



## INFLUENCE OF EMPLOYEE EMPOWERMENT ON PERFORMANCE: EVIDENCE FROM DEPOSIT TAKING SACCO'S IN KENYA

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### ABSTRACT

*Leadership is one of the most important components of management in any business unit. An organization with good leadership tends to have a better chance to survive in today's competitive environment. Leaders should engage in strategic leadership practices for instance employee empowerment. Employee empowerment has consistently been argued to enhance performance, yet related studies have generated ambiguous findings. This paper considers the influence of employee empowerment on performance of Deposit taking SACCO's in Kenya. This study was guided by positivism research philosophy. A descriptive correlational approach was chosen for this study. The study focused on all 42 deposit taking SACCOs in Nairobi County. The study targeted 168 respondents and employed census technique. Purposive sampling was employed to select the CEO's and senior managers of Deposit Taking SACCO's. Further simple random technique was employed in selecting 12 CEO's who were to be interviewed. Primary data was collected using close ended questionnaires and an interview guide. Questionnaires were administered on 126 senior managers while a sample of 12 CEO's who were randomly selected were interviewed. Both descriptive and inferential statistics were adopted for data analysis. Descriptive analysis entailed frequencies, percentages, mean and standard deviation. Regarding inferential statistics, Pearson's product moment correlation and regression analysis were conducted. Content analysis was also done to analyze information obtained through interviews. Results revealed that employee empowerment had an influence on performance. The study recommends that Deposit Taking SACCO's should empower employees to enhance superior performance.*

**KEY WORDS:** *Employee Empowerment, Performance, Deposit Taking SACCO's.*

## INTRODUCTION

Corporate entities and individuals have goals and objectives that are in tandem with the visions and mission they intend to pursue. Realizing the goals and objectives normally requires great effort. The probability of success is always anchored on leadership that's effective and efficient (Yukl & Van, 2015). Leadership has been a major challenge over the years to both practitioners and researchers (Northhouse, 2013). Failure in organizations' arises due to absence of strategic leadership practices for instance failure in selling the vision to followers, inability to convince the followers in being passionate about the organization and also failing to command loyalty from the employees with regard to the organizations' vision (Kirimi & Minja, 2010). Thus strategic leadership practices entail employee empowerment, innovation, strategic direction setting, moulding culture and ethical practices.

In past decades leaders realized that human resource was extremely valuable and indispensable as it helped organization to be run in a smooth, effective and efficient manner (Vasishth, 2013). Over the last decade empowerment and its effects on organizations has received much attention from scholars and practitioners as well (Voegtlin, Boehm & Bruch, 2015). Employee empowerment was conceptualized as a process meant to enhance employee's competence and also control (McCleske, 2014). Employee empowerment concept actually certifies the employees with necessary power to employ plan and judgment in their work, participate in their work related decision-making and authorizes them to respond quickly to the needs and concerns of the customers (Durai 2010).

According to Kamonjo (2014) SACCOs are member-owned financial cooperatives whose basic objective is mobilization of savings and providing loans to members on competitive terms in order to enhance their socio-economic well-being. SACCOS advance loans at lower interest rates compared to other financial providers and their core objective is to ensure empowerment of members through mobilizing savings and the disbursement of credit (Moturi & Mbiwa, 2015). The SACCO sub-sector is comprised of both Deposit Taking (DTS) and also Non-Deposit Taking SACCOs. In Kenya there are two statutes which govern the regulation and supervision of the SACCOs and they include Cooperative Societies Act (Cap 490) and the Sacco Societies Act (Cap 490B).

## STATEMENT OF THE PROBLEM

Bapat (2017) reported that 75% of South African Sacco's made mistakes in recording financial transactions due to a lacuna in requisite finance knowledge. Further, Moturi and Mbiwa (2015) noted that a majority of Sacco staff in Kenya lacked knowledge on how to deal with customer complaints thus resulting to customers shifting to other financial institutions. Otieno, Okengo, Ojera and Mamati (2013) observed that nearly 2% of

SACCOS collapse every year and about 6% of members withdraw annually. Challenges facing Sacco's include lack of competence and accountability amongst staff and leaders, poor management, absence of career development and low salaries (Ondieki, Okioga, Okwena & Onsase, 2011; Magali, 2013; Bwana & Mwakujonga 2013; Mugo, 2013). Studies on employee empowerment have provided conflicting results. Nzuve and Bakari (2012), Tajuddin (2013) and Idua, K'obonyo and Ogutu (2016) confirmed that employee empowerment influenced performance. However Mwai, Namada and Katusi (2018) established that empowerment of human resource had a negative influence on efficiencies and further that staff empowerment did not influence goal attainment. Thus more scholarly poking is necessary to ascertain the extent to which employee empowerment influences performance.

