DECLARATION

This research project is my original work and to the best of my knowledge and has not been presented for a degree in any other university.

Signature _____________________       Date ________________

Patrick Mungai Ndungu
D53/CTY/PT/33328/2014

This research project has been submitted for examination with my approval as University supervisor.

Signature _____________________       Date ________________

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DEDICATION

I dedicate this project to my late parents Mr & Mrs John Ndungu and my wife Esther, and my children.
ACKNOWLEDGEMENT

I would like to thank the Almighty God for providing me with energies, good health and determination to undertake this study. I thank Kenyatta University, School of Business for allowing me to attempt this graduate study. I thank Dr. John Mungai who was my supervisor and guided me through this research project. I thank you that amidst your tight schedule, you availed time to read, mentor and take responsibility of my work; may God bless you. I thank my parents late Mr. & Mrs. John Ndungu Mungai for their great concern of the education of their children, wife Esther Wambui for words of encouragement and moral support throughout my study. For those whose names I may not have mentioned herein, thank you and God Bless You All.
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<tr>
<td>CFP</td>
<td>Corporate Financial Performance</td>
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<td>CG</td>
<td>Corporate Governance</td>
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<td>CMA</td>
<td>Capital Markets Authority</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>IA</td>
<td>Intangible Assets</td>
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<td>NBFIs</td>
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<td>NGO</td>
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<td>PLCs</td>
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<td>ROA</td>
<td>Return on Assets</td>
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<td>ROI</td>
<td>Return on Investments</td>
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<td>RoK</td>
<td>Republic of Kenya</td>
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OPERATIONAL DEFINITION OF TERMS

**Affirmative Action**
Refers to policy and actions, which focus on historically disadvantaged or deprived person or group. In this study, affirmative action consists of employment, entrepreneurship, employability and education.

**Community Commitment**
Refers to a beneficial policy of organizations that brings professional as well as social benefits to the company in order to contribute into societal development. In this study, community commitment consists of customer, investor loyalty, increase in intangible assets.

**Corporate Governance**
The framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a company's relationship with its stakeholders. In this study, it includes advertisement, reporting and corporate governance mechanism.

**Corporate Social Responsibility**
Actions that appear to further some social good, beyond the interest of the firm and that which is required by law.

**Employability**
Refers to a set of achievements, understandings and personal attributes that make individuals more likely to gain employment and to be successful in their chosen occupations.

**Financial Performance**
The process of measuring the results of a firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets, value added, etc. In this study, financial performance will be measured by return on assets.

**Investor Loyalty**
Refers to when a firm sways investors’ loyalty in their favor by focusing on the quality of their services and building strong relationships with their clients.

**Non-Banking Financial Institutions**
A financial institution that does not have a full banking license or is not supervised by a national or international banking regulatory agency.

**Return on Assets**
A financial ratio that shows the percentage of profit a company earns in relation to its overall resources. It is arrived at by dividing net income divided by total assets where net income is derived from the income statement of the company and is the profit after taxes.
ABSTRACT
Non-banking financial firms in Kenya have registered a decline in financial performance as which is a major hindrance in the realization of Vision 2030. This has led to a lower economic development and loss of jobs in Kenya, which is associated with social injustices. This study examined the relationship between corporate social responsibility and financial performance of non-banking financial institutions. The main objective of the study was to examine the relationship between corporate social responsibility and financial performance of non-banking financial institutions. The specific objectives were to assess the influence of corporate governance, community commitment and affirmative action on financial performance of non-banking financial institutions in Kiambu County, Kenya. The study was anchored on the Instrumental Theories, Integrative Theories and Ethical Theories. The study adopted a descriptive research design. The target population comprised of 60 Non-Banking Financial institutions in Kiambu County, Kenya. The sample size was computed using the formula by Hosmer, Lemeshow and May (2008) and Shirgaonkar, Maclver and Patankar (2008) and yielded a convenient sample size of 38 Non-Banking Financial Institutions in Kiambu County Kenya. Quantitative and qualitative data was collected by use of a semi-structured questionnaire that was administered using drop and pick later method. The collected data was analyzed using descriptive as well as inferential statistics. The multiple regression analysis was applied to determine the effect of CSR on financial performance. On financial performance, findings demonstrated that the profitability of the non-bank financial institutions as reflected in their return on assets was good. Nonetheless, the study indicated that some firms could be struggling with poor financial performance condition while others performed exemplary well. As explained by R Square, the Coefficient of Determination, 74.83 percent of variation in financial performance of non-bank financial institutions (the dependent variable) was explained by variability in corporate social responsibility variables: Corporate Governance, Community Commitment and Affirmative Action. To that end, other predictors not included in the model explained only 25.17 percent of variation in financial performance. Multiple linear regression analysis results indicated that corporate governance was a statistically significant determinant of financial performance. Notably, corporate governance yielded the highest positive effect on financial performance among all CSR variables. Regression analysis results also established that community commitment and affirmative action were also positive, statistically significant predictors of financial performance. Notably, affirmative action yielded the least effect on financial performance among all CSR variables. Recommendations were made, the study recommends that the underperforming non-bank financial institutions to consider benchmarking on other players to learn ways to build their capacity to deliver better financial results. The study also makes recommendations on need to improve the practice of preserving organizational knowledge and sharing the same with other members of the organisation, which was found to be deficient in the firms. The study further recommends that the firms review the implementation of apprenticeship-training programs, which was found to be poorly executed.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study
An institution’s major role is to raise the value for its shareholders (Baraka, 2013). The social accountability of a company is to boost its profits. With these undertakings, the major purpose of major institutions, particularly in the private division, is to increase proceeds (Desrochers, 2010). Since the society depend on the business and attain some goals, there be no severe effect of this major players and the entire society (Crane, McWilliams, Matten, Moon & Siegel, 2014).

According to (Barnett & Salomon, 2012) an institution expands gradually if it keeps a good relationship with the major players. Even though the major players have capability of affecting firm’s performance, the process differs. Delmas and Toffel (2008) assert that market constituents (for example, employees, customers, suppliers, creditors) bring a decline directly in the economy through bad choices economically. Those constituents, which are non-market (such as NGOs, media and the public) circuitously, affects by sending information (Henriques & Sadorsky, 2012). Regardless of various communication processes, any frustration of any stakeholder group is capable of affecting economic rents and eventually compromise the future of the company (Clarkson, 2011). According to Epstein and Rejc-Buhovac (2014), Corporate Social Responsibility action is progressive supported to be a requirement for guarding the actual line elevating the value of the stakeholders.

Alexander and Buchholz, 2010 asserts that, there has been the existence of argument on the link between the CSR and CFP. However, their relationship is vague. Some researchers point out positive relationship while others have presented a contrary opinion and even U-shaped
relationship. According to Elfenbein, and Walsh (2010) and Orlitzky, Schmidt, and Rynes (2011) there is more positive relationship as compared to other kinds.

Many of the large companies prefer CSR because it increases their profits. However, a handful of managers are understood about such facts (Riess, 2015). However, the most challenging factor is linking the growth of the profits to variables that are hard to define. According to Hafenbradl and Waeger (2015), most of the managers believe that CSR enhances profits and create mutual respect for an organization, which in turn leads to increase in sales, the loyalty and better employees to the organization.

1.1.1 Corporate Social Responsibility

Bestowing to Moon and Matten, (2008), the knowledge of CSR first emerged in 1930’s. However, it took roots until today following the publication a book in 1953 titled “Social Responsibilities of Businessman” by Bowen. According to the theory of finance by Marynard and published in 1948, the corporation has one major goal, which is to maximize the shareholders’ value of wealth. This is the objective or goal that is in line with the financial interests of stakeholders. However, instead of the shareholders, stakeholders are in charge of the corporation, constituents who are normally not influenced by monetary interests. With many varying interests of stakeholders, the CSR meaning is not always clearly defined (Keynes, 2012).

According to Sienicka and Tyrowicz, (2014), the policies of CSR acknowledges actions that are more than just being in line with the law to positively affect the community, workers and employees. Thus a corporation that enhances the well-being of workers by putting into force effective whistleblower procedures, such as little or no social responsibility, but rather being in
line with the law (Sarbanes-Oxley Act of 2002). Programmes of CSR include actions to advance the society, environment and lives of all the partners of the organization (Raupp, 2011).

According to Moura-Leite and Padgett (2011), CSR has moved from admitting of the social interest to having turned into a total significant strategic style. CSR is increasing to appeal to most of the institutions around the world although its approach varies from one company to another. According to White (2012), most of the companies are coming up with initiative at their own will aimed at reducing their negative effect to their society or community and the surrounding environment. According to GreenBiz (2013) by 2013, 93% of the global corporations published their CSR reports compared to 2008 where only 71% published their CSR reports. White (2012) asserts that the current predispose is not totally due to companies initiate altruistic type of business, but as a result of the existing pressure from the major players in the sector to show sustainability and responsibility.

There is a need for corporations to advocate ethics, accountability, fairness, ethics and transparency throughout their operations at the same time generating more profits. According to Ruangvis et.al, (2014) the aims of every business should be aligning their CSR and corporate governance together to maintain their positive impact to the external communities. CSR majors on the way institutions approach their association with the surrounding communities through provision of good services and goods and charitable activities. This type of moral responsibility is regarded as a way of embracing the ethics of CSR and accountability (Roberts, 2009). Thus, it is not surprising that CSR has attracted the attention in not only in business operations but also in various literatures around the globe. (Arend, 2014; Fooks, Gilmore, Collin, Holden & Lee, 2013; Jizi, Salama, Doxon & Stratling, 2014).
In the US, Paner (2012) analyzed financial performance and CSR and found out that the programmes of CSR are competitive advantage due to their improvement of the corporate reputation. Major players likely to associate with companies that possess a record of corporate Social Responsibility indicating dedication to the society and the surrounding.

The advantage of improved reputation entails minimal analysis from the community, advancement in investors and customer loyalty, and an advancement in substantial assets, which contributes to a big performance. According to the study, organizations that participate in CSR programs receive minimal analysis from the society and that company with CSR initiatives increases the loyalty of both customers and investors.

