement tools (Robbins, 1998).

2.5.4 Timely Availability of Financial Resources and Quality

Business finance refers to money and credit employed in business. It involves procurement and utilization of funds so that business firms may be able to carry out their operations effectively and efficiently. Business finance is needed in all types of organizations large or small, manufacturing or trading. The amount of business finance differs from one business firm to another depending upon its nature and size and it also varies from time to time. Finance may be; long-term, medium-term and short-term depending on the need at the time. Long term finance is generally needed for the purchase of fixed assets. On the other hand, medium term finance may be required to modernize machinery and to improve other facilities (Eugene and Houston, 2006). Short-term finance is generally required for meeting expenses on day-to-day operations such as payment of wages and salaries, electricity bills telephone bills and many others (Higgins, 2008). The main sources of finance for most business organizations are borrowing from banks and other financial institutions and sale of shares as incase of limited companies (Branch, 2008).

Financial health is critical for any business organization, necessary to pay for current expenses. For example, if a firm has a goal of increasing net profit from 10% to 13% for the current fiscal year, there are a number of interrelated factors that must be in place to succeed. Possibly customer satisfaction must be enhanced to increase the number of customers or increase the loyalty of existing customers (Feigenbaum, 2011). May be the product/service's defect level must be decreased to boost customer satisfaction. So if the manager waits until the end of the fiscal year to determine if he/she was successful, there will be a "history" lesson on the events of

the past period. However, if the defect rate is currently monitored or customer returns observed, the manager can make mid-course corrections to the firm's strategy in order to accomplish the goal of increasing net profit.

In today's business environment, a key component of operational flexibility in many industries is technological knowledge. Advances in technology make it possible to build better products using fewer resources (Alberto and Fernando, 2007). As technology fundamentally changes a product, its performance and quality often increases dramatically, making it a more highly valued commodity in the marketplace. But the growth in high-tech business applications has created new competitors as well, making it important for businesses to continually invest in technology for improvement in quality and keep the organization in the market.

TQM advocates for constant improvement in quality (Deming, 1960). Management should constantly improve every process for planning, production and service. Continually investigate areas of improvements, collect data, institute innovation and discover more problems. Involve the workforce in these activities and empower them and motivate them to produce ideas for improvements. Use statistical methods to unveil areas of improvement and weaknesses. All this will help an organization improve every activity in the company in order to improve quality and productivity, but requires heavy investment in terms of financial expenses (Ehrhardt, 2010). This will also help the organization to become efficient and able to produce reliable and less expensive products.

Business organizations that strive to care about product quality they provide to their customers invest heavily on the human assets of your company. They need to institute modern methods of training and optimize the contribution of each employee (Saylor, 1992). The ever-changing market and advances in technology require adaptation in skills and knowledge. New quality, reliability and productivity methods are required to keep up with changes. These efforts should not just stop at training they should extend to motivating application of the new knowledge acquired (Richardson, 1997).

Managers in the modern business organizations need to invest a lot of finances in employee training and development, who will in turn help the organization to improve quality using the skills and knowledge acquired. Motivation to improve performance is linked to a feeling of self-fulfillment, achievement and recognition ((Saunders, 1995). These feelings can be influenced by effective performance management, through which managers ensure that staff is competent and motivated in their job. To provide good quality products, it is important to invest finances to develop strategies influencing staff motivation for better performance (Binney, 1992).

In today's business environment, use of ICT is indispensable for business whether large or small. ICT environment helps in fast and accurate decision-making by businesses due to increased mobility. It helps in increasing of service provision, access to information, empowering employees in terms of skill and delivering highest valued services at competitive cost (Maguire et al., 2007). Business organizations need ICT-based solutions in terms of multi-tasking, expanding customer base, raising productivity, controlling cost, working remotely, fast and accurate decision-making and facilitating collaboration((Macgregor, 2004). ICT adoption by business organizations would transform the business operations by enabling rapid, reliable and efficient exchange of large amount of information. In this information era successful enterprises produce high technology goods and services and transform human effort materials and other economic resources into product and services that meet customers need.

In a declining industry organizations have to manage, above all, for steady, systematic, purposeful cost reduction and for steady improvement in quality and service (Drucker, 1999). This poses a major challenge for businesses that are willing to revamp their business processes to meet consumer demand because of the monetary investments usually involved in extensive market research and the organization's capabilities to actually execute quality and service enhancements based on cost factors. Failure to scan the environment for market factors based on cost reduction necessity cannot achieve the standards of quality and service that customers demand.

Nowadays the competition goes beyond cost. Depending on market niches, cost is as important as quality, flexibility, speed, and delivery (Nakagawa, 1993). The traditional cost management

systems are not so comprehensive to cope with all those competitive criteria. Most of them fails to capture the real costs occurred to comply with customer requirements (Sanders and Hild, 2000). The new production technology and the increase of complexity of organizations has changed the weight of each cost component. The labor cost has reduced as much as material and equipment cost has increased. Nowadays the indirect costs generally are greater than direct costs. Considering the changes above, a cost management system should be adopted that should be commensurate with the quality required (Bornia, 2000).

2.6 Conceptual Framework

Under this section, the researcher showed the broad ideas from the field of study to help structure the researcher's subsequent presentation (Reichel and Ramey, 1987). This framework was part of the issues scrutinized in the study. In the past, the rural areas have been neglected by the mainstream banks as far as savings mobilization and lending activities are concerned. Banks mainly concentrated their activities in urban areas where they targeted middle and high income earners. Pioneers of SACCOs in Igembe South realized the existence of this gap and decided to bring banking services to the people living in rural areas. Although all the SACCOs under study are found in Maua town, they conduct mobile banks in an attempt to penetrate into the interior. In their attempt to provide quality services to their customers, SACCOs should put into account factors such as leadership, ICT, financial resources and employee qualifications which the researcher conceptualizes as affecting the quality of services SACCOs provide. This idea can be represented in a diagram:

