International Journal of Economics, Commerce and Management
United Kingdom Vol. V, Issue 6, June 2017
http://ijecm.co.uk/ ISSN 2348 0386

DELEGATION PRACTICE AS A FACTOR INFLUENCING PERFORMANCE OF MICROFINANCE INSTITUTIONS IN KENYA

Nixon Kagutha Njue
Jomo Kenyatta University of Agriculture and Technology, Kenya
njuenixon@gmail.com

Esther Wangithi Waiganjo
Jomo Kenyatta University of Agriculture and Technology, Kenya

John M. Kihoro
Cooperative University College, Kenya

Abstract

The term delegation is commonly used to describe a variety of different forms and degrees of power sharing with individual subordinates. Major aspects of delegation include the variety and magnitude of responsibilities, the amount of discretion or range of choice allowed in deciding how to carry out responsibilities, the authority to take action and implement decisions without prior approval, the frequency and nature of reporting requirements, and the flow of performance information. The objective of the study was to establish whether delegation practice is a influencing the performance of microfinance institutions in Kenya. This study adopted cross sectional survey design. The study population was 398 microfinances registered with Association of Microfinance Institutions of Kenya. The study used stratified sampling and adopted a sample size of 398 MFIs spread across the entire country. A standardized questionnaire was used to collect primary data. The quantitative data collected was analysed by descriptive statistics using SPSS 22 and Microsoft Excel. Further, regression analysis was done so as to test the relationship between the independent variables and dependent variable. Regression is conducted to analyse the nature and the strength of relationship between each of the independent variables and the dependent variable the adoption of delegation as a leadership development practice had a significant influence on the performance of microfinance institutions when it was regressed alone. Results of multiple regression analysis indicated that *delegation no statistical influence on firm performance of microfinance institutions. The study recommended that there is need to empower workers with necessary resources, adequate supervision, ample opportunity, fair treatment, well stipulated rules, opportunities for career development and promotion, informed on the strategic plan of the microfinance.*

Keywords: Delegation, Practice, Career Development, Performance, Microfinance Institutions

INTRODUCTION

Delegation involves the assignment of new responsibilities to subordinates and additional authority to carry them out (Hulme, 1999). Although delegation is sometimes regarded as a variety of participative leadership, there is ample justification for treating delegation as a separate category of managerial behaviour. Delegation is qualitatively different in some ways from the other forms of participative leadership such as consulting and joint decision making. A manager may consult with subordinates, peers, or superiors, but in most cases delegation is appropriate only with subordinates. Delegation has somewhat different situational determinants than consultation (Luthans, 1998). For example, a manager who is overloaded with work is likely to use more delegating but less consulting. Thus, it is not surprising that factor analysis of delegation questionnaires typically yields distinct factors for consulting and delegating (Yukl, 2002).

Yulk (2002) discusses, delegation involves assignment of new responsibilities to employees and additional authority to carry them. However, delegation is used to describe a variety and different forms of power sharing with individual subordinates. There are many reasons for delegating but amongst them the strongest reason is to develop leaders' skills and confidence.

The term delegation is commonly used to describe a variety of different forms and degrees of power sharing with individual subordinates. Major aspects of delegation include the variety and magnitude of responsibilities, the amount of discretion or range of choice allowed in deciding how to carry out responsibilities, the authority to take action and implement decisions without prior approval, the frequency and nature of reporting requirements, and the flow of performance information (Popper, 2005). In its most common form, delegation involves assignment of new and different tasks or responsibilities to a subordinate. For example, a person who is responsible for manufacturing something is also given responsibility for inspecting the product and correcting any defects that are found. When new tasks are assigned, the additional authority necessary to accomplish the tasks is usually delegated also. For example, a production worker who is given new responsibility for ordering materials is given the authority (within specified constraints) to sign contracts with suppliers (Mullins, 2000). In conclusion, it is apparent that by combining the entire above mentioned variables it can be seen that leadership development is accomplished through coaching, training and development, empowerment, participation and delegation.