## RESEARCH OBJECTIVE

To determine the influence of employee empowerment on performance of Deposit Taking SACCOS in Kenya.

## Hypotheses of the Study

H<sub>0</sub>: Employee empowerment has no significant influence on performance of Deposit Taking SACCOS in Kenya.

## LITERATURE REVIEW

### Theoretical Review

The theory reviewed in this study was the transformational leadership theory. This theory holds that transformational leadership is an active leadership where followers are inspired by leaders towards collective vision, giving and also receiving feedback and being encouraged to pursue their personal as well as professional goals (Frooman, Mendelson & Murphy, 2012). Burns (1978) developed the theory while analyzing political leaders during the latter years of the 20<sup>th</sup> century. Subsequently Bass (1985) enhanced the theory and made an argument that transformational leaders effectively motivated their followers. Bass (1985) stated that transformational leadership theory had four components namely the inspirational motivation, intellectual stimulation, individualized consideration and idealized influence. According to McCleskey (2014) individualized consideration is where a leader acts as coach or mentor to support staff members in reaching their full potential. It represents provision of experiential learning which occurs when a leader delegates projects, coaches, teaches and treats each follower individually. The transformational leader perceives each follower as being a whole individual instead of being just an employee and puts into consideration individual's talents and knowledge levels to decide on what suits them to achieve higher attainment levels. Transformational leadership may direct the firm to high-performance due to the leader-follower relation that's supportive, incorporates delegation, participative and also collaborative (Boedker,

Vidgen, Meagher, Cogin, Mouritsen & Runnalls, 2011; Seleone, 2010).

### **Employee Empowerment**

In this globalization era there's need for employee empowerment in firms as it positions employees for quick decision making and rapid response to environmental changes. Over the last decade empowerment and its effects on organizations has received much attention from scholars and practitioners as well (Voegtlin, Boehm & Bruch, 2015). Baird and Wang (2010) regarded employee empowerment as the delegation of powers and responsibilities in the organization's hierarchy from high to low level employees, particularly the decision making power. Gill (2011) referred to employee empowerment as employees' meaningful job, their feelings regarding competence, autonomy and also their contributions to decision making. Employee empowerment was measured in terms of staff coaching, delegation of responsibilities and employee participation. Coaching may be useful in jobs as it assists in identification of areas where an employee may be lacking or helps in solving problems faced by an employee and also encourages them to solve problems themselves. Coaching entails sharing of knowledge between experienced persons (mentor/coach) and less experienced persons (the mentee). Gregory and Levy (2010) averred that employee coaching was a developmental activity that aimed at improvement of current job performance or even enhancing capabilities for challenges which would arise in future or role enhancement. Tripathi and Readdy (2013) asserted that delegation generally included assigning responsibilities to employees to enable them complete tasks. Delegation also involves the act of power transfer by one person to another for the latter person to act for him/her. It actually empowers the other person (donee) to perform tasks on behalf of the person(donor) donating the power (Nwagbara, 2015). According to Veluri (2010) employee participation refers to providing employees with an opportunity to take part in management decisions. It's a process that empowers firm members in making decisions and solving problems suitable to their levels within the organization. Staff involvement in important decision making is demonstration that the organization values their opinion and also allows their growth as professionals in the firm and even improves their performance (Robbins, 2014).

### **Performance of Deposit Taking Saccos**

Organizational performance is a firm's ability to achieve goals using its resources efficiently and effectively (Daft & Marcic, 2013). Organizational performance relates to a firm's overall productivity considering the stock turnover, profitability, customers and market share (Mutindi, Namusonge & Obwogi, 2013). The parameters of performance were level of customer satisfaction, membership base, asset base and deposit base.

### **Employee Empowerment and Performance**

Employee empowerment is important as leaders can enhance organizational performance through coaching, delegation and involvement of employees in decision making. Studies have been conducted to establish the influence of employee empowerment on performance. Employees who were highly empowered were found to be effective (Meyerson & Dewettinck, 2012; Suresh &Jaleel, 2015; Tajeddini 2010). Marjani and Alizadeh (2014) focused on psychological aspects of empowerment which included sense of self-efficacy, sense of choice, sense of effective being, meaningfulness of work and trust in others, They established that empowerment directly impacted on employees performance. Similarly, Nzuve and Bakari (2012), Tajuddin (2013) and Idua, K'obonyo and Ogutu (2016) also confirmed that employee empowerment influenced performance. However these studies used different measures of performance such as return on assets (financial performance), employee performance, financial and non-financial performance respectively. Thus employee empowerment had a strong and positive influence on performance which was measured using return on assets (ROA); it moderately influenced employee performance and as for the study that incorporated both financial and nonfinancial measures of performance, the strength and direction of the relationship was found to be moderate. Therefore the effect of employee empowerment may have varied due to the use of different measures of performance. Further the study by Nzuve and Bakari (2012) being a case study its findings cannot be generalized and thus cannot be applied in other organizations other than the city council as its context is different from that of other firms.