Below is the Conceptual Framework

Independent variables

dependent variable

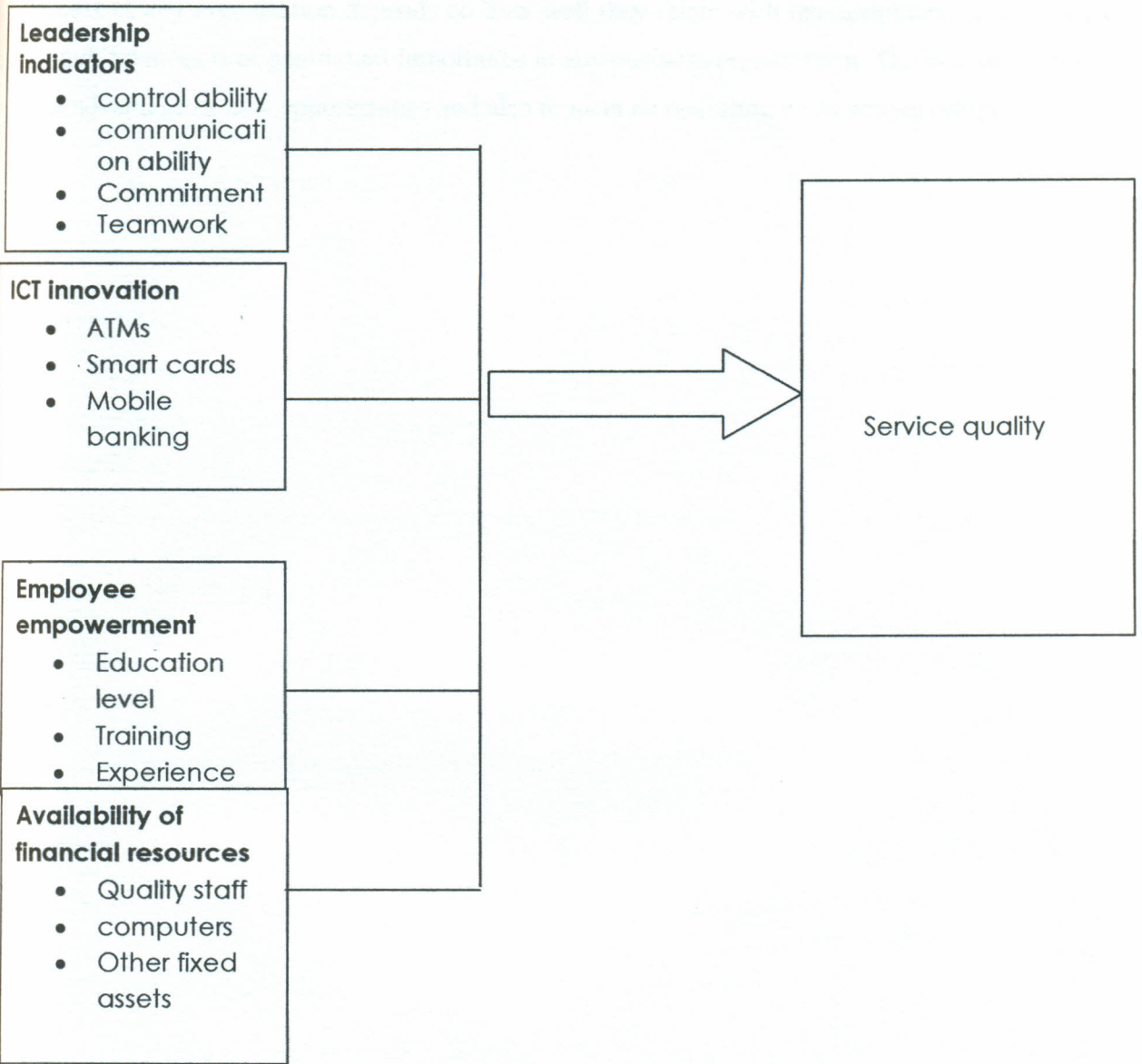


Fig. 2 Source – Researcher (2011)

These factors influence the quality of service provided by SACCOs in very many ways. Leadership is key to any organizations' success as the leader give direction the firm takes and also sets the pace for the whole organization. Every financial organization worth its name must

adopt modern communication technology if it has to survive in the volatile banking industry. Such technology enables SACCOs to provide services at cheaper rates and conveniently. Employee qualifications are very important especially in service industry simply because the success of any organization depends on how well they relate with the customers. Availability of enough finances is of paramount importance in any business organization. The business is able to take advantage of new opportunities and also to meet its operating costs among others.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodological procedures undertaken in order to carry out the study. It includes information about research design, area of study, target population, research instruments, sampling procedures, data collection procedures, and data analysis methods.

3.2 Research Design

This study adopted a descriptive research design. Descriptive research studies are not only restricted to fact finding, but may result in formulation of important principles of knowledge and solutions to problems (Kisulu, 2006). This research design also involves measurement, classification, analysis, comparison and interpretation of data. The design was appropriate for assessing the factors that influence the service quality in SACCOs in Igembe South District.

3.3 Target Population

The target population for the study consisted of the three SACCOs operating in the district, 20 managers from the three SACCOs, 27 employees working in Nyambene Arimi SACCO, 18 workers in MMH and 12 employees working in Meru North SACCO. Since the customers of the three SACCOS are many and spread over a wide area, the researcher mainly concentrated on the customers in Akachiu Division of Igembe South District. The researcher included 250 customers of Nyambene Arimi, 150 customers of MMH and 100 customers of Meru North SACCO.

3.4 Sampling Procedures

The study adopted mainly simple random sampling procedure. Since there are only three SACCOs in the district, all were included in the study. The researcher also included 30% of the 20 managers of the SACCOs who were 6. The researcher randomly sampled to select 30% of 27 employees from Nyambene Arimi who were 8. The same percentage was used to select 4 out of 12 employees from Meru North and 5 out of 18 employees from MMH. Thirty percent is the recommended sample size (Mugenda and Mugenda, 2003). Since the number of customers is

very large and spread over a wide area, the researcher involved only those customers in Akachiu division of Igembe South District. The researcher sampled 75 out of 250 customers of Nyambene Arimi, 45 out of 150 customers of MMH and 30 out of 100 customers of Meru North SACCO.

Table 3.3.1 Sampling Frame for all SACCOs

| Group Name | Population | Sample |
|-------------------|-------------------|---------------|
| Managers | 19 | 6 |
| Employees | 57 | 17 |
| Customers | 500 | 150 |
| Total | 576 | 173 |

Source – researcher (2011)

Table 3.3.2 Sampling Frame for Individual SACCOs

| SACCO Name | Population size | Sample size |
|-------------------------|------------------------|--------------------|
| Nyambene Arimi | 284 | 85 |
| Maua Methodist hospital | 174 | 52 |
| Total | 576 | 173 |

Source –researcher (2011)

3.5 Data Collection Procedures

The actual data collection in the field was conducted by the researcher in each of the sampled organizations. The instrument for data collection was self administered questionnaires (Orodho, 2004). This instrument was preferred by the researcher because it was easy to administer and the data so collected was easy to analyze. The questions were mainly closed – ended.