Statement of the Problem

A study carried out to investigate the phenomenon of microfinance, within various contexts, is largely in consensus that microfinance can have positive benefits on the lives of the poor, especially in developing countries. However, this study tends to examine microfinance in isolation from the socio-cultural context in which it operates (Otero & Rhyne, 2006). Owing to the inadequate empirical literature on the effect of leadership on the micro finance institutions in Kenya, this study sought to establish whether leadership development practices in Kenyan MFIs have an influence on their declining performance which compromises their financial sustainability, market share and profitability.

Poor performance of microfinance institutions has become an issue in Africa and majority of these institutions are beginning to embrace corporate governance on their strategic management plans so as to enhance their sustainability. Leadership development is deemed instrumental in strengthening performance and sustainability of microfinance institutions (MFIs) as well as increasing outreach of microfinance (Garson, 2010). This study sought to investigate the influence of leadership development practices (Coaching, empowerment, participation and delegation) on the performance of microfinance institutions in Kenya.

Objective of the Study

To establish whether delegation practice is a influencing the performance of microfinance institutions in Kenya

Research Hypothesis

H04: There is no significant influence of delegation practice on the performance of microfinance institutions in Kenya.

Scope of the Study

The study was conducted in 398 microfinances registered with Association of Microfinance Institutions of Kenya (AMFI) 2015 directory and those that are regulated by Sacco Societies

Regulatory Authority (SASRA). The study targeted the chief executives, the top and middle level officers of the microfinance institutions.

THEORETICAL FRAMEWORK

Behaviourist Theory

This theory was developed in 1913 by John Watson. It refers to a psychological approach which emphasizes scientific and objective methods of investigation. These concentrate on what leaders actually do rather than on their qualities. Different patterns of behaviour are observed and categorized as 'styles of leadership'. This area has probably attracted most attention from practicing managers. Researchers were of the opinion that behaviour, unlike traits can be learned. So it followed that individuals trained in appropriate leadership behaviour would be able to lead more effectively. This theory fits well with the study on leadership development practices. This is because practices such as coaching, empowerment, participation and delegation influences the behavior of employee hence their performance in the organization.

Leadership as a behavioural category has drawn attention to the importance of leadership style. Leadership style can be defined as the behaviour exhibited by a leader during supervision of subordinates. Mullins, (2000) defined leadership style as the way in which the functions of leadership are carried out, the way in which the manager typically behaves towards members of the group.

Decisions are enforced using rewards and the fear of punishment. Full authority and responsibility are assumed by the leader. When provided, communication tends to be primarily downward. If the authority of the autocratic leader becomes oppressive, subordinates may become insecure and afraid. Rosenbaum (1968) said that under conditions of stress, or when great speed and efficiency are required, autocratic leadership can yield positive outcomes. It can increase productivity and, more surprising, it can also enhance morale too. If the leader is weak and incompetent, this style possesses some advantage and certain disadvantages. The advantages are quick decision making and speedy accomplishment of the task.

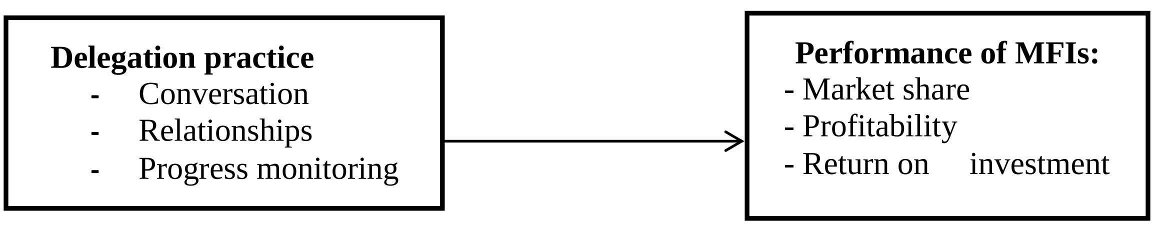
According to Adono et al (1950) a test (F-scale) is designed to measure authoritarianism. This personal syndrome was characterized as involving political and religious conservatism, emotional coldness, quest of power, hostility towards minority groups, resistance to change, rejection of humanitarian values and the like.