Al-Asoufi. and Akhorshaideh (2017) conducted a study in Jordan in privatized enterprises dealing with electricity distribution and Phosphate Mines. The study intended to examine the impact employee empowerment had on successful organizational change and also to examine factors that influenced successful employee empowerment process such as talent management, styles of leadership, training of employees and rewards and their impact on successful organizational change. The findings revealed that employee empowerment had a significant impact on successful organizational change. This study was conducted in Asia and specifically in Jordan thus presenting a contextual gap. A similar study should be done in the African context and specifically in Kenya in order to increase the findings' generalizability. Further it had successful organizational change as its dependent variable unlike the current study which focused on performance of DTS.

A study conducted in Iran in the financial services sector by Kahreh, Ahmadi and Hashemi (2011) on achieving competitive advantage through

empowering employees affirmed that internal processes greatly relied on how capabilities were harnessed for the achievement competitive advantage. Empowering employees was found to positively influence competitive advantage which had responsiveness, innovation and efficiency as its dimensions. This study was conducted in Iran thus its applicability to Kenyan context may be impossible due to cultural, economic and legal differences. Further the study had competitive advantage as the dependent variable thus creating a construct gap which may result to differentials in results obtained.

Niyonzima (2015) ascertained that involvement of employees, process of decision making as well as organizational citizen behavior had a strong and significant relationship in a study conducted at Kigali, Rwanda in insurance companies. Involvement of employees prompted them to participate and be committed to the achievement of the organization's goals. This study focused on one aspect of employee empowerment and It was done in insurance companies in Rwanda thus it will not be tenable to make an assumption that results obtained in different contexts would be the same.

In a study conducted by Idua, K'obonyo and Ogotu (2016) in Kenyan public universities employee empowerment was found to influence performance and institutional factors moderated this relationship. The study used descriptive research design targeting public university staff. Structured questionnaires were used to collect data which was analyzed both descriptively and inferentially. The study recommended that empowerment programs should be strengthened and that staff should be supported to promote their development in universities. This study was conducted in public universities whose structures and regulations differ from that of SACCOS and had institutional factors as the moderating variable thus creating a contextual and construct gap. By use of only the structured questionnaire the researchers limited the information they would get from the respondents who may have had more information regarding the subject matter.

Njue (2014) carried out a study on perceived effectiveness of the employee empowerment strategies in Chinese firms in Kenya, in the Building and Construction industry. Descriptive survey research design was adopted. Data was analyzed using descriptive statistics. The study findings confirmed that the firms had adopted various empowerment strategies and that is why service delivery was effective in the firms. Empowerment strategies adopted included trust, competencies development, delegation of authority, employee recognition, shared vision and goals, initiative and creativity, employee participation and involvement, accountability for results, leadership culture and rewards. The researcher failed to mention the criteria used to select the respondents and also how data collected using open ended questionnaires would be

analyzed. This study focused on several employee empowerment strategies unlike the current study which shall only focus on coaching, delegation of responsibilities and employee participation. Further there's a sectoral gap as the study was done in the building and construction industry whose structures and regulations are different from that of SACCOS. Additionally the results could have been enhanced by using inferential statistics in the analysis instead of only using descriptive statistics.

Having regards to the empirical review employee empowerment has been found to influence performance. However, an argument put forth by Hill and Hug (2004) points out that in some instances empowerment has yielded negative results. On the same vein, Mwai, Namada and Katusi (2018) established that employee empowerment of human resource had a negative influence on organizational efficiencies. This inconclusive research findings therefore presents a research gap that's major which requires to be addressed. Further, the studies have shown that contextual gaps, sectoral gaps, constructs gaps and methodological gaps exist.

## RESEARCH METHODOLOGY

This study was guided by positivism research philosophy. Positivism philosophy is based on measureable observations that may be directed to statistical analysis in order to generate findings and to test hypotheses (Cooper & Schindler, 2014; Schiffman & Kanuk, 2012). A descriptive correlational approach was chosen for this study since it can study a wide range of variables including their interrelations therefore showing the extent of relations amongst the variables (Creswell, 2014). The study focused on all the 42 deposit taking SACCOs in Nairobi County (SASRA, 2018). The study therefore targeted a population of 168 respondents. This study employed census technique when selecting the Deposit Taking SACCOs for the study. A census comprises the entire population in a study and it is convenient where the total population is small. Israel (2009) stipulates that census is appropriate where the population is less than 200. Purposive sampling was employed whereby the CEO's and senior managers of Deposit Taking SACCO's were chosen because they were well conversant with the relevant information concerning the study variables and they also engaged in the formulation and implementation of strategies. Further simple random technique was employed in selecting 12 CEO's out of the 42 which constituted 30% of the population as recommended (Sekaran, 2009; Kumar 2011). Primary data was collected using close ended questionnaires and an interview guide which were developed from the objective of the study and were administered on the respondents. Questionnaires were administered on 126 senior managers while a sample of 12 CEO's who were randomly selected were interviewed. A pilot study was conducted in 4 Deposit Taking SACCO'S in Kakamega County. Validity was tested using both