3.6 Data Analysis

The data collected was analyzed using SPSS software. The data collected was both qualitative and quantitative. Qualitative data was analyzed using descriptive statistics such as the mean and standard deviation while quantitative data was analyzed using inferential statistics mainly factor and correlation analysis.

3.7 Data presentation

The analyzed data was presented in tables, bar graphs and pie charts. This enabled comparisons of the responses to be made and conclusions drawn from which recommendations were made.

Background

The paper describes the development of a research methodology to assess the impact of digital marketing on the performance of small and medium-sized enterprises (SMEs). The study focuses on the use of digital marketing tools and techniques to improve the efficiency and effectiveness of marketing campaigns. The research is based on a survey of 100 SMEs in the UK, which were asked to provide information on their marketing activities and the results of these activities. The data was analyzed using statistical methods to identify the factors that influence the success of digital marketing campaigns.

The research is divided into three sections. The first section describes the methodology used for the study, including the design of the survey and the data collection process. The second section presents the results of the survey, showing the distribution of responses across the different variables. The third section discusses the findings of the study and the implications for SMEs. The study concludes that digital marketing is an effective way for SMEs to reach their target audience and improve their marketing performance. However, it also identifies some challenges, such as the need for a clear marketing strategy and the importance of monitoring and evaluating the results of digital marketing campaigns.

Methodology

The methodology used in this study was a quantitative approach, involving the distribution of a survey questionnaire to a sample of SMEs. The survey was designed to collect data on the use of digital marketing tools and techniques, and the perceived impact of these tools on the performance of the businesses. The data was then analyzed using statistical methods to identify the relationships between the variables.

3.7.1 Survey Method

The survey was conducted using an online questionnaire, which was distributed to a sample of 100 SMEs in the UK. The questionnaire was designed to collect data on the following variables: the use of digital marketing tools and techniques, the perceived impact of these tools on the performance of the businesses, and the factors that influence the success of digital marketing campaigns. The survey was conducted over a period of three months, and the data was collected from a total of 100 responses.

CHAPTER FOUR

ANALYSIS AND DISCUSSION OF DATA RESULTS

4.1 Introduction

In this chapter, the major results of the study are discussed; here the study was carried out on the factors influencing service quality in SACCOs. This chapter contains findings obtained using questionnaires administered to customers, employees and managers of SACCOs. The findings were presented using pie charts, bar graphs and frequency tables. The chapter also contains discussion of data results.

This section is divided into three sections. The first section comprises the demographic characteristics of the sample. The second section comprises the descriptive analysis of the data on the dependent variables (leadership indicators, ICT innovation, employee empowerment and availability of financial) and dependent variable (service quality) respectively. Inferential analysis is the third section reports the findings on the factor analysis and correlation and then finally gives a summary of the results.

4.2 Reliability

The reliability of the questionnaire was measured by the use of Cronbach Alpha. The research was found to be very reliable, having a reliability of above 6. This is evident by the table 4.1 below.

Table 4.1 Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .876 | 26 |

Source – Researcher (2012)

4.3 Questionnaire Response Rate

Table 4.2 Percentage of Questionnaire Response Rate

| RESPONSE CATEGORY | INTRUMENTS DISTRIBUTED | RESPONSE | RESPONSE PERCENTAGE |
|-------------------|------------------------|----------|---------------------|
| EMPLOYEES | 17 | 17 | 100 |
| CUSTOMERS | 150 | 146 | 97.3 |
| MANAGERS | 6 | 6 | 100 |
| TOTAL | 173 | 16 | 96 |

Source – Researcher (2012)

In table 4.2 it is evident that of the 173 questionnaires distributed to the respondents, 169 were returned which represent a response rate of 97.7%. This was a good response rate ensuring adequate information for the study.

4.4 Demographic Characteristics of the Sample

Data on the sample was analyzed in terms of various demographic variables such as gender, SACCO that one's work for, department, level of education and the experience. The findings of this analysis are described below.

4.4.1 Gender distribution in the Sample

The sample comprised of both males and females. Their distribution is as shown in the table 4.3 below and figure 4.1 after the table.

Table 4.3 Gender

| Gender | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------|-----------|---------|---------------|--------------------|
| Male | 112 | 66.3 | 66.3 | 66.3 |
| Female | 57 | 33.7 | 33.7 | 100.0 |

Source – Researcher (2012)