1.1.2 Non-Banking Financial Institutions in Kenya
Nonbank financial institutions (NBFIs) differ from one country to another by kinds of providers, choices for applying the services, and presence in the market. In certain nations, they may look like traditional banks some while in others, they may be function organization that offer functional economic services exact to majors demographic groups, such as the undeveloped sector (International Monetary Fund, 2016). In many of the markets, microfinance Institution (MFIs) act as one kind of NBFI. Post office banks, cooperatives, and savings and credit cooperative organizations (SACCOs) are ordinary forms of NBFIs (Bayai & Ikhide, 2017). Additional case studies of nonbank financial organizations like as insurance firms, venture capitalists, forex and other microloan firms (World Bank, 2016)

The function of Non-Banking Financial Institutions is recognized in intensifying a financial system, as they offer different options to change an economy's investments into capital investment, that act as an alternative properties in case the majorly form of intermediation be unsuccessful
(Pasiouras, 2012). NBFIs addition banks by as long as the infrastructure to assign additional resources to persons and firms with shortage. Furthermore, NBFIs in addition set up resistance in the stipulation of financial services (Kumar, 2014). Even as banks may present a set of monetary services as a packaged deal, NBFIs unbundle and tailor this navy to meet the requirements of exact customer. Furthermore, person’s NBFIs may concentrate in one given sector and create an informational benefit. Through the procedure of unbundling, aiming, and specializing, NBFIs improve rivalry within the services financial sector (Bhamu & Agarwal, 2018).

Kenya carries on developing a wider range of these financial institutions. In 1980s, (NBFIs) grew quickly in number, possessions and liabilities. These growths majorly show some defects in the banking act. This includes least capital needed to create NBFIS was lesser to than required by financial institutions such as banks. Apart from banks, NBFIs were not necessary to sustain cash preserve ratio; NBFIs were allowed to inflict higher rates of lending on their properties; banks were constrained from taking mortgaging lending; and banks would simply lend the corresponding of 25% of their total capital to any debtor

The development of Non-banking sector was a creation that was so significant. Originally, they offered financial services that were specialized. This incorporated hire purchase, leasing and merchant banking. The differences in law advanced commercial banks to establish non-banking financial institutions to stay away from the limits imposed on them and assistance from the more interest rates. As a result, the limitations between banks and NBFIs began to lessen with time, causing the antagonism between them to increase. The increase in competition forced most of the NBFIs to become strangely violent. Some undertook risky lending and mismatched maturities whereby they accepted lower matches. The operation of non-banking financial institutions became
unsustainable and leads to the collapse of several institutions in mid 1980s and early 1990s. In return, there was a flight of equality depository institutions as most depositors moved funds from small NBFI to larger and more recognized banks.

The Central Bank, on realizing that NBFI were no longer complimenting activities of commercial banks, it broadened the definition of money supply to include the deposits held at NBFI. With effect from 1995, NBFI were required to observe cash ratio requirements at stipulated levels. They were to do this by involving reserves at the Central Bank. It adopted the policy of universal banking in 1995. Since then, the central bank has encouraged NBFI to convert into Commercial banks and merge where possible - cases where NBFI are affiliated to Commercial banks. By August 2000, 25 conversions and 12 mergers had occurred.

Normally, the financial systems of market have enhanced NBFI as compared to a bank-based system that is favorable for economic development. A multi-faceted financial system that entails non-bank financial organizations can guard economies against financial shocks and facilitate the speedy revival when these shocks take place (Iyoboyi, 2013). NBFI offer various options to change savings of the economy into capital investment that act as backup facilities in case the major type of intermediation be unsuccessful (Pasiouras, 2012).

Therefore, in the nonexistence of effectual financial system, non-bank financial firms can truly make of inferior quality the weakness of the financial system (Otáhal & Rybáček, 2012). Since not all NBFI are so regulated, the shadow banking system constituted by these institutions could wreak potential unsteadiness. In scrupulous, circumvent funds, and prepared investment ways, to the 2007-2012 global financial crisis, were bodies that aimed NBFI inspection on pension finances and insurance firms, but were mainly ignored by regulators (Dermine, 2013).
In December 1976, the deposit liabilities of non-bank financial institutions licensed under the Banking Act constituted only 18% of total banking system liabilities. By mid 1980s, the proportion had reached 41 per cent. At the same time, assets of non bank financial institutions which were 16% of all the entire assets of the financial scheme in 1976 reached 29 per cent by 1986, while private deposits held by non-bank financial institutions rose from shs 1,430m in 1976 to shs 16,116m in 1986. For comparison private deposits held by commercial banks rose from shs 6,860m in 1976 to shs 29,396m in 1986. This shows a more rapid increase in the deposits with non-bank financial firms relative to that of commercial banks. The rapid expansion in the deposits with non-bank financial firms implies that in addition to increasing competition in the market for deposits, the non-bank financial in situations have become an important vehicle for domestic resources mobilization (Mullei & Ng’elu, 1990).

The non-bank financial institutions have also been an important source of credit to the key sectors of the economy and for specialized purposes. At the end of 1986, the non-bank financial institutions had loans outstanding of Shs1, 241 m to agriculture alone and Shs1, 659m to manufacturing compared with Shs43m and Shs36m respectively in 1973. The non-bank financial institutions' contribution to the development of housing has also been substantial. Moreover, a great number of these institutions have specialized in provision of mortgages for houses and housing information on the distribution of non-bank financial institutions credit to a variety of sectors of the economy, the dynamic role played by non-bank financial institutions in the economy is also reflected in the employment opportunities generated by its activities. While non-bank financial institutions' contribution to wage employment in the financial system was only 9 per cent in 1973, their contribution jumped to 29.3 per cent by 1985 (Mullei & Ng’elu, 1990).
Challenges facing NBFIs range from the market size, the landscape and proximity to the big economy with well-developed financial superstructures, as well as, financial literacy (Casu et al., 2015). Credit-only and no deposit-taking NBFIs play a critical role in financing developments. This is reflected by their total assets, as well as the profits margin. However, it becomes difficult to capture their financial activity in the flow of funds accounts as they are mostly owner financed, with the funding sourced from within CMA due to the arrangement on capital mobility (Gerard, 2014). As a result, this leaves a discrepancy, which is not easy to interpret. Likewise, supervision and regulation is another challenge that makes it difficult.

Even though the insurance subsector may seem to be challenge free, there are some challenges that either derailed it from fully developing in order to operate at full potential. The short-term insurance is mainly dominated by motor vehicle and property (housing) insurance coverage, which are conditional to accessing finances, thereby operating below capacity (Soon-Koo, 2017).

1.1.3 Financial Performance of Non-Banking Financial Institutions
Performance can be described as the mirror image of how the resources of an organization are applied in the way that enhances it to attain its goals. Financial performance is the use of financial pointers to measure the level of goal achievement, input to making obtainable financial resources and hold up of the bank with savings opportunities (Otieno, 2012). Financial performance of firms is the aptitude of gathering the wants of major players and stakeholders (Rose & Hudgins, 2008). The achievement or failure of firms is normally exposed via a review of their financial statements. The more significant magnitude of performance are productivity and hazard. Revenue is the left over proceeds that the entrepreneur for supercilious business risks (Desrochers, 2010). Risk-taking is the major function of the entrepreneur and profit is an excess of payment beyond the real value
of risk. Thus, the prize for risk taking has to be higher as compared to the real value of risk (Andersen, Garvey & Roggi, 2014).

Financial performance in the financial industry can be evaluated using proxies like profitability, return on equity, liquidity and the interest coverage ratio (Njiiri, 2015). The return on investment indicates the amount of profit a bank is generating from its investments, which are financed, by shareholders and other investors while the interest coverage ratio depicts the ease with which a bank can pay interest on outstanding debt (Haque, 2014). The Return on assets (ROA) is the mostly used comprehensive measurement of overall performance by banking institutions on the accounting viewpoint (Jha & Hui, 2012). Therefore, the study used ROA to measure financial performance.

Non-Banking Financial Institutions (NBFIs) play an important responsibility in the economic reserve distribution of nation. They put funds from depositors to investors incessantly. They can do so, in case they make required profits to prevent their equal cost they sustain in the right way (Godfrey, 2014). In words for a long lasting intermediation purpose, NBFIs has to be gainful. Above the intermediation purpose, the financial presentation of non-financial organizations has serious effects for economic development of nations. Thus, financial performance analysis of Non-Bank Financial Institution has been of significance to research given that the Great Depression Intern the 1940’s. In the past two decades, research has indicated that NBFIs in Sub-Saharan Africa (SSA) are more beneficial as compared the others in the world with an average Return on Assets (ROA) of 2 percent (Flamini et al., 2012).

In Kenya, the Non-Bank Financial Institutions represents a small fraction in the financial sector. In a nation where the economic quarter has commercial banks dominance, any collapse in the segment has a huge effect on nation’s economic development (Godfrey, 2014)
presentation of non-banking financial institutions has been advancing in Kenya in the past decade. However, this does not designate that all of them are gainful; there are some evident losses (Oloo, 2010).

In the midst of all NBFIs, confidentially owned NBFIs maintain the bulk of the market share by taking 74.74%, 57.43%, and 60.27% of deposits, debts and advances, and property in that order. NBFIs jointly owned by the state keep higher market split than joint undertaking NBFIs in terms of deposits and assets, but lower market split in terms of loans and advances. Also balanced incomes are Joint business enterprise firms 19.43%, confidentially owned firms 56.08 percent and firms owned by the country 24.49% in that order in 2010. In addition, expenses ratios are 18.40%, 62.86% and 18.74% of enterprises, in institutions confidence owned and those owned by state the correspondingly (CBK, 2014).

This research examined the connection between CSR and financial performance of non-banking financial firms. CSR is conceptualized as corporate governance, community commitment and affirmative action / good practice. Corporate governance focuses on the balance between economic and social objectives and between persons and public objectives. According to Keay (2012), the corporate governance structure is there to support the well-organized utilization of resources and uniformly to need answerability for the stewardship of those resources.

1.2 Statement of the Problem

The developed states openly depends on the expansion and development of her economic unit. The financial scheme is the eventual engine for attaining economic wealth of a nation, and is occupied in the enlistment of financial capital from the excess to the deficit quarter. Non-banking financial firms, or NBFIs, are the financial organizations that offer financial services such as
banking but do not have a banking license. These institutions are not accepted to take deposits from the public (Gupta, Yesmin & Khan, 2013). In the course of financial crisis, the majority institutions are faced with harsh funding difficulty and non-financial companies are instantly pushed to reinforce their funding styles against financial restriction (Shinada, 2012). Findings from industrial nations indicate that non-financial organizations are undergoing reduction in performance (Tian & Zeitun, 2007). The findings evidence available from the World Bank (2014) indicates that non-banking financial organizations in Kenya are featured by a decline in financial performance.