content and construct validity tests. As for reliability, cronbach alpha was used. According to Sekeran and Bougie (2013) coefficient of 0.7 is rule of thumb that's commonly accepted which indicates the acceptable reliability. Both descriptive and inferential statistics were adopted for data analysis. The data collected was presented in form of tables and figures. Descriptive analysis entailed frequencies, percentages, mean and standard deviation. Regarding inferential statistics, Pearson's product moment correlation and regression analysis were conducted. The simple linear regression equation for employee empowerment was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

$\beta_0$  = Constant,

$\beta_1$  = Coefficients of determination,

$X_1$  = Employee empowerment,

$\epsilon$  = Error term.

Content analysis was used to analyze data obtained from the interview guide.

## RESULTS AND ANALYSIS

### Response Rate

A total of one twenty six (126) questionnaires were distributed out of which 102 were returned giving a response rate of 81%. This response rate is adequate as proposed by Kothari (2011) who alluded that responses between 60% - 70% were adequate while responses above 70% were considered as being excellent.

### Pilot Test Results

#### Teliability test

For this study all the constructs were reliable as the Cronbach's Alpha value was above 0.7. Table 4.1 shows the reliability of the constructs.

**Table 4.1: Results for Test of Reliability**

Variables	No. of items	Cronbach alpha	Comment
Employee empowerment	9	.952	Accepted
Performance	6	.883	Accepted

Source: Research Data (2019)

### Validity

For content validity the researcher used experts to examine and review the instrument. The questionnaire was given to lecturers and professionals in the area of Strategic Management. Construct validity was established by the review of theories which informed the major study themes to affirm existence of the constructs.

## DESCRIPTIVE ANALYSIS OF STUDY VARIABLES

Descriptive analysis was done for the study variables which included employee empowerment and performance of deposit taking Saccos.

### Employee Empowerment

The respondents were asked to respond to statements on employee empowerment. The responses were rated on a five likert scale. The results are presented in table 4.3.

**Table 4.3: Responses to statements on employee empowerment**

STATEMENT	N	1 f (%)	2 f (%)	3 f (%)	4 f (%)	5 f (%)	Mean (standard deviation)
employee coaching integral part of managers core competencies	102		6(5.9%)	27(26.5%)	53(52%)	16(15.75)	3.77(.782)
our sacco equips employees with relevant skills through coaching	102		5(4.9%)	24(23.5)	39(38.2%)	34(33.3%)	4.00(.878)
employee coaching encourages a positive attitude to learning	102		7(6.9%)	8(7.8%)	55(53.9%)	32(31.4%)	4.09(.814)
Our sacco encourages delegation of responsibilities to employees	102			31(30.4%)	38(37.3%)	33(32.4%)	4.01(.795)
Delegation strengthens sub ordinates level of self confidence	102		15(14.7%)	17(16.7%)	37(36.3%)	33(32.4%)	3.86(1.03)
Delegation increases effort and interest in achieving objectives	102			48(47.1%)	22(21.6%)	32(31.4%)	3.84(.875)
Our sacco values contribution of employees	102		7(6.9%)	24(23.5%)	45(44.1%)	26(25.5%)	3.88(.870)
Leaders explain to employees importance of their input in decision making	102		9(8.8%)	17(16.7%)	50(49%)	26(25.5%)	3.91(.879)
Involvement of employees has resulted in high quality decisions	102		6(5.9%)	18(17.6%)	38(37.3%)	40(39.2%)	4.09(.895)
Valid N (listwise)	102						

Note : 1=Strongly Disagree, 2=Disagree, 3=Fairly Agree, 4=Agree, 5=Strongly Agree, S.D.=Standard Deviation, S.E=Standard Error

Source: Research Data (2019)

According to Table 4.3 above most of the respondents held the view that employee coaching is an integral part of managers core competencies. This was affirmed by 53(52%) respondents who agreed with the statement on the issue and 16(15.75) who strongly agreed with the same statement. Further, majority agreed 38(37.3%) and strongly agreed 33(32.4%) with the statement that our Sacco encourages delegation of responsibilities to employees. Majority also agreed that our Sacco values contribution of employees 45(44.1%). Majority agreed 38(37.3%) and strongly agreed 40(39.2%) that involvement of employees has resulted in high quality decisions. The same sentiments have been echoed by Zhang *et al.* (2012) delegation enables managers to use organizational resources in a more efficient way and enhance effective decision making and performance by subordinates. The findings agree with those of

Robbins (2014) who contended that staff involvement in important decision making demonstrated that the organization values their opinion and also allowed their growth as professionals in the firm and even improved their performance. The findings tally with those of Suresh and Jaleel (2015) who concerted that highly empowered employees were effective.