Figure4.1

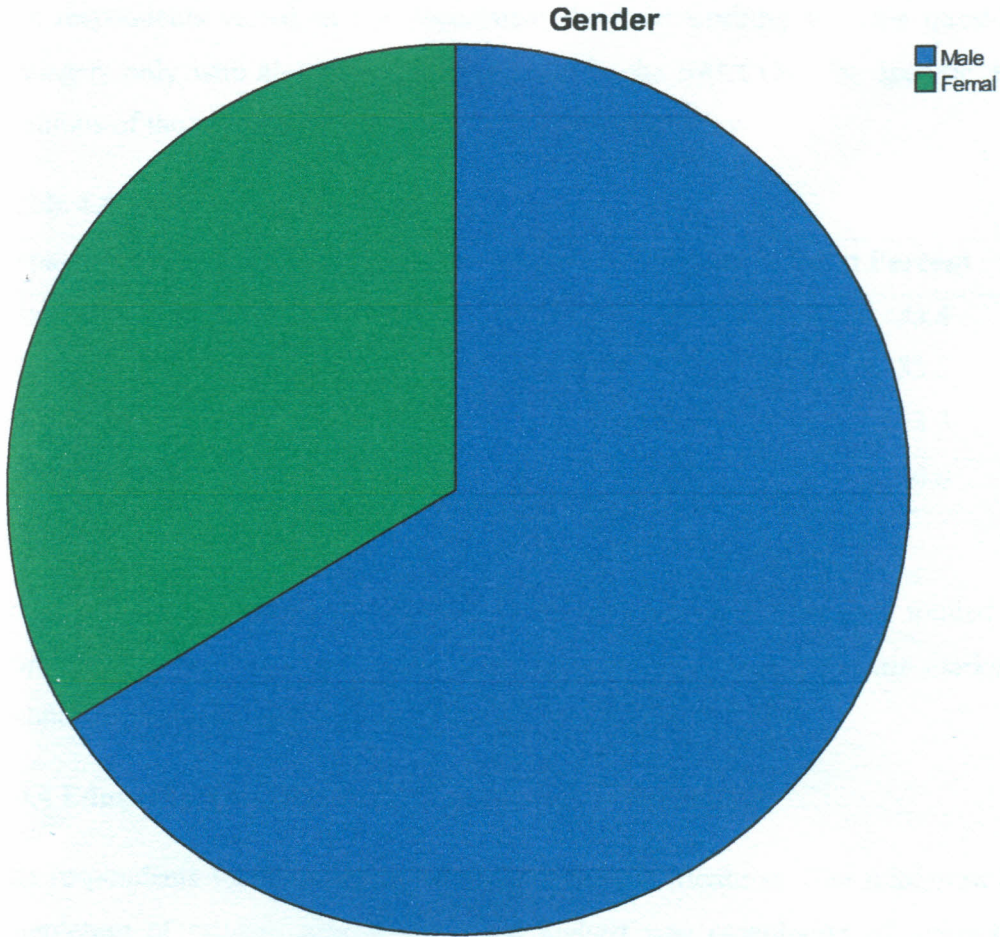


Table 4.3 and figure 4.1 above show that there were some difference in the distribution of the male and female who are working in the SACCOs. From the table it shows male are the majority with 66.3% (n=112) compared to their counterpart the females who were 33.7% (n=57).

4.4.2 Position in the Department of the Sample

The respondents varied in the department they are working in. This question was asked to managers only who also represent leadership in the SACCOs. The specific distribution of the positions of the respondents is shown by the table 4.4 below.

Table 4.4 Department managing

| Department | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------|-----------|--------------|---------------|--------------------|
| Marketing | 2 | 33.4 | 33.4 | 33.3 |
| IT | 2 | 33.3 | 33.3 | 66.7 |
| Administration | 2 | 33.3 | 33.3 | 100 |
| Total | 6 | 100.0 | 100.0 | |

Source – Researcher (2012)

From the table 4.4 above the managers responses of which they only totaled to 6 respondents from the sample, they were equally from the three departments that are marketing, information technology and administration each having 33.3% (n=2).

4.4.4 Education Qualifications' Distribution in the Sample

The respondents varied in terms of educational qualifications. The minimum qualification was completion of primary school while the highest was completion of university. The specific distribution of educational qualifications is shown in the table 4.5 below.

Table 4.5 Education Level

| Education Level | Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------------|-----------|--------------|---------------|--------------------|
| University | 6 | 26.1 | 26.1 | 26.1 |
| College | 16 | 69.6 | 69.6 | 95.7 |
| Secondary | 1 | 4.3 | 4.3 | 100 |
| Total | 23 | 100.0 | 100.0 | |

Source – Researcher (2012)

From the table 4.5 above, it is evident that all the customers were not asked that question. The respondents that was got from the managers and employees, it is evident majority 69.6% had

completed collage while 26.1% had university, with a mere 4.3% having achieved secondary education.

4.4.5 Length of Service

Here too respondents varied in terms of their length in service. While some had worked for less than 5 years, others had worked for over 20 years. The bar graph below in figure 4.2 shows the specific distribution of the length of service across the sample.

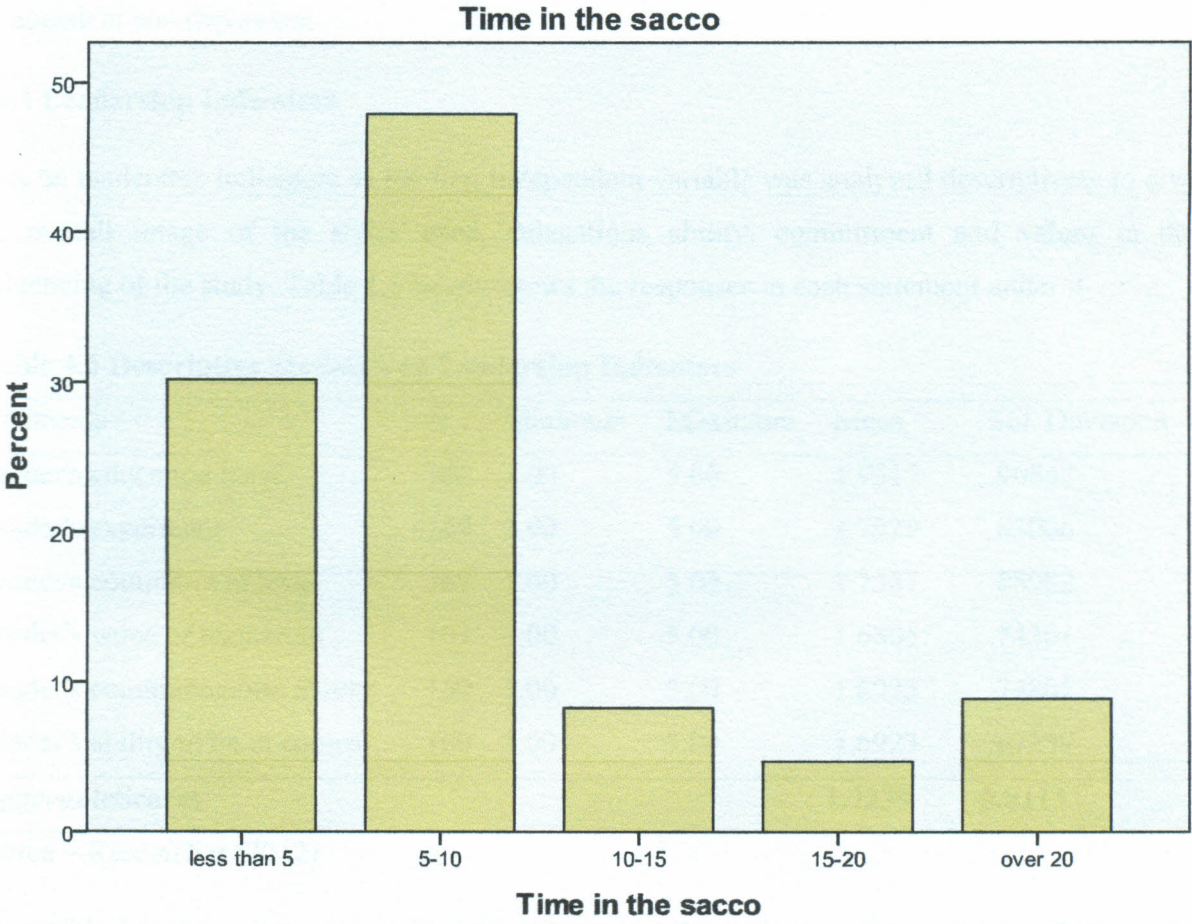


Figure 4.2 Length of service Source – Researcher (2012)

As shown in the figure 4.2, the bulk of the respondents 81 (47.9%) had either worked for or been a customer of the SACCOs for only 10 years and below but greater than 5 years, while the remaining 62.1% had between 10 and 20 years and less that 5 years and below experience with a

considerable percentage 8.3% (n=14) having been served for between 10 and 15 years, 4.7% (n=8) between 15 and 20 years and 30.2% (n=51) having been below 5 years. While, 8.9% (n=15) having served beyond 20 years suggesting they are nearing retirement.