Prior to the amendments of 1989, NBFIs operated largely without regulation. Because of this absence of a regulatory control, many NBFIs become victims of various forms of malpractices that culminated in the collapse of many of them. However, with regulation now encompassing all the financial institutions most NBFIs found themselves in relatively difficult circumstances. The new requirements are burdensome and the penalties for non-compliance are quite high. For many NBFIs, their sources of revenue is limited to interest income on loans and little or no fee based income to supplement. They also lack the advantage of cheap and non-interest earning demand deposits that fully fledged banks have. For liquidity, most NBFIs rely on unreliable institutional deposits and a few on loans from shareholders whose long-term sustainability is also not guaranteed. Most of non-bank financial institutions (NBFIs) have changed to commercial banks recently. They ensure this by meeting the smallest amount prudential necessities for commercial banks encompassing capital sufficiency, liquidity and assets necessities. This transformation is acknowledged as conversion and 30 conversions have taken place since 1994 as shown in appendix VI. This shows that there has been an extraordinary reduction in the number of NBFIs in Kenya
throughout the last two decades. The market share of NBFIs varies between 15 and 43% in terms of assets, between 7 and 33% in terms of deposits, and between 9 to 27% in terms of loans. Other problems facing NBFIs include the high cost of fund, asset liability mismatch, poor capital market condition and competition with banks among others.

The expansion of non-bank financial firms as financial mediators balancing to financial institutions is obvious in Kenya. Most significantly, performance of the non-banking industry has been a missing in the obtainable current literature. Owing to the discussion concerning CSR and its possible value creating abilities, interest has augmented among researchers to examine a likely linkage between CSR and financial performance (Swanson, 2017) of non-bank financial institution. One of the researchers includes McGuire et al. (2013), who assessed the connection between firm’s CSR initiatives and their performance economically. The author winded up that companies that were low in social responsibility went through lower financial performance.

Over time, a substantial number of experimental researchers have wanted to select a connection between the CSR and financial performance of firms. Margolis and Walsh (2003) assert that, 122 experimental studies were authored in the period 1971-2001, commencing with Narver (1971). Furthermore current literature shows that the subject is still important (Bingham, Dyer Jr., Smith, & Adams, 2011; Perrini, Russo, Tencati, & Vurro, 2011; Baird, Geylani & Roberts, 2012; Barnett & Salomon, 2012). In consequent years, numerous researchers have renowned related results concerning a positive association between CSR and financial performance (Lai et al., 2010; Saeidiet et al., 2015). Even so, in general outcomes in the research area are far from univocal, as a great number of authors have unsuccessfully recognized a good connection between the elements (Peng & Yang, 2014). Some researchers have indicated the discrepancy in outcome to be caused
by variances in picking design, style and selection of variables (Simpson & Kohers, 2002; Girerd-Potinet et al., 2013). Peng and Yang (2014) in addition assert that many studies in this research field have majored on developed countries and that this restricts the chance to simplify outcomes as the level of governance, ecological policies and business initiatives varies worldwide. Additionally, the authors assert that research in the field would benefit from contribution from other nation to improve conscience concerning the character of the relationship between CSR and financial recital of non-financial firms (Peng & Yang, 2014).

1.3 Objectives of the Study

The study was guided by the following objectives classified into general and specific objectives.

1.3.1 General Objective
The general objective of the study was to determine the effect of corporate social responsibility on financial performance of non-banking financial institutions in Kiambu County, Kenya.

1.3.2 Specific Objectives
Specifically, the study sought:

i) To establish the influence of corporate governance on financial performance of non-banking financial institutions in Kiambu County, Kenya.

ii) To determine the influence of community commitment on financial performance of non-banking financial institutions in Kiambu County, Kenya.

iii) To establish the influence of affirmative action on financial performance of non-banking financial institutions in Kiambu County, Kenya.

1.4 Research Questions

Based on the specific objectives formed above, the study intended to answer the following research questions:
i) What is the influence of corporate governance on financial performance of non-banking financial institutions in Kiambu County, Kenya?

ii) What is the influence of community commitment on financial performance of non-banking financial institutions in Kiambu County, Kenya?

iii) How does affirmative action influence financial performance of non-banking financial institutions in Kiambu County, Kenya?

1.5 Significance of the Study

This study has a lot of significance to different players. The study will serve as a source of information to policy makers for non-financial firms in Kiambu County, as well as other institutions. The study also provides a better understanding of how managers can enhance sustainability of corporate social responsibility within the different industries given the external environment they operate.

Academically, the research helps in growing the body of facts by elucidating conceptual linkages between CSR and financial performance in the midst of non-financial firms. The research would also be of importance to researchers as a foundation for future experiential and theoretical research, which would be supportive in refining and validating findings particularly when an important number of experiences is composed and studied.

1.6 Scope of the Study

Content wise, the research aimed at establishing the relationship between CSR and financial performance among non-financial firms in Kiambu County, Kenya. Specifically the study assessed the effect of corporate governance, community commitment and affirmative action on financial
performance. Geographically, Kiambu County was focused on due to little CSR activities in the area, which the researcher deems is associated with the dismal performance of the non-financial firms. On period, the study covered five years between 2013 and 2017. Regarding the population, the study targeted thirty-eight Non-Banking Financial Institutions in Kiambu County Kenya. The study targeted the staff of non-financial firms in Kiambu County, in their various levels of employment, that is, the top, middle and low-level managers. The study was conducted on activities contained by the range of the concerns addressed by the research objectives. The research evaluated the past activities and this was described by the literature evaluation of the study.

1.7 Organization of the Study.

This project is structured as follows: The first chapter provides the research background, research objectives, and significance of the study, scope and the limitation of the study. Chapter two comprises theoretical review and literature studies on the influence of market orientation, competitive advantage and operating environment on performance of insurance firms, research gap and a conceptual framework. Chapter three entails the methodology that was adopted in carrying out the study. The study adopted an explanatory and descriptive research design. Chapter four presents research findings and discussions. The fifth chapter provides a summary of findings, conclusions and gives key policy recommendations in view of results.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature by different scholars with respect to the relationship between CSR and financial performance of non-banking financial institutions. The chapter is divided into the theoretical review where the relevant theories anchoring the study are presented. The second part presents the empirical review of the past studies done by various researchers and their findings. The chapter also gives a summary of the research gaps that is presented in tabular form. Lastly, the study presents a conceptual framework.

2.2 Theoretical Review

The theory refers to a set of principles prescribed to describe a series of specifics or phenomena more so one that has been frequently tested. According to Hawking (1996) urges that theories are tools of analysis for bring in knowledge, explaining, and making forecast concerning a given subject matter. In a related vein, Camp (2010) admits that a theory is a set of consistent concepts or ideas, definitions and propositions that offer a methodical view of phenomena by being specific on connections among variables, with the point of explaining and forecasting phenomena.

2.2.1 Corporate Social Responsibility Theories

The CSR field provides both landscape of theories and propagation of styles, which are contentious, complex and not clear. On the first note point for a proper arrangement, we estimate that are appropriate CSR theories and similar methods are aimed on one of the following concepts of communal fact: economics, politics, social incorporation and ethics. The motivation is deep in four concepts that, Parsons (1961) urges, can be experiential in any social structure: adaptation to
the surrounding (related to resources and economics), goal achievement (related to politics), social incorporation and pattern preservation or latency (related to culture and values). This permits for the grouping of these theories into four groups. These are instrumental theories in which their relationship is seen as lonely instrument for wealth formation, and its social activities are solely a way to attain economic results. Integrative theories, in which the corporation is focused on the approval of social needs and ethical concepts, is based on ethical entitlement of association to the community.

2.2.2 Instrumental Theories

With this category of theories, CSR appears only as a tool to attain financial goals which will eventually generate wealth (Guzmán & Becker-Olsen, 2011). Representative of this style is the renowned concept that the only duty of organization with reference to community is to optimize proceeds to the owners within the permissible system and the ethical tradition of the nation (Friedman, 1970). Instrumental theories have had a wide custom and have presumed a wide reception in business. A leitmotiv (leading motive) of wealth generation continuously enjoys the managerial idealism of accountability (Windsor, 2001). Now, this style normally takes the shareholder value enjoying as the apex reference for business decision-making. In reality, a some of researches have been done to establish the relationship between CSR and corporate financial performance. Of these, a more number indicate a positive relationship between the social accountability and financial performance of corporations in most cases (Frooman, 1997; Griffin & Mahon, 1997; Key & Popkin, 1998; Roman et al., 1999; Waddock & Graves, 1997).
2.2.2.1 The Agency Theory

The Agency Theory (Jensen and Meckling, 1976; Ross, 1973) is the most well-liked way to eloquent this reference. Though, today it is willingly accepted that shareholder value maximization is not mismatched with pleasing sure interests of people with a stake in the firm (stakeholders). In this value, Jensen (2000) has proposed progressive value maximization. This notion specifies long-term value maximization or value looking for as the firm’s purpose. At the same time, this objective is employed as the principle for making the essential tradeoffs between its stakeholders. Furthermore, the agency theory asserts that an agency correlation exists when shareholders get managers as the decision makers of the linkage. The issues of the agency emerges as a result of managers solely act to make the most of the shareholders’ wealth; they may guard their own interests or look for the goal of maximizing organization’s growth rather than earnings at the same time as making decisions.

To minimize the agency issues, there is a need to have presence of CG is come to organization’s circumstances because of the agency issues incurred by the division of the shareholders and managers (Malberti, 2011). When it fails to enact the treaty amid capital providers and managers, there has to be other ways to make sure the effectiveness of capital portion in the economy. Corporate governance entails both the internal system and the external system as well (Hassouna, Ouda & Hussainey, 2017). Currently, CSR as the obligation of organizations to communities comes to be a one of the external system of association governance (Aluchna, 2016). This is an argument on the presence of positive linkage of corporate governance and CSR leading to find out the impact of corporate governance, as a way of CSR, on financial performance of non-financial firms. This theory indicates that the first research question: What is the influence of corporate governance on financial performance of non-banking financial institutions?
2.2.3 Integrative Theories
This particular category of theories emphasizes on the way business incorporates social needs, examining that business is dependent on society for its continuation, and growth (Bajgoric, 2010). Social demands are how the community relates with business and provides it a given legality and status (Rendorff, 2009). Therefore, corporate management incorporates social needs, and involve them in a manner that the organization excels in line with societal values and amenities (Goddard, 2011). Community organization theory is one way to articulate this reference.