#### Performance of DTS in Kenya

The dependent variable in this study was the performance of deposit taking Saccos in Kenya. Using a five-point likert scale, the study sought to know respondents' level of agreement on various statements relating to the performance of Saccos. The responses were rated on a five point likert scale as shown in table 3 below.

**Table 4.4: Responses to statements on performance of Deposit Taking Saccos**

STATEMENT	N	1 f (%)	2 f (%)	3 f (%)	4 f (%)	5 f (%)	Mean(standard deviation)
There has been an increase in level of customer satisfaction	102			25(24.5%)	61(59.8%)	16(15.7%)	3.91(.630)
Customer loyalty has improved over time	102		8(7.8%)	35(34.3%)	42(41.2%)	17(16.7%)	3.66(.848)
The sacco responds to customer feedback/complaints promptly	102			18(17.6%)	44(43.1%)	40(39.2%)	4.21(.726)
There has been an increase in membership base	102		16(15.7%)	8(7.8%)	55(53.9%)	23(22.5%)	3.83(.955)
There has been a growth in asset base	102		8(7.8%)	16(15.7%)	28(27.5%)	50(49.0%)	4.17(.968)
There has been a growth in member's deposit base	102		8(7.8%)	8(7.8%)	45(44.1%)	41(40.2%)	4.16(.879)
Valid N (listwise)	102						

Note : 1=Strongly Disagree, 2=Disagree, 3=Fairly Agree, 4=Agree, 5=Strongly Agree, S.D.=Standard Deviation, S.E=Standard Error

Source: Research Data 2019

Majority of the respondents were of the view that there has been an increase in level of customer satisfaction and that there has been an increase in membership base as 61(59.8%) and 55(53.9%) agreed to the statements. Further majority strongly agreed 50(49.0%) and agreed 45(44.1%) that there has been a growth in asset base and there has been a growth in member's deposit base. This study confirms the assertion by Fraering and Minor (2013) that customers who were satisfied were willing to make use of the same products despite change in price and thus maintain their loyalty to a Company. Mbaabu (2016) pointed out that membership growth in Saccos was attributed to their aggressive efforts in recruiting new members.

## INFERENCE STATISTICS

### Factor Analysis

It is a statistical analysis method that is used to reduce variable constructs items for the development of an appropriate measure. Hair *et al.*

(2010) asserted that factor analysis tested for construct validity, highlighted variability amongst observed variables and also checked for any variables that were correlated so as to reduce data redundancy.

### Results of KMO and bartlett's test for employee empowerment

KMO results and Bartlett's test results for employee empowerment shows its significant since its value (Chi-square 845.295,  $p = 0.000$ ) was not more than alpha ( $\alpha = 0.05$ ). Bartlett's sphericity test should not exceed 0.05 (Theuri *et al.*, 2015). The KMO measure regarding sampling adequacy 0.767 was greater than the required threshold of 0.50. The sampling adequacy threshold should be more than 0.5 (Williams, Brown & Onsmann, 2013; Tabachnick & Fidell, 2014). The data set was thus considered suitable for factor analysis. KMO results and Bartlett's test results for employee empowerment are as provided in table 4.5

**Table 4.5: KMO and Bartlett's Test For Employee Empowerment**

<b>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</b>			.767
		Approx. Chi-Square	845.295
Bartlett's Test of Sphericity	Df	36	
	Sig.	.000	

Source: Research Data (2019)

The principal components analysis was performed and two factors that had eigenvalues greater than 1.0 were extracted. These factors (1 and 2) accounted for 64.156% and 11.114 of the

variance respectively. The two factors accounted for the total variance of 75.270 % as shown in table 4.6 below.

**Table 4.6: Total Variance Explained For Employee Empowerment**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.774	64.156	64.156	5.774	64.156	64.156
2	1.000	11.114	75.270	1.000	11.114	75.270
3	.722	8.025	83.295			
4	.504	5.597	88.891			
5	.440	4.892	93.783			
6	.274	3.047	96.830			
7	.142	1.583	98.413			
8	.094	1.040	99.452			
9	.049	.548	100.000			

Extraction Method: Principal Component Analysis.

Source

: Research Data (2019)

The scree plot figure 2 indicates the eigenvalue that is associated with each component. Eigenvalue represents variance as is explained by each of the components. According to the scree plot results

two components had been extracted by the analysis as they had eigenvalues greater than one. This finding reinforces the total variance for employee empowerment.