4.5 Descriptive Statistics on the Variables

This section used descriptive statistics to give the overall image of the variables to the study. In this section standard deviation and the mean are used to discuss the factors influencing service quality in SACCOs in Igembe south district. The factors here will be in variables both independent and dependent.

4.5.1 Leadership Indicators

Data on leadership indicators as the first independent variable was analyzed descriptively to give the overall image of the styles used, delegations ability, commitment and values in the influencing of the study. Table 4.6 below shows the responses in each statement under it.

Table 4.6 Descriptive Statistics on Leadership Indicators

| Statements | N | Minimum | Maximum | Mean | Std. Deviation |
|-----------------------------------|-----|---------|---------|---------------|----------------|
| Leader's education level | 169 | 1.00 | 5.00 | 1.7515 | .96844 |
| Leader's experience | 169 | 1.00 | 5.00 | 1.7929 | .83006 |
| Leader's commitment level | 169 | 1.00 | 5.00 | 1.7337 | .88982 |
| Leader's value of teamwork | 169 | 1.00 | 5.00 | 1.6805 | .74301 |
| Leader's communication ability | 169 | 1.00 | 5.00 | 1.6923 | .74801 |
| Leader's ability to be in control | 169 | 1.00 | 5.00 | 1.6923 | .67259 |
| Aggregate Scores | | | | 1.7239 | 0.8113 |

Source – Researcher (2012)

From table 4.6 above it is evident from the maximum the scale that was used was a likert scale of five where 1 = strongly agree, 2 = agree, 3 = not sure, 4 = disagree and 5 = strongly disagree. The respondents were 169, which are read from the N column while the effects of the statements are seen to have a great effect because of a great that 0.9. It is evident too that most of the respondents strongly agreed to the leadership indicators as an influencing factor, this is from the

mean of 1.7239. From the standard deviation 0.8113, it is evident that the responses to the statements had less variation between the statements' responses.

4.5.2 I C T Innovations

Data on I.C.T. innovations as the second independent variable was analyzed descriptively to give the overall image of the ATMs, smart cards and mobile banking in the influencing of the study.

Table 4.7 below shows the responses in each statement under it.

Table 4.7 Descriptive Statistics on I.C.T Innovations

| | N | Minimum | Maximum | Mean | Std. Deviation |
|------------------------------|----------|----------------|----------------|---------------|-----------------------|
| Use smartcards | 169 | 1.00 | 5.00 | 1.7751 | .82179 |
| Availability of mobile banks | 169 | 1.00 | 5.00 | 1.1775 | .41314 |
| ATM presence | 169 | 1.00 | 5.00 | 1.8521 | .89742 |
| Computer literacy | 169 | 1.00 | 5.00 | 1.4438 | .73887 |
| Aggregate scores | | | | 1.5621 | 0.7178 |

Source – Researcher (2012)

From the table 4.7 above on descriptive statistics, it is evident that the scale that was used was a likert of 5 where just like the previous 1 = strongly agree, 2 = agree, 3 = not sure, 4 = disagree and 5 = strongly disagree. From mean of 1.5621 it is observed that the respondents strongly agreed. The standard deviation of 0.7178 shows that there was a low variation among the respondents' responses as seen also from each statement's standard deviation being closer to the aggregated total standard deviation.

4.5.3 Employee Empowerment

Employee empowerment data was also analyzed descriptively to get the overall image on academic qualifications, training and experience of employees as a influencing factor in this study since it is an independent variable also under investigation. The table 4.8 below will accurately show the outcome as from the sample investigated on.

Table 4.8 Descriptive Statistics on Employees' Empowerment

| Statements | N | Minimum | Maximum | Mean | Std. Deviation |
|----------------------------|-----|---------|---------|---------------|----------------|
| Employee's competence | 169 | 1.00 | 5.00 | 1.7396 | .81117 |
| Employee's education level | 169 | 1.00 | 5.00 | 1.6509 | .69180 |
| Employee job training | 169 | 1.00 | 5.00 | 1.6627 | .64446 |
| Employee's experience | 169 | 1.00 | 5.00 | 1.6864 | .71705 |
| Aggregate scores | | | | 1.6849 | 0.7161 |

Source – Researcher (2012)

The table 4.8 above shows that majority of the respondents in the sample generally agreed strongly to the statements focused on employee empowerment. It is from the mean of 1.6849 that it is evident that the respondents strongly agree to statements. The standard variation 0.7161 shows that there was a minimal variation on the respondents' responses on the employee empowerment.

4.5.4 Timely Availability of Financial Resources

Timely availability of financial resources data was also analyzed descriptively to get the overall image on how it influences acquisition of highcaliber staff, computers and others fixed asset as an influencing factor in this study since it is an independent variable also under investigation. The table 4.9 below will accurately show the outcome as from the sample investigated on.

Table 4.9 Descriptive Statistics on Financial Availability

| Statements | N | Minimum | Maximum | Mean | Std. Deviation |
|-------------------------------------|-----|---------|---------|---------------|----------------|
| Timely availability | 169 | 1.00 | 5.00 | 1.7574 | .79077 |
| Quality employees | 169 | 1.00 | 5.00 | 1.6627 | .80835 |
| Computers and other fixed assets | 169 | 1.00 | 5.00 | 1.7574 | .73620 |
| Aggregate scores | | | | 1.7258 | 0.7784 |

Source – Researcher (2012)

Table 4.9 above clearly from the aggregated total mean of 1.7258 shows that the respondents on average strongly agreed to the statements. While the standard deviation of 0.7784 clearly shows that the responses from the respondents had minimal variations from each other's response. Here to a point five likert scale was used on the same number of sample.

4.5.5 Service Quality

Service quality is the dependent variable on to which the study focused. Here it was analyzed descriptively to give the mean and standard deviation. Table 4.10 below shows the findings.