According to Harns (1991), autocratic style permits quick decision making and hence can be applied with success in situations where: the subordinated lack knowledge of organizational goals; the subordinates are inexperienced and lack training; the company endorses the fear and punishment as accepted disciplinary techniques; the leader prefers to be active and dominant in decision making; and, there is little room for error in final accomplishment. According to Mcmury (1958) benevolent autocracy is more realistic and is capable of making the most of a bad situation. He argued that benevolent dictatorship is not only a faster moving but a more effective system of managing an enterprise.

In democratic or participatory style, the focus of power is more with the group as a whole and there is greater interaction within the group. Under this style, subordinates participate in goal setting and problem solving. This participation encourages member commitment to the final decision. The democratic leader creates situations by which individuals can lean, enables people to chat their own performance, allows subordinates to set challenging goals, provides opportunities for improved work methods and job growth and recognize achievements and helps employees learn from error.

Managers practicing this style are labeled as 'Theory Y' leaders. The **'Y'** according to McGregor (1967) refers to people who like to work and accept responsibility and are liable to exercise ingenuity, creativity and imagination. Vroom (1954), found that participative leadership has a positive effect only on those individuals with strong non - authoritarian values or high need for independence. Basic problem with the participative leadership style is that it may not yield positive results when the subordinates prefer minimum interaction with the leader.

Figure 1: Conceptual Framework



RESEARCH METHODOLOGY

This study adopted cross sectional survey design because it focused at one point in time. Mugenda (2012) describe survey as a process used to collect data using a highly structured questionnaire. The target population for this study was all the 3984 micro finance institutions registered with Association of Microfinance Institutions of Kenya (AMFI) 2015 directory and which are also under the Sacco societies regulatory authority (SASRA). The study targeted the chief executives, top and middle level officers of the microfinance institutions.

The study used stratified sampling and grouped the different types of microfinances into nine strata (Deposit taking, Rotating savings and credit, Community banks, Saccos, Banks, Micro-lending, Micro-finance, Non-deposit Microfinance and Insurance Lending). Then simple random sampling was used to identify the microfinance to be studied in which all members of the population have an equal chance of being selected for the study (Mugenda, 2008). From each of the selected microfinance institution the chief executive officer was purposefully sampled. Saunders and Lewis (2003) defined key informants as contact persons who help the field researcher gain information about a research setting. Therefore, the current study sampled 10% of the target population of 3894 active microfinance institutions. As such the sample size of this study was 398 MFIs spread across the entire country. A standardized questionnaire was used to collect primary data. The purpose of this instrument in the research was to measure the variables of the study (Mugenda, 2008). The questionnaire contained both open and closed ended questions. The open ended questions were used to enable the respondents give their opinions or suggestions.

The quantitative data collected was analysed by calculating response rate with descriptive statistics such as mean, median, standard deviation and proportions using Statistical Package for Social Sciences (SPSS) version 22 and Microsoft Excel. Regression analysis was done so as to test the relationship between the independent variables and dependent variable. Regression is conducted to analyse the nature and the strength of relationship between each of the independent variables and the dependent variable (Cooper and Schindler, 2006). The analysed data was interpreted and presented in frequency tables, bar charts, graphs and pie charts.

A hypothetical multiple regression model based on conceptual relation was constructed as follows;

$Y = B_O + B_1X_1 + e$

Where,

Y	Performance of Micro Finance Institution
X_1	Delegation
B_O	Intercept
e	Stochastic term (error term)

RESEARCH FINDINGS AND DISCUSSION

From the study, 391 respondents filled-in and returned the questionnaires making a response rate of 98.24%. According to Mugenda and Mugenda (2012) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent; therefore, the response rate obtained in this study was excellent for analysis and reporting.

Influence of Delegation Practice on Performance of Microfinance Institutions

The researcher wanted to find out from the respondents whether official tasks were delegated to them. From the data presented in Table 4.9, majority of the respondents (79.6%) agreed that delegation was used in the institution frequently. In addition, 69.0% of the respondents agreed that the management encouraged them to initiate tasks on their own. Many of the respondents (74.9%) agreed that the institutions were giving them challenging tasks so as to improve their skills and competences. Moreover, 75.6% of the respondents agreed that immediate supervisor followed up on the delegated tasks that they undertook. It was also observed that 65.8% of the respondents agreed that they received recognition on all successful delegated tasks undertaken.