**Figure 2: Scree plot for employee empowerment**



Source: Research Data (2019)

The study further sought to determine the factor loadings for employee empowerment. Varimax rotation is frequently used in factor analysis since it reduces the number of complex variables and improves interpretation (Coakes & Steed, 2007). The varimax rotation technique was used to determine the factor loading of each factor. Their factor loadings were ranged between 0.967 and 0.554. In this study, the threshold was set at 0.4

and therefore no variable was dropped since all the factor loadings were above 0.4. Regarding factor analysis studies have used 0.4 as a realistic measure (Hair *et al.*, 2010; Keraro, 2014; Rusuli, Tasmin, Takala & Norazlin, 2013). Table 4.7 presents the rotated component matrix for employee empowerment.

**Table 4.7: Rotated Component Matrix<sup>a</sup> For Employee Empowerment**

	Component	
	1	2
Employee coaching integral part of managers core competencies	.458	.783
Our Sacco equips employees with relevant skills through coaching	.554	.536
Employee coaching encourages a positive attitude to learning	.845	.280
Our Sacco encourages delegation of responsibilities to employees	.563	.571
Delegation strengthens sub ordinates level of self confidence	.714	.522
Delegation increases effort and interest in achieving objectives	.869	.220
Our Sacco values contribution of employees	.827	.165
Leaders explain to employees importance of their input in decision making	.082	.967
Involvement of employees has resulted in high quality decisions	.659	.499

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 a. Rotation converged in 3 iterations.  
 Source: Research Data (2019)

**Results of KMO and Bartlett's test for performance**

KMO results and Bartlett's test results for performance of deposit taking Sacco's shows its significant since its value (Chi-square 845.295, p = 0.000) was not more than alpha ( $\alpha = 0.05$ ). The KMO

measure regarding sampling adequacy (0.767) was greater than the required threshold of (0.50). The data set was thus considered suitable for factor analysis. KMO results and Bartlett's test results for performance of deposit taking Sacco's are as provided in table 4.8.

**Table 4.8: KMO and Bartlett's Test for Performance**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.597
Bartlett's Test of Sphericity	Approx. Chi-Square	645.370
	Df	15
	Sig.	.000

Source: Research Data (2019)

The principal components analysis was performed and two factors that had eigen values greater than 1.0 were extracted. These factors (1 and 2) accounted for 61.913% and 20.524 % of the

variance respectively. The two factors accounted for the total variance of 82.436% as shown in table 4.9.



**Table 4.9: Total Variance Explained for Performance**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.715	61.913	61.913	3.715	61.913	61.913
2	1.231	20.524	82.436	1.231	20.524	82.436
3	.790	13.167	95.603			
4	.164	2.732	98.335			
5	.062	1.028	99.363			
6	.038	.637	100.000			

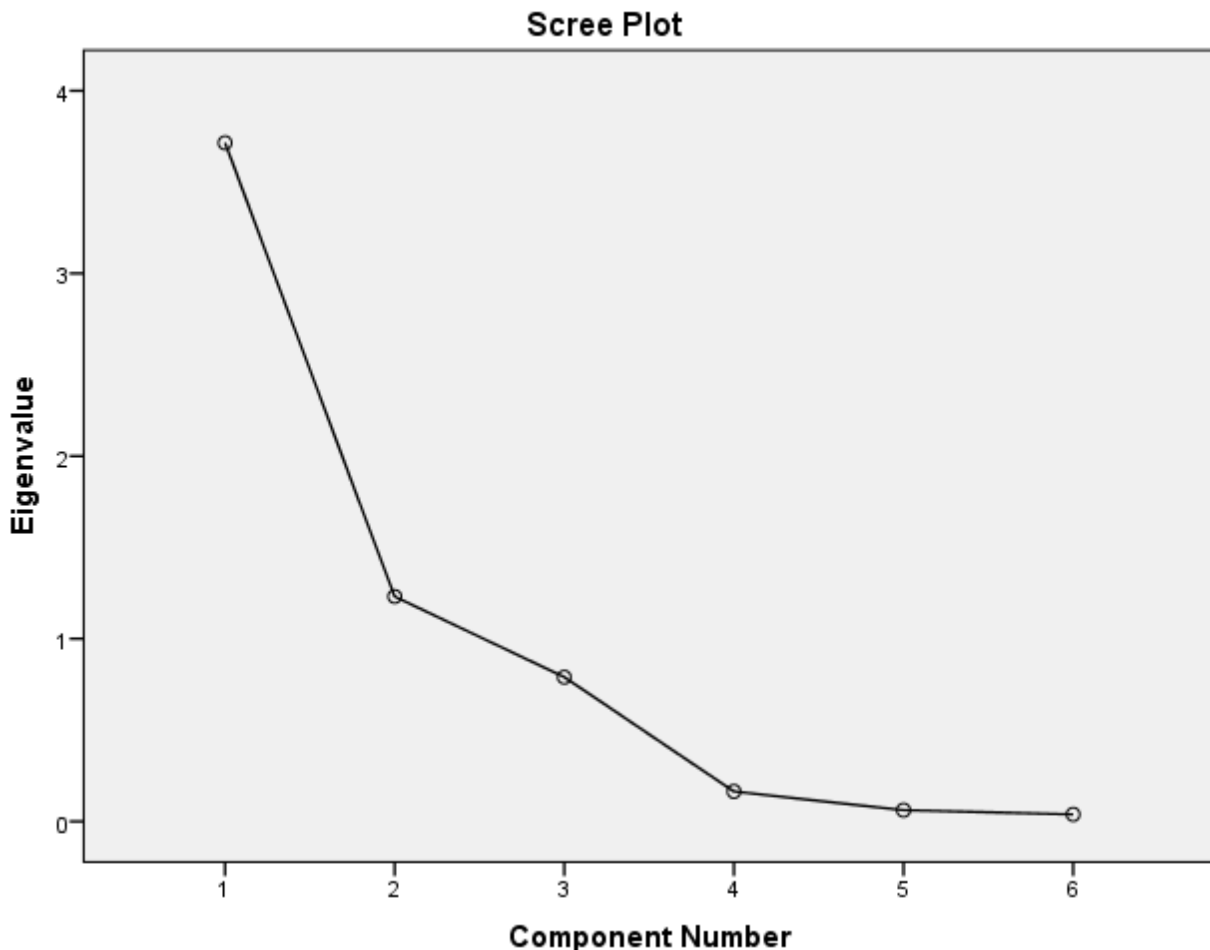
Extraction Method: Principal Component Analysis.