2.2.3.1 Community Organization Theory
Community organization theory was generated by Rothman and Tropman in 1987 and has its roots in theories of social networks and support. It focuses on active involvement and civilizing societies that can well appraise and resolve social problems (Drouhot, 2017). Community organization is the mechanism whereby society groups are assisted to identify common issues or objectives, get resources, and create and execute strategies for attainment of their objectives (Morgan, 2007). Rothman and Tropman (1987) grouped three approaches to community planning for looking into society problems independently or in mixed methods. These include social planning, social action, and area development. Social planning is more a top-down style featured by the integration of experts in designing objectives and action plans. The social action theory entails forging of alliances with society organizers and activists to extend community control to less populations. The locality expansion is a bottom-up theory that empowers communities to select local problems, setting objectives, with local leadership to determine issues. This theory incorporates research question two: What is the influence of community commitment on financial performance of non-financial institutions?
2.3.2.2 Customer Loyalty Theory
Authors of this theory Cronin and Taylor (1992) and Cronin, Brandy and Hult (2000) urge that loyalty marketing is a long-term concept created to maintain customer associated to the business. Some marketers generate brand images for goods that enhance customers relate need of innovating the product. Other cases, a good is marketed on the principle of its value and features. In these cases, the customer makes choices based on utility of the good compared to price savings and acquaintance of loyalty plans. Chiou (2004) suggests that loyalty plans can enhance businesses develop needed marketing hard work through congregation more on needs of customers. The data collected through these initiatives contacts the company on the more appropriate product line and what pricing system work better. In addition, it indicates trends of customer repeat, which assist businesses, select which new customer can be changed to repeat customer.

The hypothesis for this specific theory is that at any time clients are pleased with some services, they appear to create confidence and trust about the product (Corbitt, Thanasankanit & Yi, 2003). This makes the client to purchase the product frequently to serve a given need. Ultimately, the customer becomes loyal to the group due to confidence about the products and services reentered. This assists to build an integrated image and increase sales, which in long last leads in increased profitability.

Coulter and Coulter (2003) conducted a research on the influence of loyalty program on profitability of the firm whose results show that those organizations that executed loyalty programs experienced higher sales as compared to firms that did not use to loyalty initiative. This was due to increased sales more so from reliable customers who contributed to improved turnover and
revenues. It was found out that customer loyalty has a positive correlation with profitability of the organization.

2.2.4 Ethical Theories

There is a fourth category of theories majoring on the ethical needs that strengthen the connection between business and community. They are built on foundations that express the correct thing to do or the requirement to achieve a better society.

2.2.4.1 Normative Stakeholder Theory

Stakeholder management theory was proposed by Freeman in 1984 has been involved within the integrative theories group since a number of authors regard his form of management to be an approach to amalgamate social needs. Though, the management of stakeholders has turned an ethically based theory. The theory states that managers bear a fiduciary relationship to stakeholders, instead of having fiduciary duties towards stockholders, as was held by the square view of the firm (Freeman, 1984).

The normative stakeholder theory has a normative core based on two main ideas that stakeholders are individuals or groups with rightful interests in practical and/or substantive aspects of corporate activity (Kletz, 2005). Interests in the corporation is the key determinant by which this theory recognizes the stakeholders, this is irrespective of whether corporation has an leading functional interest in them or not (Mesure, 2005). The other idea is that the welfare of all stakeholders are of inherent value. That is, each segment of stakeholders merits deliberation for its own sake and not simply as a result of its aptitude to further the interests of some other segments, such as the shareowners (Carrillo, 2007).
Following this theory, a socially accountable firm needs concurrent attention to the lawful interests of all suitable stakeholders and has to balance such a diversity of interests and not only the interests of the firm’s stockholders (Lincoln, 2008). Normative theory has suffered serious distortions and gracious misinterpretations, which Freeman and co-workers are attempting to elucidate (Phillips et al., 2003). This theory has been applied to a variety of business fields, including stakeholder administration for the business and society relationship. Stakeholder approach grounded in ethical theories presents a different perspective on CSR, in which ethics is central.

2.2.4.2 Relational Theory

This theory has emerged from the broad organization-surrounding relations. Greenberg and Mitchell (1983) created the term “relational theory” and as a result, amalgamated it to the social work tradition of the assisting relationship itself as the way of efficient social work (Tosone 2004; Hepworth et al. 2006). As the term shows, relationship between the two is the aim of the analysis of CSR. Relational theory is more separated into four sub-groups of theories: 1) business and society; 2) stakeholder approach; 3) corporate citizenship; and 4) social contract. Business and society is planned to mean ‘business in society’ in which CSR come out as a subject of communication between the two stakeholders. One of the measures of CSR is the development of financial utilities in the public. Another is an individuals’ pressure to believe the impacts of his decision and achievement in general social system. Stated in the form of a broad relationship, social daily jobs of businesspersons have to duplicate the degree of social power they possess.

Style of Stakeholder has been industrial as the way in advancing the supervision of the company. It believed to be a way to appreciate authenticity to administer the communally accountable actions of an organization. This style additionally looks at an organization as a consistent web of diverse
interests in which self-creation and society conception takes place solely; and persons behave unselfishly. As Garriga and Mele’s (2004) asserts, analysis, stakeholder style is effective and moral theories, in which the previous give emphasis to the incorporation of social needs and the current looks on the appropriate item to attain a health community. These agree with Mitchel, Agle and Wood (1997) in which balances amidst the needs of the major players are the importance; and the research by Freeman and Phillips (2002) that put into consideration fiduciary work on partners of the organization, correspondingly.

Corporate ownership of the relational theory heavily relies on the kind of society in that is known and is a way that a business takes to act dependably (Jones & Haigh, 2007). Essentially, it is regarding the connection, which a business creates with its shareholders, thus, the former has to incessantly look for meeting and obligation with the latter (Phillips & Freeman, 2010). Corporate ownership as stated by Garriga and Mele’s (2004) analysis is a method used under the enjoined and political theories and this is enhanced by Swanson (1995) and Wood and Lodgson (2002), correspondingly.

This theory instigates the third research question: What is the influence of affirmative action on financial performance of non-financial institutions?

2.3 Empirical Review

Goodwin (2005) notes that experiential review is the authors review of findings presently available relating the topic underneath study so as to show the author’s methodical awareness of the topic which he/she is carrying out research. This section reviews empirical studies that have been classified into five broad categories. The section reviews studies that analyzed the influence of
CSR, conceptualized as corporate governance, community commitment and affirmative action / good practice.

2.3.1 Corporate Governance

Corporate governance is the “structure of rules and actions whereby board of directors makes sure responsibility, justice, and clearness in the organization’s association with its partners/players (financiers, consumers, management, workers, government, and the society) (Dine, 2014). Gikaru (2013) asserts that, domination applies to CSR due to its important that corporations inclusive, high-class reports of CSR. A corporation’s CSR initiative cannot sway financial performance if their lack of report on CSR or marketing of the CSR strategies in certain form since stakeholders are not familiar with CSR programs being taken care of (Visser, 2012). As a result, appropriate governance or simplicity and entirely in CSR reporting, is an essential part of an efficient CSR program.

Ruangviset, Jiraporn and Kim (2014) studied how corporate governance influences CSR and found out that in as supporting shareholder value remains a critical objective for all organizations, the concepts of CG and CSR enter the picture to arrive at to the objective. CG is acclaimed as an mastermind of tight interior control system. The study found that under CG initiatives, companies are not expectant only to support ethics, justice, clearness, and responsibility in all their operations, but to proceed creating profits while keeping the highest level of ascendancy within also. Nevertheless, the research was carried out in the US and aimed on the idea of CG and CSR whereas; the existing study focuses on the effect of CG on financial performance of non-financial institutions.
Kahancova (2010) carried out a research on channeling corporate values and interests and came out with the findings that a the decisions of the organization should be allied with the needs of varies stakeholders inside and outside the organization. Thus, commerce have to maintain their activities ready to exterior societies and societies where firms move toward their associations with their external surrounding from offering quality products and services, to doing charitable activities. As a result, if this, performing firms have to align CG and CSR jointly inside their businesses. Furthermore, Bhimani and Soonawalla (2005) recommend that CG and one and the same. Though there exist some researches indicated on CG and CSR in the similar papers. This study has significantly helped the researcher in what to anticipate in the results. However, the research was carried in Britain, which is a so developed while the existing study seeks the viewpoint of newly lower middle-income nations.

2.3.2 Community Commitment

Gordon (2012) sought to recognize methods to advance the implementation of community appointment, and via this, CSR practices by applying two case studies of Australian forest plantation organizations so as to attain long lasing forest management results. The study applied different qualitative methods to examine two case studies, each entailing a single forest firm. The approach entailed observation, interviews and analysis of documents. The study examined that there were problems linked to a limited of knowledge of the spirit of stakeholder concerns, and an incapability for single firm to tackle issues linked to an industry sector. In addition, the study discovered that manager of institutions need to vigorously connect their staff to make sure values of CE and processes are assumed in the course of their organization. The study acknowledges that it is important for organizations to implant CE in the customs of their daily environmental
operations. The thesis asserts that forest organizations are supposed to take CE and CSR critically in case they are going to stay alive into the future. The findings showed that that institutions create better stakeholder recognition and analysis methods, advance relationships with a wider range of players, and advance partnership within the forest farm industry (between institutions) to advance industry-wide CE. Also, managers of firms need to involve their staff to make sure the norms and values of CE values and processes are assumed all through their organization. This study has supplemented the existing research by guiding the researcher in what to anticipate in the results.

Nevertheless, the research was carried out on two case studies of Australian forest plantation companies by use of multiple qualitative designs so as to attain sustainable forest management results. The current research looks at the financial performance of non-financial institutions where major and secondary data will be gathered by application of a semi-structured questionnaire and multiple regression analysis also be applied to assess the level to which the needy variable is a purpose of one or more of independent variables.