Some of the respondents (41.4%) agreed that they occasionally select their most comfortable delegable tasks. The researcher wanted to find out the percentage of the tasks they were delegated daily. Majority of the respondents (44.4%) agreed that more than 50% of their daily tasks are delegated, 38.0% of the respondents disagreed that they delegate 50% of their daily tasks to others. Lastly, majority of the respondents (61.6%) agreed that those that successfully completed delegated tasks were highly recognized.

Table 1: Influence of Delegation Practice on Performance of Microfinance Institutions

Opinion statements	SD %	D %	N %	A %	SA %	Mean	Std. dev
Delegation is used in the institution frequently	1.8	9.0	9.6	51.4	28.2	3.95	0.950
Management encourages me to initiate tasks on my own.	1.8	9.9	19.3	47.4	21.6	3.77	0.958
I am given challenging tasks to improve my skills and competences.	2.4	5.8	17.0	51.6	23.3	3.88	0.912
My immediate supervisor follow-up on the delegated tasks that I undertake.	1.3	6.8	16.4	47.0	28.6	3.95	0.914
I receive a reward/recognition on all successful delegated tasks that I undertake.	4.4	10.4	19.3	42.8	23.0	3.69	1.072
I occasionally select my most comfortable delegable tasks.	8.9	22.4	27.3	29.4	12.0	3.13	1.156
More than 50% of my daily tasks are delegated	7.4	19.6	28.6	32.8	11.6	3.22	1.114
I delegate 50% of my daily tasks to others	13.1	24.9	30.4	24.9	6.8	2.87	1.132
Those who successfully complete delegated tasks are highly recognized	8.3	7.3	22.8	40.4	21.2	3.59	1.146
Average scores	**5.5**	**12.9**	**21.2**	**40.9**	**19.6**	**3.6**	**1.039**

SD =Strongly Disagree: D = Disagree: N= Neutral: A =Agree: SA =Strongly Agree: n=355

Table 2: Regression Analysis results on the Relationship between Delegation and Firm Performance

Model summary				
Model	R	R^2	Adj. R^2	Std. Error
1	0.413[a]	0.170	0.168	0.5102

ANOVA						
Model	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	20.640	1	20.640	79.265	<0.001[b]
	Residual	100.513	386	0.260		
	Total	121.154	387			

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.807	0.143		12.642	0.001
Delegation	0.351	0.039	0.413	8.903	<0.001

a. Dependent Variable: Firm performance

b. Predictors: (Constant), Delegation

The regression results in Table 4.25 show that the association between participation and organization performance was statistically significant, $[F(1,386) = 79.265, P < 0.001]$. The results indicated that delegation positively and significantly influenced firm performance of microfinance institutions in Kenya (B=0.351 p<0.001) indicating that every unit increase in delegation, there was a corresponding increase in firm performance by about 0.351. With R^2 = 0.170, the model implies participation explained 17% of the variation in performance. Therefore the model failed to explain 83% of the variation, meaning that there are other factors associated with organization performance which were not fitted in the model. The model equation is therefore,

$Y = 1.807 + 0.351X_4$

Where, Y is organization performance and X_4 is delegation.

Since the p-value was less than 0.05, the null hypothesis was rejected and it was concluded that there is a statistically significant relationship between delegations as a leadership development practice on the performance of microfinance institutions in Kenya.