Source: Research Data (2019)

The scree plot figure 3 indicates the eigen value that is associated with each component. Eigen value represents variance as is explained by each of the components. According to the scree plot results

two components had been extracted by the analysis as they had an eigen value greater than one. This finding reinforces the total variance for ethical practices.

**Figure 3: Scree plot for performance**



Source: Research Data (2019)

The study further sought to determine the factor loadings for organizational performance. Varimax rotation is frequently used in factor analysis since it reduces the number of complex

variables and improves interpretation (Coakes & Steed, 2007). The varimax rotation technique was used to determine the factor loading of each factor. Their factor loadings were ranged between 0.966

and 0.869. In this study, the threshold was set at 0.4 and therefore no variable was dropped since all the factor loadings were above 0.4.

Table 4.10 presents the rotated component matrix for performance.

**Table 4.10: Rotated Component Matrix<sup>a</sup> for Performance**

	Component	
	1	2
There has been an increase in level of customer satisfaction	.149	.899
Customer loyalty has improved over time	.410	.869
The Sacco responds to customer feedback/complaints promptly	.134	.688
There has been an increase in membership base	.877	.339
There has been a growth in asset base	.966	.157
There has been a growth in member's deposit base	.906	.204

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 a. Rotation converged in 3 iterations.

Source: Research Data (2019)

**Pearson’s product Moment Correlation Analysis**

empowerment and performance of Deposit taking Sacco’s.

Pearson’s product moment correlation analysis was used to assess the relationship between employee

**Table 4.11: Correlations**

	Employee empowerment	performance
Employee empowerment	Pearson Correlation 1 Sig. (2-tailed) N 102	
performance	Pearson Correlation .251* Sig. (2-tailed) .011 N 102	1  102

\*. Correlation is significant at the 0.05 level (2-tailed).  
 Source: Research Data (2019)

Table 4.11 shows that employee empowerment displays a positive correlation to performance at 95 % confidence level ( $r=0.251$ ;  $p<0.05$ ). Similarly, Nzuve and Bakari (2012) found a positive correlation between employee empowerment and firm performance.

**Simple Linear Regression Results**

The simple linear regression analysis was used to enable the study underscore the contribution of the independent variable to the dependent variable and therefore test the study hypotheses.

**Table 4.12a: Model summary for Employee Empowerment**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	Durbin-Watson
1	.251 <sup>a</sup>	.063	.053	.64316	1.511

Source: Research Data (2019)

The value of R<sup>2</sup> is 0.063 as in table 4.12a above. This indicates that employee empowerment explains 6.3% of the variance in performance of Deposit Taking SACCO’s in Kenya. The remaining

93.7% could be attributed to other factors not covered in the study.

**Table 4.12b: ANOVA<sup>a</sup> for Employee Empowerment**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.771	1	2.771	6.699	.011 <sup>b</sup>
	Residual	41.365	100	.414		
	Total	44.136	101			

Source: Research Data (2019)

The ANOVA table 4.12b shows that the regression model can be used to explain the effect of employee empowerment on performance as  $P=0.000$  which is significant at 95% confidence level.