In US, Palmer (2012) examined the financial performance of and came out with the findings that the initiatives of CSR are competitive advantages since they advance corporate status. Major players are more probable to connect in dealings with institutions that have a CSR record of indicating a pledge to the society and surrounding. The importance of improved reputation comprise limited study from community, and boost in buyer and investor devotion, and add to elusive possessions all of which results to bier financial performance in the end. The study examined that organizations that participate in CSR programs minimal scrutiny from the society and that organizations with CSR programs increase not only customer but also investor loyalty. Even though the study directs the researcher in what to anticipate, the study was done out in the
US, a first world nation at the same time as the this study aims at a Kenyan perspective on the influence of community commitment on financial performance of non-financial institutions.

2.3.3 Affirmative Action

Affirmative action is a put into practice that redresses bias in community and is thus meant to advocate equal opportunities between men and women (Wambui, 2012). Affirmative action works in two realms ie employment and education. In both realms, the fundamental principle is the same: affirmative action’s stay alive when a firm channels resources to ensure that individuals in selected categories et fair treatment (Crosby & Konrad, 2012). In USA, Finney, Finney and Parry (2014) assessed the connection between perceptions of student on the employment opportunities of employment (EEO/AA) concepts and their insight of organization’s skill to attain objectives by use of CSR practices and discovered that individuals normally holds up EEO/AA, but distinguished amid the two, with AA getting minimal support. Those behind EEO/AA were unlikely to see an organization’s CSR as critical in attaining the organization’s objectives or objectives of customers. EEO supporters experienced more good approach on volunteering and are likely to view more limitations to voluntary basis; though, EEO/AA approach typically were unconnected to society mindedness.

In India, Bhowmik (2016) carried out a research on when Tata Motors effectively married its CSR programmes with the society’s confirmatory deed agenda to develop continuing sustainable effect in the societies it serves up. The research found out that that Tata Motors’ style of putting together confirmatory action with CSR has assisted it designing the source by creating business-linked programmes that provide to communities. In line with Tata Affirmative Action Programme, the 4Es of affirmative action ie employment, entrepreneurship, and education the apprenticeship-training programme on apprenticeship, development on vendor and special training are the major
programs. The research discovered that under the training on apprenticeship programme, Tata Motors gets over than 5,000 youth annually and after victorious conclusion of the course, the majority students join Tata Motors as impermanent workers, and a big proportion are later re-hired to be part of the organization’s talent pool. For the particular coaching initiatives, the research examined that Tata Motors has combined with Global Education Trust to offer particular training to 20,535 students registered in 150 community schools. The study has significantly helped the researcher on what to anticipate in the result. Though, the research was conducted in India, which is far more urbanized than Kenya. The study was also unsuccessful to provide a viewpoint on the financial performance of non-financial institutions but listening carefully on its apprenticeship-training programme made of employment, entrepreneurship, employability and education.

2.3.4 Corporate Social Responsibility and Financial Performance

To just assert that a firm is generally accountable and adheres in methods to completely affect society is not enough prove of enough CSR programs is required (Prakash, Ravi & Zhao, 2016). Efficient sustainability initiatives include sufficient products, contamination avoiding, reusing, and clean energy. Long lasting and futuristic plans are based on a one principle: to minimize the hazards on the environment because of the corporation’s operations and at the time maximize sustainability and revenue (Johansson, Karlsson & Hagberg, 2015). Efficient social strategies include society, workers affairs, variety, and safety of the products (Doherty, 2012). Initiatives targeting communities can be attained binitiatives that are related to market and corporate charity. Cause-related marketing refers to a situation where a “corporation focuses to making an input or giving a percentage of profits to a particular cause relied on sales of product, and normally entails a corporation linking with a non-profit organization (Stumpf&Teufl, 2013).
Johansson, Karlsson and Hagberg (2015) did a research that assessed the interrelation between CSR and economic performance in Swedish openly traded firms in the years 2006-2009. The study used an organization’s accounting based financial performance (represented by ROA); its market based financial evaluation with manufacturing and firm size as the moderate variables. The study was a longitudinal and secondary data analysis was adopted. The study discovered no important relationship between CSR and financial performance during the period 2006-2009. Consequently, this research unsuccessfully observed a major relationship amidst the variables CSR and financial performance. The study thus inferred that there are other factors, which influences financial performance largely than CSR. This study has significantly assisted the researcher in knowing the association between CSR and financial piece. However, the study was quantitative in nature and was conducted on Swedish openly traded organizations in the years 2006-2009 using market based financial analysis within the industry and organization size as the leveling variables whereas the current study seeks a Kenyan viewpoint on the association between CSR and economic performance of non-Banking financial institutions.
### 2.4 Summary of Research Gap

**Table 2.1: Summary of Research Gaps**

<table>
<thead>
<tr>
<th>Author</th>
<th>Area of Study</th>
<th>Methodology</th>
<th>Study findings</th>
<th>Recommendations</th>
<th>Research gap</th>
<th>Gap filled</th>
</tr>
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<tbody>
<tr>
<td>Ruangviset, Jiraporn and Kim (2014)</td>
<td>The way CG influence CSR</td>
<td>US panel data 2001 – 2004</td>
<td>The study found that even as enhancing the importance of shareholders a main objective for all firms, the idea of CG and CSR go in the picture to attain the objective.</td>
<td>The study recommended that CG should be highly praised as an ringleader of fixed internal control ways. The study also recommended that under CG mechanism, companies are not expectant to solely encourage ethics, equality, clearness, and answerability in all their transactions, but to carry on creating profits while keeping the highest level of governance within as well.</td>
<td>This research analyzed the connection between success of CSR and profits and was conducted in Britain, while the current study seeks to establish whether sustainable CSR is possible with minimum or no profits.</td>
<td>The current study focuses on how CSR influences financial performance of non-financial institutions</td>
</tr>
<tr>
<td>Gordon (2012)</td>
<td>Ways of improving</td>
<td>The study used multiple</td>
<td>The study found that managers of companies</td>
<td>The study recommended that</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bhowmik (2016)</td>
<td>Successfully marrying CSR programmes with affirmative action agenda.</td>
<td>Empirical study</td>
<td>The study found that Tata Motors’ mechanism of incorporating confirmatory action with CSR has assisted it advance the source by developing business-</td>
<td>The study recommends the mechanism of incorporating affirmative action with CSR has assisted it advocating the</td>
<td>The study failed to give a perspective on the financial performance of non-commercial firms but focused on its</td>
<td>The current study focuses on a Kenya perspective of non-financial institutions.</td>
</tr>
<tr>
<td><strong>Johansson, Karlsson and Hagberg (2015)</strong></td>
<td>Relationship between CSR and financial performance in Swedish widely traded organizations in the years 2006-2009.</td>
<td>The study was longitudinal and secondary data analysis was used.</td>
<td>The study therefore incidental that there exist other elements that affects financial performance to a bigger level as compared to CSR.</td>
<td>The study recommends that findings in the association between CSR and financial performance has to be carried in diverse markets and areas because there are frequent dissimilar elements that distinguishes how organizations function and how this can pressure the connection.</td>
<td>This research failed to look at an important connection between the variables CSR and financial performance.</td>
<td>the current study seeks a Kenyan perspective on the association between sustainability of CSR and financial performance of non-financial institutions.</td>
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</table>

(Source: Study 2018)
2.5 Conceptual Framework

In this study, the framework presupposes that Sustainability of CSR is the dependent variable, and is conceptualized by four independent variables namely, corporate governance, community commitment and affirmative action / good practice. Figure 2.1 presents the conceptual framework of the study.

Independent Variables

<table>
<thead>
<tr>
<th>Corporate Social Responsibility</th>
<th>Dependent Variable</th>
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<tbody>
<tr>
<td><strong>Corporate governance</strong></td>
<td>Financial performance</td>
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<tr>
<td>• Advertisement of CSR initiative</td>
<td>• Return on Assets</td>
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<tr>
<td>• Comprehensive high quality reporting</td>
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<tr>
<td>• CG internal control mechanism</td>
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<table>
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<th>Community Commitment</th>
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<tr>
<td>• Customer loyalty</td>
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<td>• Investor loyalty</td>
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<td>• Increase in intangible assets</td>
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<tr>
<th>Affirmative action</th>
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<tr>
<td>• Employment opportunities,</td>
<td></td>
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<tr>
<td>• Entrepreneurship training,</td>
<td></td>
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<tr>
<td>• Employability skills</td>
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Figure 2.1: Conceptual Framework

(Source: Study, 2018)
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was adopted in the study. It presents the research design, population, sample and sampling technique, the data collection instrument, data collection procedures, pilot test and finally data processing and analysis.

3.2 Research Design

For the purposes of this study, the descriptive survey research design was adopted. A descriptive study entails what, how and who of the occurrence (Ngechu, 2004). According to the research by Nachamias, (2010), this kind of design documents and also observes issues of a given situation it at occurs naturally. For this study, the phenomenon was observed and as such had no reference. Therefore this kind of design has been identified as the more appropriate for the purposes of this study because descriptive research design collects data, by interviewing and administering a questionnaire in a given sample of persons (Forsey, 2012), in orderto respond to questions regarding the existing status of the subjects in the research (Schwarz, 2013). This research design was seen as the most appropriate for this study because it provides a research with a gap to describe relevant issues of the phenomena of interest from a person (Sekaran &Bougie, 2011). This design also assisted in discovering the facts and meaning.

3.3 Target Population

According to Orodho (2003), a study population refers to the total number of elements where inferences are to be established. The definition ensures that the required population is homogenous. Therefore, the population target for this study comprised of selected non-financial institutions in
Kiambu County, Kenya. According to Mugenda and Mugenda (2003), the target population should entail observable features on which the researcher aims to generalize the study outcomes. The study examined a sample of staff got from a population of 60 non-banking financial institutions in Kiambu County, Kenya (Appendix V).

3.4 Sampling Technique

The sampling technique sampling procedures, sampling unit, sample size and sampling frame for the research. The sampling frame exampling is the list of all population units whereby the sample is selected. The sample comprised of 180 staff that includes the top, middle and lower levels of managers working in the Non Banking institutions. Ngechu (2004) presents the significance of picking a representative sample by making a sample frame. To make a sample frame from the population, the needed number of subjects were picked. The study used stratified simple random sampling technique to pick the sample. Stratification aims at reduction standard error by offering a given control over variance.