Table 4.10 Descriptive Statistics on Service Quality

| Statements | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------------|-----|---------|---------|---------------|----------------|
| Customers literacy | 169 | 1.00 | 5.00 | 1.6982 | .77001 |
| Management literacy | 169 | 1.00 | 5.00 | 1.7574 | .81304 |
| Employees' skills | 169 | 1.00 | 5.00 | 1.7160 | .83938 |
| Leaders' computer skills | 169 | 1.00 | 5.00 | 1.7870 | .76581 |
| Aggregate scores | | | | 1.7397 | 0.7971 |

Source – Researcher (2012)

From table 4.10 above, it is okay to say that the respondents strongly agreed since the mean is 1.7397 which is from the point five likert scale where 1 = strongly agree, 2 = agree, 3 = not sure, 4 = disagree and 5 = strongly agree. The variation between the statements is seen to have minimal variation due to the aggregated total of 0.7971. It is seen from the statements that their standard deviations did not lay far from it.

4.6 Inferential Analysis

In this section the factor analysis was done to extract the set of factors from the items in the independent variables items (n=17) that would affect the dependent variable. Correlation analysis was also used to analyze the findings on relationship between the variables.

4.6.1 Factor Analysis

Factor Analysis was primarily used for data reduction. The purpose of data reduction is to remove redundant (highly correlated) variables from the data file, replacing the entire data file with a smaller number of uncorrelated variables. The extractions are shown in table 4.11 – 4.14 which are communalities table, Eigen values table and component matrix table.

4.6.1.1 Generation of Communalities

Communalities table below indicates the amount of variance in each variable that is accounted for.

Table 4.11 Communalities

| Variables | Initial | Extraction |
|---|----------------|-------------------|
| | 1.000 | .995 |
| Leader's education level | | |
| Leader's experience | 1.000 | .990 |
| Leader's commitment level | 1.000 | .992 |
| Leader's value of teamwork | 1.000 | .994 |
| Leader's communication ability | 1.000 | .989 |
| Leader's ability to be in control | 1.000 | .985 |
| Timely availability of financial resource | 1.000 | .984 |
| Acquisition of quality staff | 1.000 | .990 |
| Acquisition of computers and other fixed assets | 1.000 | .983 |
| Employee's competence | 1.000 | .989 |
| Employee's education level | 1.000 | .977 |
| Employee job training | 1.000 | .993 |
| Employee's experience | 1.000 | .993 |
| Use of smart cards | 1.000 | .790 |
| Availability of computers | 1.000 | .971 |
| ATM presence | 1.000 | .783 |
| Computer literacy | 1.000 | .883 |

Extraction Method: Principal Component Analysis.

Source – Researcher (2012)

From table 4.11 above, initial communalities are estimates of the variance in each variable accounted for by all components or factors. For principal components extraction, this is always equal to 1.0 for correlation analyses. While in the extraction communalities column, are

estimates of the variance in each variable accounted for by the components. The communalities in this table are all high, which indicates that the extracted components represent the variables well.

4.6.1.2 Extraction of Factors

The variance explained by the initial solution and extracted components are displayed in table 4.12 below. This first section of the table shows the Initial Eigen values while the second section of the table shows Extraction sums of squared loadings.

Table 4.12 Total Variance Explained

| Component | Extraction Sums of Squared | | | | | |
|-----------|----------------------------|---------------|--------------|----------|---------------|--------------|
| | Initial Eigen values | | | Loadings | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 9.992 | 58.779 | 58.779 | 9.992 | 58.779 | 58.779 |
| 2 | 6.286 | 36.977 | 95.756 | 6.286 | 36.977 | 95.756 |
| 3 | .284 | 1.668 | 97.424 | | | |
| 4 | .231 | 1.360 | 98.785 | | | |
| 5 | .106 | .623 | 99.407 | | | |
| 6 | .031 | .181 | 99.588 | | | |
| 7 | .021 | .121 | 99.709 | | | |
| 8 | .017 | .100 | 99.809 | | | |
| 9 | .012 | .070 | 99.879 | | | |
| 10 | .009 | .051 | 99.930 | | | |
| 11 | .004 | .026 | 99.956 | | | |
| 12 | .003 | .016 | 99.971 | | | |
| 13 | .002 | .010 | 99.981 | | | |
| 14 | .002 | .010 | 99.991 | | | |
| 15 | .001 | .008 | 99.999 | | | |
| 16 | .000 | .001 | 100.000 | | | |
| 17 | .000 | .000 | 100.000 | | | |
| | -8.917E-18 | -5.245E-17 | | | | |

Extraction Method: Principal Component Analysis.

Source: Researcher (2012)

From the above table 4.12, the total column gives the Eigen values, or amount of variance in the original variables accounted for by each component. The % of Variance column gives the ratio, expressed as a percentage, of the variance accounted for by each component to the total variance in all of the variables while the cumulative % column gives the percentage of variance accounted

for by the first n components. It is evident that the cumulative percentage for the second component is the sum of the percentage of variance for the first and second components. The second section of the table shows the extracted components. They explain nearly 96% of the variability in the original seventeen variables, hence it considerably reduce the complexity of the data set by using these components, with only a 4% loss of information.

4.6.1.3 Factors Loadings and Correlations

The table 4.13 below is of component matrix which helps to determine what the components represent.

Table 4.13 Component Matrix^a

| Variables | Component | |
|-----------------------------------|-----------|--------|
| | Factor | Factor |
| | 1 | 2 |
| Leader's education level | .972 | -.225 |
| Leader's experience | .969 | -.224 |
| Leader's commitment level | .970 | -.225 |
| Leader's value of teamwork | .971 | -.225 |
| Leader's communication ability | .969 | -.224 |
| Leader's ability to be in control | .967 | -.224 |
| Use of smart cards | .969 | -.224 |
| Use of mobile banking | .966 | -.224 |

Extraction Method: Principal Component Analysis.

a. 2 components Extracted.

Source – Researcher (2012)

It is evident from the table 4.13 above the first factor is most highly correlated with Leader’s educational level, leader’s value of teamwork and leader’s commitment level. While the second factor highly correlated with employee’s job training, employee’s experience and employee’s

competence. Leader's educational level is a better representative however, because it is less it is less correlated with the second factor.