The empirical findings of this study indicated that delegation statistically and significantly influenced firm performance of microfinance institutions in Kenya. When a microfinance institution in Kenya considered delegation as a leadership development practice the firm performance would increase. These results are consistent with previous studies investigating the impact of delegation on overall firm performance. The findings of a study conducted by

Clarkson and Deck (1997) who stated that delegation was an aspect of corporate governance which can improve the performance of microfinance especially those which are growing rapidly. Therefore, the overall influence of delegation is increased leadership development and increased organizational performance. This confirms that essentially there is a strong relationship between delegation and leadership development in microfinance institutions in Kenya. It is, therefore, the view of the researcher that the delegation as a leadership development practice should be aligned with the expectations as well as needs if microfinance institutions in Kenya, since the study has established that those who were satisfied with the career development opportunities at the institution influenced the performance of the microfinance.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The focus on delegation involves assignment of new responsibilities to employees and additional authority to carry them. Organizations adopting delegation leads to increased human capability and sustainable competitive advantage. Results of the study indicates that majority of the respondents agreed that delegation was used in the institution frequently, the management encouraged them to initiate tasks on their own, the institutions were giving them challenging tasks so as to improve their skills and competences, that immediate supervisor followed up on the delegated tasks that they undertook and they received reward or recognition on all successful delegated tasks undertaken.

Results of regression analysis indicated that delegation statistically and significantly influenced firm performance of microfinance institutions in Kenya. The regression model of showed delegation explained 17% of the variation in performance. This finding indicate that for every unit increase in delegation, there was a corresponding increase in firm performance by 0.413 unit. Multiple regression analysis confirmed that delegation had a significant and positive relationship with performance of microfinance institutions in Kenya. The empirical findings of this study indicated that delegation statistically and significantly influenced firm performance of microfinance institutions in Kenya. When a microfinance institution in Kenya considered delegation as a leadership development practice the firm performance would increase.

The adoption of delegation as a leadership development practice had a significant influence on the performance of microfinance institutions when it was regressed alone. However, results of multiple regression analysis indicated that delegation no statistical influence on firm performance of microfinance institutions. The results indicate adoption of delegation as the main leadership development practice had a significant influence on organizational performance since it helps in improvement of skills and competences of employees which leads to increased performance.

Based on the findings of the study, it was noted that delegation is very critical factor in enhancing performance of any organization. It was there recommended that there is need to empower workers with necessary resources, adequate supervision, ample opportunity, fair treatment, well stipulated rules, opportunities for career development and promotion, informed on the strategic plan of the microfinance.

REFERENCES

Clarke, G. and Jennings, M. (2008). *Development, Civil Society and Faith-based Organizations: Bridging the Sacred and the Secular,* Palgrave Macmillan,Basingstoke.

Garson, J. (2010) *Microfinance and anti-poverty strategies. A donor perspective.* Retrieved from: <http://www.undp.org/uncdf/pubs/mf/mf-chap1.htm#a> Grameen Bank 2007

Harns. J.O. (1991). *Managing people at work: Concepts and cases in inter personal behaviour*. John Wiley and Sons, Inc, New York.

Hulme, D. (1999). *Impact assessment methodologies for microfinance: Theory, experience and better practice*. Manchester: University of Manchester, IDPM. Finance and Development Research Programme, Working Paper No. 1.

Luthans, F. (1998). *Organizational Behaviour*, Irwin -McGraw-Hill Publishers.

McGregor, D. (1967). *The Human side of an enterprise,* New York: McGraw-Hill.

Mugenda, O.M. and Megenda, A.G. (2003). *Research Methods: Quantitative and Qualitative Approaches.* Acts Press, Nairobi.

Mugenda, O.M. and Megenda, A.G. (2012). *Research Methods: Quantitative and Qualitative Approaches.* Acts Press, Nairobi.

Mullins, L. J. (2000). *Management and organizational behaviour*, Pitman Publishers.

Otero, E., and Rhyne, E. (2006). *Microfinance through the next decade: Visioning the who, what, where, when and how*. Paper commissioned by the Global Microcredit Summit 2006, Boston MA: ACCION International.

Popper, M. (2005). Main principles and practices in leader development. *Leadership and Organization Development Journal, 26(1), 62-75.*

Rosenbaum L.L, and Rosenbaum W.B. (1968). Morale productivity consequences of group leadership style, stress and type of task. *Journal of Applied Psychology 22(3), 132-143*.

Yulk, G. (2002). Leadership in organizations, *Journal of Applied Psychology, 18(1) 123-129*.