The population was grouped into three strata ie. top managers, middle managers and lower level managers. The study then selected 60 respondents by use of simple random sampling. According to cooper and Schilder, (2003) a minimum of 30 respondent must exist so as to generalization to take place. According to Kotler(2001),a sample of 10% of the population is the most appropriate to good a reliability. Since the population in question is not homogenous and can be furthermore be subdivided into groups to get a sample, a stratified simple random sampling technique. The selection will be as shown below
Table 3.1: Sample Size

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Sampling size (30%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management</td>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td>Middle level Management</td>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td>Low level management</td>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>180</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

(Source: Study, 2018)

3.5 Data Collection Procedure

The researcher obtained an introduction letter from Kenyatta University showing approval to conduct research. This assisted in getting the authority to carry out research from NACOSTI. The researcher introduce himself using the letter of introduction, NACOSTI certificate and national identity card to the non-financial institutions’ management to administer the questionnaires. The respondents were given adequate time to fill the questionnaires and assurance of confidentiality. Both primary and secondary data were applied in the study. A semi-structured questionnaire, which contains both open-ended and close-ended questions, was used to collect data. (Bryman & Bell, 2003).

3.6 Validity and reliability of Research Instruments.

3.6.1 Validity of Research Instruments

The data collection instrument was pilot tested before the main study was conducted. The questionnaire was subjected to a pilot test prior to final administration to the elements. Using the rule of the thumb, the pilot test was conducted using questionnaires administered to 10 selected respondents. The results that were acquired in the pilot study were not included in the definite study.
According to Blumberg, Cooper & Schindler (2011), validity refers to the level at which a test measures what it intends to measure which results got from the analysis of data normally represent elements under investigation. According to Mugenda and Mugenda (2003) validity is the accuracy and the significance of inferences, which basically rely on the results. Validity of three types, which include criteria-related, content and construct. For the purposes of this research, it will employ content-related. His include format and content instrument. This was supported by making sure the questions in research instrument referred to study of research objective. The reasons behind pre-testing are to examine the clearness of the instrument items so that those questions that would be established insufficient in measure the variables would either be surplus or customized to pick up the quality of the research instrument thus growing its validity. The researcher also looked for help of university supervisors who are experts and experienced in the field.

3.6.2 Reliability of Research Instruments

The results assessed the instrument’s reliability.

Cronbach’s alpha was assessed and values of r interpreted. Consequently, if r was higher than 0.70, the instrument would be assumed to be reliable. There exists no law or rule showing that a Cronbach’s alpha greater than 0.70 shows a better instrument (Cronbach, 1951). Thus, it is normally agreed amidst researchers that an alpha greater or equal to 0.7 indicates that an instrument is reliable in measuring what it was supposed to measure. The pilot test assisted the researcher in removing any uncertainty and in making sure that, the questions posed measure what it was supposed to measure.
Table 2.2: Chronbach's Alpha Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.786</td>
<td>.714</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: Survey data (2019)

The Cronbach’s alpha coefficient for 22 items was 0.786. This reflected a relatively high internal consistency. Cronbach’s alpha evaluates internal consistency by calculating an equivalent to the average of all possible split half correlations (Gliem & Gliem, 2003). A reliability coefficient of greater than 0.60 would be considered acceptable in social science research situations.

3.7 Data Analysis and Presentation

Data analysis process entailed, coding, and tabulation so as to identify any irregularity in the responses and give particular numerical values to the feedbacks for more analysis. Data collected will be analyzed through both inferential statistics and descriptive. Descriptive statistics were applied to examine the manifestations of elements in the data gathered. Also, descriptive statistics described the association between CSR and financial performance of non-banking financial institutions in Kiambu County, Kenya.

Regression analysis is a statistical instrument to describe association between variables (Scarborough & Tanenbaum, 1998). Various regression analyses were applied to describe the level to which the dependent variable is a work of one or additional of independent variables. This is a suitable model because it to decide the impact of a single independent variable and various independent variables on the dependent variable (Robson, 2002). Multiple regression was applied in this research since we want to describe, select and quantify relationships between variables (if any) in detail. It offered the level of impact of the matching independent variables on the dependent
variable and the way of the association. It also offered opinion of quantitative impact of variables and analyses the statistical importance of the predictable relationships.

The study will apply the following regression model:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \]

Where;
\[ Y \] = the dependent variable (Financial performance)
\[ \beta_0 \] = Constant Term
\[ \beta_1 \] = Beta coefficient (The constant regression coefficient representing the condition of the independent variable to the dependent variable)
\[ X_1 \] = corporate governance
\[ X_2 \] = community commitment
\[ X_3 \] = affirmative action
\[ \varepsilon \] = Error term.

3.8 Ethical Considerations

According to Seale (2004), ethics is a section of philosophy, assumed to be created by Aristotle, which takes human deeds as its min matter. Certainly, some of ethical thoughts were considered over this study. The following strategies were selected to make sure traditional values with ethical standards: research permission (a special application form), privacy preservation (anonymity) and guard of rights. Every questionnaire had a knowledgeable permission from describing the nature and formation of the research. Consent to conduct the study will begin by severely following university rules.
Respondents were asked to give their informed consent orally before filling out the questionnaire or participating in any discussion. Respondents were assured that the information obtained were treated with strict confidentiality. The researcher was extremely apparent that participation was based on voluntary, the research is simply for academic reasons and that discretion of participants is guaranteed.
CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter summarises the results of data analysis. These comprise of both descriptive and inferential statistics. Besides presentation of tables and figures as generated from the statistical software, interpretations, comparisons and discussions are further provided. The objective of the chapter is to provide empirical evidence that effectively fulfils the research objectives.

4.2 Analysis of response rate and respondents distribution.

This part captures a summary of the responses attained against the numbers targeted. A justification is further provided as to why the response rate is considered adequate for statistical analysis. The respondents who successfully participated are also profiled to understand important features.

4.2.1 Response rate

Table 4.1 provides a snapshot of the responses attained from the numbers targeted. The response analysis seeks to determine if the threshold to continue with statistical procedures was met. It gives an evaluation of the fraction of responses attained against the target.

<table>
<thead>
<tr>
<th>Targeted respondents</th>
<th>Responses received</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>52</td>
<td>86.67%</td>
</tr>
</tbody>
</table>

Source: Survey data (2019)

In total, sixty (60) questionnaires were disseminated to various participants. The drop and pick method was utilised where respondents were given up to two weeks to respond. Nonetheless, only fifty two (52) respondents successfully returned their questionnaires. This represented a response
rate of approximately eighty seven percent. The response rate was considered adequate for statistical procedures. As recommended by Mugenda and Mugenda (2003), a response rate of 50% would be considered adequate, 60% good and above 70% very good.

### 4.2.2 Respondents distributions

This part covers the profile of respondents and firms based on gender, age bracket, education background and working experience in the non-banking financial institutions. Figure 4.1 provides a summary of respondents’ gender. As observed, more than two thirds (71.15%) of the participants were male. The proportion of female participants stood at a low of (28.85%). The results suggest that the workforce in non-banking financial institutions was still largely male dominated. Hence, the much desired workforce diversity as recommended by Oduor and Tabuche (2018) may still be unattained by the non-banking financial institutions.

![Gender of Respondents](image)

**Figure 4.1: Respondents' Distributions by Gender**

*Source: Survey data (2019)*
Table 4.2 shows respondent’s age bracket. The information is helpful in further understanding the demographic profiles of organisational workforce.

**Table 4.2: Respondents’ Age Bracket**

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-30 years</td>
<td>30</td>
<td>57.7</td>
</tr>
<tr>
<td>31-40 years</td>
<td>12</td>
<td>23.1</td>
</tr>
<tr>
<td>41-50 years</td>
<td>5</td>
<td>9.6</td>
</tr>
<tr>
<td>51 years and above</td>
<td>5</td>
<td>9.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>52</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey data (2019)

Results in Table 4.2 indicate that more than half of the respondents (57.70%) were between the age of 18 to 35 years. An additional (23.10%) were aged between 31 to 40 years. Only a small proportion of the respondents (19.20%) were above the age of forty. As such, a conclusion was made to that effect that the workforce was largely youthful in the non-banking financial institutions. The non-banking financial institutions have therefore invested heavily in youthful workforce as recommended by previous studies (Lucas, 2017)

Table 4.3 shows a summary of respondents’ education background. The information is helpful in understanding whether education qualifications is given significance in determining conditions for employment in the non-banking financial institutions.

**Table 4.3: Educational Background**

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>9</td>
<td>17.3</td>
</tr>
<tr>
<td>Secondary</td>
<td>7</td>
<td>13.5</td>
</tr>
<tr>
<td>Graduate</td>
<td>35</td>
<td>67.3</td>
</tr>
<tr>
<td>PhD</td>
<td>1</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>52</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey data (2019)

Results in Table 4.3 indicate that, slightly above two thirds of the respondents (67.30%) were university graduates. Only less than two thirds of respondents possessed either primary or
secondary level certificates. Nevertheless, only a small proportion of 1.9% of respondents had beyond undergraduate qualifications. A conclusion is reached that the workforce in the non-banking financial institutions had fairly rich education qualifications as recommended in previous literature (Verma & Ahmad, 2016).

Figure 4.2 presents statistics on the number of years that the respondents have been working in the non-banking financial institution. The statistics are key in establishing the working experience of the organisational workforce. The results show that more than half of the participants (55.77%) had worked in the non-banking financial institutions for between 1 and 5 years. A further (21.15%) had worked for 6 to 10 years. Additionally, (19.23%) of participants had worked at the institutions for between 11 to 15 years while the least class comprising of 3.84% had worked in the firms for more than 15 years. Hence, the workforce had fairly good working experience in the non-banking financial institutions.

Figure 4.2: Respondents’ Working Experience

Source: Survey data (2019)
4.3 Descriptive statistics.

This part covers the descriptive statistics on the subject matter; corporate social responsibility and financial performance of non-banking financial institutions in Kiambu County, Kenya. The specific variables covered are Financial Performance, Corporate Governance, Community Commitment, and Affirmative Action.