4.6.2 Correlation Analysis

The purpose of correlation analysis is to determine how similar the sets of variables are to one another. Table 4.14 below evidently shows the relationships between the variables that is the dependent and the independent.

| Variable | Factor 1 | Factor 2 |
|---------------------|----------|----------|
| Leadership | 0.75 | 0.25 |
| Teamwork | 0.65 | 0.35 |
| Communication | 0.55 | 0.45 |
| Problem Solving | 0.45 | 0.55 |
| Decision Making | 0.35 | 0.65 |
| Conflict Resolution | 0.25 | 0.75 |
| Emotional Stability | 0.15 | 0.85 |
| Empathy | 0.05 | 0.95 |
| Self-Esteem | 0.00 | 1.00 |

Table 4.14 Correlations

| | | Service Quality | Employees Empowerment | ICT Innovations | Finance Resources | Leadership Indicators |
|-----------------------|-----------------|-----------------|-----------------------|-----------------|-------------------|-----------------------|
| Service Quality | Pearson | 1 | 1.000** | -.451** | -.064 | -.064 |
| | Correlation | | | | | |
| | Sig. (2-tailed) | | .000 | .000 | .407 | .410 |
| | N | 169 | 169 | 169 | 169 | 169 |
| Employees Empowerment | Pearson | 1.000** | 1 | -.451** | -.064 | -.064 |
| | Correlation | | | | | |
| | Sig. (2-tailed) | .000 | | .000 | .407 | .410 |
| | N | 169 | 169 | 169 | 169 | 169 |
| ICT Innovations | Pearson | -.451** | -.451** | 1 | -.785** | -.780** |
| | Correlation | | | | | |
| | Sig. (2-tailed) | .000 | .000 | | .000 | .000 |
| | N | 169 | 169 | 169 | 169 | 169 |
| Finance Resources | Pearson | -.064 | -.064 | -.785** | 1 | .993** |
| | Correlation | | | | | |
| | Sig. (2-tailed) | .407 | .407 | .000 | | .000 |
| | N | 169 | 169 | 169 | 169 | 169 |
| Leadership Indicators | Pearson | -.064 | -.064 | -.780** | .993** | 1 |
| | Correlation | | | | | |
| | Sig. (2-tailed) | .410 | .410 | .000 | .000 | |
| | N | 169 | 169 | 169 | 169 | 169 |

** . Correlation is significant at the 0.01 level (2-tailed).

Source – Researcher (2012)

From table 4.14 above, there is a significant and fairly strong positive correlation between service quality with employees’ empowerment and ICT innovations, employees’ empowerment with ICT innovations and finances resources, ICT innovations with service quality and

employees' empowerment, finances resources with ICT innovations, and leadership with ICT innovations and finances resources.

There is perfect positive correlation between service quality and employee empowerment, since human resource interface most with customers as far as service delivery is concerned. From the findings of this research therefore, employee empowerment has a strong influence on service quality. Service quality and ICT have a strong but a negative correlation, reason being that most customers who formed the bulk of the respondents did not know how to use the ATM which was one of the indicators of ICT or they simply were not sure whether ICT influence service quality. The study also revealed that there is a strong correlation between employee empowerment and ICT. The research also indicated the existence of a strong correlation between leadership financial resources. This is because leadership has the responsibility of making policies regarding acquisition of financial resources

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is aimed at summarizing the whole study by synthesizing the objectives in chapter one and opinions as presented by the respondents in chapter four. The study was aimed at finding out the factors influencing service quality in SACCOs and mainly focused on the effect of leadership on service quality, adoption of ICT and its effect on service quality, the extent to which employee empowerment affects service quality and whether timely availability of financial influence service quality. The chapter also highlights recommendations and suggestions for further research.

5.2 Summary on Bio Data

From the findings, majority of the respondents were males with 66.3% with the rest being females. This study has also revealed that equal percentage of leaders worked in the marketing, IT and administration departments. Majority of the leaders and employees consisting of 69.6% have college education, a mere 4.3% have secondary education, while the rest have university education. The study has also found out that 47.9% of the respondents have a working experience/been a customer for not more 10 years but not below 5 years.

5.3 Answers to Research Questions

5.3.1 The Effect of Leadership on Service Quality in SACCOs

This study has found out that there is a positive relationship between leadership and service quality this was true according to the factor analysis factor one had most of its' highest extractions from this variable. Manager's experience is of paramount importance as far as service quality is concerned, a fact that is corroborated by the employees. This fact is supported by (Knight, 2011) who argues that longer time on the job enables a manager to gain more knowledge and skills on how to handle customers better and makes it possible to design strategies that enable better service delivery.

Most employees strongly believed that the manager's value of teamwork, communication and being in control are important aspect of service quality evidently seen in the descriptive statistics on employees' empowerment in chapter four. According to (Guest, 1987), Participation and teamwork values of a leader are related to team design behaviors, and implementation of participatory system behaviors, while leader's ability to communicate inspires the employees and gives the direction to be taken as far as quality issues are concerned. Manager's ability to be in control is an important aspect of service quality as agreed by most of the employees in all the SACCOs. This aspect is favored by a participative kind of leadership which ensures employee participation and minimum control.

5.3.2 Adoption of ICT and its Effect on Service Quality

From the correlation analysis, the study has found out that there is a strong negative correlation between ICT innovation and service quality. Most of customers who formed the bulk of the respondents did not know how to use ATM which was one of the indicators of ICT innovations or just were not sure whether ATM influenced service quality positively. These findings do not agree with (Alberto and Fernando, 2007). According to Alberto and Fernando, availability of computers enables managers, employees and customers to access information readily and makes acquisition of services in SACCOs quite easy. ICT also affects how managers decide, plan and decide on what services to produce

5.3.3 Employee Empowerment and its Influence on Service Quality

This study has found out that employee empowerment is crucial as far as service quality is concerned, a fact supported by most managers and evidently seen in the descriptive statistics table. Leadership also was of the opinion that experience, training and education are of paramount importance as far as service quality is concerned. This agrees with (Robins, 1998) who argues that training, experience and education help employees to develop their faculties and capacities. They also increase employee commitment, motivation and productivity. An empowered employee is competent to make decisions regarding quality without having to consult quite often.

5.3.4 Timely Availability of Financial Resources and its Influence on Service Quality

From the correlation analysis, the study has found out that timely availability of financial resources does not necessarily influence service quality. This did not concur with (Saunders, 1995). Saunders are of the opinion that financial resources are needed to pay good salary packages and other fringe benefits so as to attract staff of high caliber and to motivate them. This was supported by the evidence in the factor analysis which was seen that timely availability had effect on both factor one and two.