**Table 4.12c: Coefficients<sup>a</sup> for Employee Empowerment**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error			
1	(Constant)	3.056	.368		8.298	.000
	Employee empowerment	.238	.092	.251	2.588	.011

Dependent variable: performance

Predictors (constant): Employee empowerment

Source: Research Data (2019)

Having regards to the regression findings in table 4.12c above, substituting the equation;

$Y = \beta_0 + \beta_1 X_1 + \epsilon$  becomes

$Y = 3.056 + 0.238 X_1$

Assuming that all other independent variables are 0.000 performance will be 3.056. A unit increase in employee empowerment leads to 0.238 increases in performance and it is statistically significant. Hence the study found that employee empowerment influenced performance. These findings have been corroborated by Nzube and Bakari (2012), Tajuddin (2013) and Idua, Kobonyo and Ogutu (2016) who also confirmed that employee empowerment influenced performance. These findings resonate with those of Chen (2011) who established that there was a significant relationship between employee empowerment and performance and suggested that when employees feel empowered with autonomy, and opportunities to influence decisions in their jobs, their performance improves significantly. A study conducted in Iran in the financial services sector by Kahreh, Ahmadi and Hashemi (2011) established that empowering employees was found to positively influence competitive advantage. However, an argument put forth by Hill and Hug (2004) and Mwai, Namada and Katusi (2018) points out that in some instances empowerment has yielded negative results.

Therefore, the results of this current study suggests that employee empowerment plays a critical role in Sacco's performance. These results in general support the fact that employee empowerment is a key to effective organizational performance. As the institutions increase the use of employee empowerment, performance improves positively. Theoretical and past research evidence lends support to these findings (Chen, 2011). The researchers confirmed that there is significant correlation between dimensions of empowerment and performance. When employees are empowered by

being given coaching, delegation of responsibilities and involvement in decision making, their performance improves resulting to overall organizational performance.

For Deposit taking Sacco's to achieve greater performance employee empowerment should be adopted as an integral practice as empowering employees translates into better organizational performance. The increase in performance as empowerment increases concurs with the transformational leadership theory that individual consideration through empowerment improves performance.

## INTERVIEW RESULTS

In this study, interviews were used to obtain various perspectives on the study from CEO's of Deposit Taking SACCO's in Kenya. Content analysis was employed where the data collected was arranged in themes for purposes of analysis. The respondents were asked about the actions they had undertaken to empower employees and they indicated training, involvement, delegation, building a strong result oriented culture, encouraging team work through teambuilding activities, reasonable remuneration and prompt settlement of work grievances. These findings corroborate the quantitative data findings that indicated that coaching, delegation and staff involvement as employee empowerment parameters influenced performance. According to Aziz, Mahmood, Abdullah and Tajudin (2013) empowered employees feel they have an obligation towards the firm to be dedicated in accomplishing its goals and objectives.

In regards to measures undertaken to improve employee empowerment the respondents indicated that they ensured they had good relations with employees, there was fairness in promotion, they ensured wide inclusivity in decision making and also autonomy in terms of allowing employees discretion on how to perform their work.

## CONCLUSION

In relation to the findings, it can be deduced that employee empowerment influences performance of Deposit Taking SACCOS in Kenya. The relationship was found to be statistically significant given that the p value was less than 0.05. Entrenching staff coaching, delegation of responsibilities as well as employee participation has been confirmed to enhance performance of Deposit Taking SACCOS in Kenya. Basing on the hypothesis of the study, the null hypothesis was therefore rejected that is employee empowerment has no significant influence on performance of Deposit Taking SACCOS in Kenya  $P(0.000) < 0.05$ . The increase in performance as empowerment increases concurs with the transformational leadership theory that individual consideration through empowerment improves performance. The current study contributes to the existing literature by highlighting the key role of employee empowerment in enhancing performance of Deposit Taking SACCOS in Kenya.

## RECOMMENDATION

On the basis of the findings, the study recommends that Deposit Taking SACCO's should empower employees to enhance superior performance. This can be done through coaching employees, delegation of responsibilities and by allowing them to participate in decision making.

## AREAS FOR FURTHER RESEARCH

The study focused on employee empowerment as a strategic leadership practice. The parameters of employee empowerment were staff coaching, delegation of responsibility and employee participation. Studies may be done on other employee empowerment indicators such as rewards, access to information and autonomy. Further research can be undertaken that can include other strategic leadership practices such as innovation, strategic direction setting, strategic control, exploiting and maintaining core competencies and resource portfolio. Further studies can be undertaken in other Deposit Taking SACCO's based in other counties as this study was done in Nairobi County. Others studies may be conducted in non-deposit taking Sacco's and also other organizations in the financial sector such as banks, insurance companies and micro financial institutions. Lastly, the study was done in Kenya, a similar study may be undertaken in other countries in Asia, Africa, Europe and America for comparison purposes.

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