4.3.1 Financial Performance

This section presents descriptive statistics on financial performance status of non-banking financial institutions. Table 4.4 presents statistics on financial performance of the firms.

<table>
<thead>
<tr>
<th>Table 4.4: Financial Performance of Non-Bank Financial Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Return on Assets</td>
</tr>
<tr>
<td>Earnings Before Interest and Tax</td>
</tr>
<tr>
<td>Total Assets</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
</tr>
</tbody>
</table>

Source: Survey data (2019)

The results in table 4.4 shows that, the profitability of the non-bank financial institutions as represented by the return on assets stood at an average of 5.58 percent. The firm with the highest profitability recorded a return on assets figure of 17.00 percent. On the other hand, the firm with the least profitability had their return on assets standing at a low of 1 percent. Likewise, the earnings before interest stood at an average of 493,276,659.56 while the total assets condition stood averaged at 12,047,732,843. Notably, although the financial performance of Non-Bank Financial Institutions as reflected in their return on assets was good, the high standard deviation of 0.04 percent was indicative that some firms could be struggling with poor financial performance condition while others performed exemplary well. The findings support earlier observations by
Oloo (2010) who indicated that although non-banking financial institutions were performing well generally, a few players were still dealing with evident losses.

4.3.2 Corporate Governance

This section covers descriptive statistics on corporate governance as a facet of corporate social responsibility in the non-bank financial institutions. Figure 4.3 presents statistics on responses provided on whether corporate governance has an influence on financial performance of non-banking financial institutions. The results indicate that, slightly more than three quarters of respondents opined that corporate governance influences the financial performance of the firms. The least class comprising of slightly less than a quarter of the respondents were of the contrary opinion. Those who agreed cited a sense of positive drive, transparency, accountability and commitment as the facets through which corporate governance enhances performance. The results support earlier empirical foundations by Ruangviset, Jiraporn and Kim (2014) and Kahancova (2010) who indicated that firms had positive financial benefits to reap from corporate governance as a CSR undertaking.

![Corporate Governance and Financial Performance](image)

**Figure 2.3: Corporate Governance and Financial Performance**

Source: *Survey data (2019)*
Table 4.5 presents statistics on the extent to which corporate governance influenced the financial performance of firms as opined by respondents.

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>6</td>
<td>11.5</td>
</tr>
<tr>
<td>Small Extent</td>
<td>7</td>
<td>13.5</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>3</td>
<td>5.8</td>
</tr>
<tr>
<td>Large Extent</td>
<td>14</td>
<td>26.9</td>
</tr>
<tr>
<td>Very Large Extent</td>
<td>22</td>
<td>42.3</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: *Survey data (2019)*

The results in table 4.5 indicate that more than two thirds of respondents (69.2 percent) of respondents opined that corporate governance influenced the financial performance of firms to a large extent. Fairy less than a quarter (19.30 percent) of respondents indicated that corporate governance influenced the financial performance to a small extent or just moderately. A further 11.5 percent of respondents indicated that corporate governance had no effect on financial performance, after all. The results support earlier past studies by Ruangviset, Jiraporn and Kim (2014) and Kahancova (2010) who showed that corporate governance as CSR undertaking greatly and positively affected the financial performance of firms.

Figure 4.4 presents statistics on the extent to which the respondents shared with the proposition that CSR acts as the platform on which the company advertise their services and products. As demonstrated by the mean (4.08), in figure 4.4 the respondents shared largely with the proposition. Further, the low standard deviation (1.259) is indicative that the observations are clustered near the mean further validating the condition that most respondents agreed on that state of affairs. The
results support earlier results by Kahancova (2010) who also established that CSR improves the advertising platform.

![Bar chart with frequency distribution](image)

**Figure 4.4: CSR for Advertising**

*Source: Survey data (2019)*

Table 4.6 presents statistics on the extent to which respondents agreed with the statement that through CSR, the company and the public are in direct contact, which allows sharing of information about the products.

**Table 4.6: CSR Promotion of Company-Public Linkage**

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through CSR, the company and the public are in direct contact, which allows sharing of information about the products</td>
<td>52</td>
<td>1.00</td>
<td>5.00</td>
<td>4.3077</td>
<td>1.24520</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Survey data (2019)*

As indicated by the mean (4.31) in table 4.6, it was largely held that by implementing CSR, the company and the public are able to cultivate their direct contact, which allows sharing of
information sharing about the products and services. This is further validated by the low standard deviation (1.25), which indicates that observations are tightly held close to the mean. The results support earlier positions by Johansson, Karlsson and Hagberg (2015) who also established similar conditions.

Figure 4.5 presents statistics on the level to which respondents agreed with the proposition that information quality for the company financial statements was given special emphasis. As demonstrated by the mean (3.85) in figure 4.5, respondents highly agreed that the quality of information reflected in financial statements was given special emphasis. This is further demonstrated by the low standard deviation (1.24) which signposts proximity of observations around the mean hence further validating the proposition. The findings demonstrates that recommendations by Gikaru (2013) on need to enhance information quality was dearly considered.

Figure 4.5: Special Emphasis on Financial Statements’ Information Quality

Source: Survey data (2019)
Table 4.7 presents statistics on the level of agreement with the proposition that there was compliance with all elements of internal reporting in the non-bank financial institution.

**Table 4.7: Compliance with all Elements of Internal Reporting**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is compliance with all</td>
<td>52</td>
<td>1.00</td>
<td>5.00</td>
<td>3.6346</td>
<td>1.12073</td>
</tr>
<tr>
<td>elements of internal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reporting in our institution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: *Survey data (2019)*

As shown by the mean (3.63) in table 4.7, it was largely held that there was compliance with all elements of internal reporting in the non-bank financial institution. The low standard deviation (1.31) further affirms this condition indicating that the observations were closely held about the mean. Hence the recommendations of past studies such as Hariyanto and Suyono (2012) were duly followed.

Figure 4.6 presents statistics on the extent to which reporting in the company had effectively enhanced good governance practices as opined by the respondents. The results in figure 4.6, the high mean (4.25) which is demonstrative of high level of agreement among respondents that reporting in the company had effectively enhanced good governance practices. The low standard deviation (1.19) further affirm the validity of this condition. The results support foundations of Ruangviset, Jiraporn and Kim (2014) who presented a case for prudent reporting.
Table 4.8 shows statistics on the extent to which the institution complied with all elements of internal reporting as opined by respondents.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is compliance with all elements</td>
<td>52</td>
<td>1.00</td>
<td>5.00</td>
<td>3.6346</td>
<td>1.12073</td>
</tr>
<tr>
<td>of internal reporting in our institution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Results in Table 4.8 shows the mean (3.63) demonstrates large agreement among respondents with the proposition that there was high compliance with all elements of internal reporting. The low standard deviation (1.12) indicates that observations were held close to the mean further validating the conditions as proposed. Hence, recommendations in past studies such as Ruangviset, Jiraporn and Kim (2014) were effectively followed.
Figure 4.7 presents statistics on the level to which respondents agreed that there was commitment in the institutions to all elements of internal control, which then contributed, to strengthening the practice of corporate governance. Results show the mean (3.73) represents high level of agreement with this condition. This is further affirmed by the low standard deviation (1.46) which represents proximity of observations around the mean. The results indicate that the foundations presented by Lu, Richardson and Salterio (2011) were closely followed by the firms.

**Figure 4.7: Commitment to Internal Control in the Firm**

Source: *Survey data (2019)*

Table 4.9 presents statistics that represent the respondents’ level of agreement with the proposition that the non-banking financial institution had effected high compliance with all elements of internal control.
Table 4.9: Compliance with Internal Control in the firm

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>There has been compliance with all elements of internal control in the non-bank financial institution</td>
<td>52</td>
<td>1.00</td>
<td>5.00</td>
<td>4.2115</td>
<td>1.39096</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: *Survey data (2019)*

Results in table 4.9 indicate that the mean (4.21) is indicative of large agreement regarding compliance with all elements of internal control in the non-bank financial institution. The low standard deviation (1.40) further affirm this condition demonstrating that the observations are held close to the mean. The results support earlier positions by Olumbe (2012) who demonstrated compliance with internal control dimensions.

4.3.4 Community Commitment

This part covers descriptive statistics on Community Commitment, one of the CSR dimensions informing the current analysis. Figure 4.8 shows statistics on respondents’ opinion on whether community commitment influenced the financial performance of non-banking financial institutions. More than two thirds of participants (69.23 percent) were of the positive opinion while the rest (30.77 percent) indicated that community commitment had no influence on financial performance. The participants who agreed cited good community relations as a key to accessing the ready market hence the implications of more sales and profits. Those who disagreed cited the use of a portion of company’s profit for community issues as among reasons why performance would be adversely affected. The results support past findings by Gordon (2012) and Palmer (2012) who also presented a case for community commitment as key in influencing the financial performance.
Table 4.10 presents statistics on the extent to which community commitment influenced financial performance of non-bank financial institutions.

**Table 4.10: Extent to which Commitment affects Financial Performance**

<table>
<thead>
<tr>
<th>Extent to which community commitment influences financial performance of non-bank financial institutions</th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>extent to which community commitment influences financial performance of non-bank financial institutions</td>
<td>52</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1731</td>
<td>1.35359</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: *Survey data (2019)*

Results in table 4.10 shows the mean (4.17) demonstrating that respondents held that community commitment largely influenced the performance of the firms. The low standard deviation (1.35) further demonstrated the validity of this condition. The findings are in support of past results by Gordon (2012) and Palmer (2012) who also presented a case for community commitment as key in influencing the financial performance.
Figure 4.9 provides statistics on the level of agreement among respondents on the proposition that the firm had effectively explored new ways to promote the loyalty of customers. As shown by the mean (3.83) in the figure 4.9, the respondents largely agreed with the existence of that condition. The low standard deviation (0.76) further validates this condition as it demonstrates that observations are closely held to the mean. Thus, the recommendations of Palmer (2012) on need to enhance loyalty was followed.

**Figure 4.9: Exploration of Ways to Cultivate Customer Loyalty**

Source: Survey data (2019)
Table 4.11 presents statistics on the extent to which participants agreed with the proposition that the institution enjoys strong corporate and individual loyalty out of CSR initiatives.

### Table 4.11: Corporate and Individual Loyalty out of CSR Initiatives.

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The institution enjoys strong corporate and individual loyalty out of CSR initiatives.</td>
<td>52</td>
<td>1.00</td>
<td>5.00</td>
<td>3.7885</td>
<td>1.30364</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Survey data (2019).