5.4 Factor Analysis Results

Factor analysis was then performed in order to ascertain the underlying factors influencing the service quality in SACCOs in Igembe south district. The factor analysis results for all the variables were produced by generating the correlation matrix. Thereafter, the Eigen values are produced. The four factors were reduced to two. It proved that with any extraction method, two questions that a solution should try to answer are “How many factors are needed to represent the variables? And what do the factors represent?” From the analysis table 4.14 it is evident that two factors are needed to represent the four variables. The first factor represented leadership indicators, availability of financial resources and had negative extractions on ICT innovations, while the second factor represents employees’ empowerment and availability of financial resources too.

5.5 Correlation Analysis Results

The coefficient of correlation gave a first insight into the relationship between service quality, leadership indicators, ICT innovations, employee empowerment and availability of financial resources. Respondent’s tests were run to assess the statistical significance of the coefficients. Most coefficients are negative and significant at the 0.00 except the relationship between service quality and employees empowerment which had a positive relationship. It is also noted that most of the four dimensions under study are highly correlated among each other as follows, relationship between service quality with employees’ empowerment and ICT innovations, employees employment with ICT innovations and availability of financial resources, ICT innovations with service quality and employees’ empowerment, availability of financial

resources with ICT innovations, and leadership indicators with ICT innovations and availability of financial resources.

5.6 Conclusions

The following conclusions were reached based on each of the stated objective:

From the findings of the study, leadership was found to be of little significance as far as service quality in SACCOs is concerned. This research also found out that ICT innovation did not influence service quality much. Most of the customers who formed the bulk of the respondents did not know how to use ATM which used as an indicator of ICT. This research established that employee empowerment was of paramount importance as far as service quality in SACCOs is concerned. Such indicators of employee empowerment as education, training and experience to a large extent support service quality in SACCOs. Timely availability of financial resources was found not to be of crucial significance as far as service quality was concerned.

5.7 Recommendations

From the finding of this research, the researcher would like to make the following recommendations:

SACCOs should strive to employ managers and employees who have long term experience since they have the necessary knowledge to articulate and deal with matters pertaining to service quality such as the increasing needs of customers in the changing and competitive world. Since teamwork is crucial to service quality, managers in SACCOs should be team players through such methods as effective communication and methods of control. Managers should keep communication lines open so that employees can report quality inadequacy issues, take part in decision making as well seek advice from the seniors as far as quality issues are concerned.

The managements of SACCOs should roll out a method of training customers on how to use ATMs since many of them did not know whether use of ATMs would have an effect on service quality since they did not know how to use them. SACCOs should have continuous training programs for their employees' since training results to employee development. It equips the

employees with knowledge and skills, builds employee competencies, increase confidence and improves employee motivation.

5.8 Suggestions for Further Studies

Employee motivation and its influence on service quality in SACCOs should be researched. The researcher feels that research should be done on research and developments and its effect on service quality in SACCOs. The researcher feels the literacy levels of customers and their influence on service quality in SACCOs could be an area of study.

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APPENDIX 1

QUESTIONNAIRE

Kindly complete the following questionnaire appropriately. The information collected will be used for this research only and will not be revealed to third parties.

SECTION A: BIO DATA

1. Indicate your gender please

Male female

2. Which SACCO do you work for?

Nyambene Arimi Maua Methodist Hospital Meru North

3. In which department are you a manager? (ONLY MANAGERS SHOULD FILL)

Marketing Personnel IT General Manager

4. How long have you been working in this SACCO?

Less than five years

Between 5 – 10 years

Between 10 – 15 years

Between 15 – 20 years

Over 20 years

5. Indicate your level of education (OPTIONAL TO CUSTOMERS)

University college secondary primary

SECTION B

Please indicate by ticking whether you: 1=Strongly agree, 2=Agree, 3=Not sure, 4=Disagree or 5=Strongly disagree with each of the following statements.

| Leadership Indicators | 1 | 2 | 3 | 4 | 5 |
|--|----------|----------|----------|----------|----------|
| Leader's education level influences quality | | | | | |
| Experience of the leader is important as far as quality is concerned | | | | | |
| Level of leader's commitment influences quality | | | | | |
| Leadership value of teamwork has impact on quality | | | | | |
| Leadership ability to communicate freely with employees influences quality | | | | | |
| Ability of the leader to be in control has positive impact on quality | | | | | |
| I C T Innovations | 1 | 2 | 3 | 4 | 5 |
| Use of smart cards improves service quality | | | | | |
| Presence of ATM's has positive impact on quality | | | | | |
| Computer literacy of employees influences quality | | | | | |
| Use of mobile banking influence service quality | | | | | |
| Employee empowerment | 1 | 2 | 3 | 4 | 5 |
| Quality is enhanced if an employee is computer literate | | | | | |

| | | | | | |
|---|----------|----------|----------|----------|----------|
| Employee education level influences quality | | | | | |
| Employee experience has positive impact on quality | | | | | |
| Employee competence influences service quality | | | | | |
| Training of employees influences quality positively | | | | | |
| Availability of financial resources | 1 | 2 | 3 | 4 | 5 |
| Timely availability of finances have a positive impact on quality | | | | | |
| Availability finances means acquisition of quality staff which has a positive impact on service quality | | | | | |
| Enough finances enables acquisition of computers and other fixed assets which in turn may influence service quality | | | | | |
| Service Quality | 1 | 2 | 3 | 4 | 5 |
| Leadership computer literacy level influences quality | | | | | |
| Management literacy contributes to quality | | | | | |
| Customer literacy enhances quality | | | | | |
| Skills possessed by employee influences quality | | | | | |

Thanks for your cooperation and God bless.

APPENDIX 2: WORK PLAN

Months (March 2011 to March 2012)

| ACTIVITY | PERIOD |
|--|--------------------------|
| Presentation of the synopsis to the supervisor | May 2011 |
| Writing and printing of the research proposal | June – September 2011 |
| Designing of research instrument | November – December 2011 |
| Field work | January – February 2012 |
| Data analysis | March – April 2012 |
| Report writing | May – June 2012 |

Source – Researcher (2011)

APPENDIX 3: BUDGET

| ITEM | COST |
|-------------------------------------|------------------|
| PROPOSAL WRITING | |
| Literature review | 5,000.00 |
| Stationery | 4,000.00 |
| Computer services | 4,000.00 |
| Travelling costs | 20,000.00 |
| DATA COLLECTION AND ANALYSIS | |
| Computer services | 30,000.00 |
| Travelling | 20,000.00 |
| Research assistants | 12,000.00 |
| Total | 95,000.00 |

Source – Researcher (2011)

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