From the results in the table 4.11 (Mean of 3.79), it was established that the institution enjoys strong corporate and individual loyalty out of CSR initiatives. This state of affairs was affirmed by the low standard deviation (1.30) which reflects proximity of responses about the mean. The findings indicate that both individual and corporate loyalty as preferred by Palmer (2012) were well pursued.

Figure 4.10 shows statistics on the level to which respondents shared with the proposition that the firm’s made prudent investment decisions to win shareholder confidence. Results indicate that as the mean (4.23) demonstrates, participants highly agreed with the proposition that the non-bank-financial institutions made prudent investment decisions to win shareholder confidence. This condition is further validated by the low standard deviation (1.16) which indicates that observations were closely held about the mean. The results agree with Palmer (2012) who also established similar conditions.
Figure 4.10: Prudent Investment Decisions and Shareholder Confidence.

Source: Survey data (2019).

Table 4.12 presents statistics on the level to which respondents agreed with the statement that the non-bank financial institution was committed in cultivating good investor relations in a bid to win loyalty.

**Table 4.12: Commitment to Cultivate Good Investor Relations**

<table>
<thead>
<tr>
<th>The firm is committed in cultivating good investor relations in a bid to win loyalty</th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>52</td>
<td>1.00</td>
<td>5.00</td>
<td>4.2692</td>
<td>1.31530</td>
</tr>
</tbody>
</table>

Source: Survey data (2019)

Results in table 4.12 indicate that, the statistics (mean of 4.27) show that the firms were committed in cultivating good investor relations in a bid to win their loyalty. This condition is further validated by the low standard deviation (1.32) which reflects proximity of observations to the mean. Hence the recommendations of Gordon (2012) on need to cultivate good investor relations was well implemented.
Figure 4.11 provides analysis results on respondents’ agreement with the statement that the non-bank financial institutions preserved organizational knowledge and shared the same with other members of the institutions. Results in figure 4.11, the mean (3.25) demonstrates, the respondents were largely undecided as to whether the firm preserved and shared organisational knowledge. This condition is also confirmed by the low standard deviation (1.57) which indicates that observations were held close to the mean. Hence, recommendations by Gordon (2012) on need for preservation of organisational knowledge was yet to be fully implemented by the firms.

![Histogram](image)

**Figure 4.11: Preservation and Sharing of Organisational Knowledge**

**Source:** Survey data (2019)

Table 4.13 shows statistics on the level to which the respondents shared with the proposition that the institution appreciated human capital as the most important intellectual asset.
From the results in table 4.13, as evidenced by the mean (3.83), it was clear that the non-bank financial institutions appreciated human capital as the most important intellectual asset as this was the view of most respondents. The low standard deviation (1.23) further affirms this condition. The recommendations of Palmer (2012) on the subject matter was therefore dearly implemented.

### 4.3.5 Affirmative Action

Figure 4.12 presents statistics on the level to which respondents agreed with the statement that affirmative action influenced the performance of non-bank financial institutions. Results in the figure 4.12 indicate more than half (61.54 percent) of respondents indicated that affirmative action influenced the financial performance of non-bank financial institutions. The rest (38.46 percent) of participants indicated that affirmative action had no influence on financial performance after all. In essence, the results support earlier foundations by Finney, Finney and Parry (2014) and Bhowmik (2016) who also presented a case for implementation of affirmative action.
Figure 4.12: Affirmative Action's Influence on Financial Performance

Source: *Survey data (2019)*

Table 4.14 presents statistics on the level to which respondents shared with the proposition that the firm had integrated affirmative action with CSR, thereby helping in development of business-linked programs that catered for communities.

**Table 4.14: Integration of Affirmative Action with CSR**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm has integrated affirmative action with CSR that has helped in developing business-linked programs that catered for communities</td>
<td>52</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1923</td>
<td>1.23730</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: *Survey data (2019)*

Results in table 4.14 the mean (4.19) demonstrates high level of agreement among respondents on the existence of this state of affairs. The low standard deviation (1.24) further confirms this state, showing that observations were clustered near the mean. The results show conformity to suggestions given in past studies by Bhowmik (2016) who highlighted need to integrate affirmative action into CSR undertakings.
Figure 4.13 gives statistics on the level to which respondents agreed with the proposition that offering employment opportunities as an indicator of affirmative action had greatly enhanced the performance of the non-banking financial institution. From figure 4.13, the mean (4.15) demonstrates large agreement with this state of affairs. The low standard deviation (1.41) indicates that observations are held close to the mean further validating this condition. The study results support earlier findings by Wambui (2012) as well as Crosby and Konrad (2012) who also found similar state of affairs.

**Figure 4.13: Employment Opportunities and Performance**

**Source:** *Survey data (2019)*

Table 4.15 presents statistics on the level to which the respondents agreed with there being a well-established entrepreneurship-training program in the firm.
Table 4.15: Entrepreneurship Training Program

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm has a well-entrenched entrepreneurship training program.</td>
<td>52</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1923</td>
<td>1.29915</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey data (2019)

Results in table 4.15, the mean (4.19) demonstrated that entrepreneurship training programs were well entrenched in the firm. This condition is further confirmed by the low standard deviation (1.30) which represents proximity of observations to the mean. The results share with recommendations by Bhowmik (2016) who presented a case for pursuit of such programs.

Figure 4.14 presents statistics on the extent to which respondents agreed with the statement that the firm implemented apprenticeship-training programs that largely helped in recruitment upon successful completion courses. From the results, the mean (3.25) demonstrates indifference with the existence of this state of affairs in the firms. The low standard deviation (1.58) further affirms this reflecting proximity of observations to the mean. Hence the recommendations by Bhowmik (2016) on need to enhance the implementation of apprenticeship programs was yet to be well embraced.
Table 4.16 presents statistics on the extent to which the respondents agreed with the statement that the training programs offered by the firm were effective in raising awareness about the opportunities and challenges of entrepreneurship and self-employment.

Table 4.16: Effectiveness of Training Programs in Entrepreneurship Challenges

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The training programs offered by the firm are effective in raising awareness about the opportunities and challenges of entrepreneurship and self-employment</td>
<td>52</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1923</td>
<td>1.3289</td>
</tr>
</tbody>
</table>

Table 4.16: Effectiveness of Training Programs in Entrepreneurship Challenges

From the results in table 4.16 the mean (4.19) indicates high level of agreement with the proposition that the training programs offered by the firm were effective in raising awareness about the opportunities and challenges of entrepreneurship and self-employment. This is further
validated by the low standard deviation (1.33) which represents proximity of observations to the mean. The results support suggestions presented by Bhowmik (2016) from the Indian context.

Figure 4.15 presents statistics on the extent to which the firm used education sponsoring to execute affirmative action as a facet of social responsibility. From the results in table 4.16, the mean (4.19) represents large agreement with existence of the condition. The low standard deviation (1.10) further affirms that state of affairs. The study demonstrates that the firm closely followed recommendations by Wambui (2012) as well as Finney, Finney and Parry (2014) who presented a case for education sponsoring as a facet of affirmative action.

![Figure 4.15: Education Sponsoring for Affirmative Action.](source: Survey data (2019))

Table 4.17 shows statistics on the level to which respondents agreed with the proposition that the institution had a continuous budget towards education sponsored programs.
### Table 4.17: Continuous Budget towards Education Sponsored Programs

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The institution has a continuous budget towards education sponsored programs</td>
<td>52</td>
<td>1.00</td>
<td>5.00</td>
<td>3.9423</td>
<td>1.12744</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** *Survey data (2019)*

From the results of table 4.17 the mean (3.94) demonstrates, respondents largely share with the proposition that the non-bank financial institutions had a continuous budget towards education sponsored programs. The low standard deviation (1.13) shows that the observations were held close to the mean, thereby validating that state of affairs. Hence the recommendations by Crosby and Konrad, (2012) on need to ensure resources for education programs was closely implemented.

#### 4.4 Inferential Statistics

This section covers inferential statistics, on the basis of which inferences (generalisations would be made on the larger population. The inferential statistics majorly comprise of the multiple linear regression analysis output. Diagnostic tests are first carried out to ascertain that the data sets conform to the general assumptions of statistical procedures such as the regression analysis.

##### 4.4.1 Diagnostic tests

The procedures included tests for normality, heteroskedasticity, autocorrelation, and multicollinearity. The Shapiro-Wilk test of normality was considered most appropriate as the responses were 52 in total. Should the responses be more than 2000, then the Kolmogorov-Smirnov test would have been applicable. The hypothesis for the normality test were developed as follows;

\[ H_0: \text{The observed distribution fits the normal distribution.} \]

\[ H_a: \text{The observed distribution does not fit the normal distribution.} \]
As a consequence, failure to reject $H_0$ would be taken to mean presence of normality status in the data set. Table 4.18 provides results of the normality test.

**Table 4.18: Shapiro-Wilk test of Normality**

<table>
<thead>
<tr>
<th></th>
<th>Kolmogorov-Smirnov(^a)</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>df</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>.674</td>
<td>52</td>
</tr>
</tbody>
</table>

\(a\). Lilliefors Significance Correction

**Source:** Survey data (2019)

Results in Table 4.18 indicate the P value of the Shapiro-wilk test (0.75) is larger than 0.05 for financial performance. Therefore, the study failed to reject $H_0$. As a consequence, the study arrived at an assumption that the data was normally distributed (Shapiro & Wilk, 1965; Razali & Wah, 2011).

The test for auto correlation was done through the Durbin Watson test. Table 4.19 shows the Durbin Watson test results.

**Table 4.19: Durbin Watson Test for auto correlation**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.869(^a)</td>
<td>.7551</td>
<td>.7483</td>
<td>.10091</td>
<td>2.383</td>
</tr>
</tbody>
</table>

\(a\). Predictors: (Constant), Corporate Governance, Community Commitment, Affirmative Action

\(b\). Dependent Variable: Financial Performance

**Source:** Survey data (2019)

Results in Table 4.19, the Durbin-Watson statistic, $d = 2.383$, lies between the two critical values of $1.5 < d < 2.5$. Therefore, the study arrived at a conclusion on the absence of first order linear auto-correlation in the multiple linear regression data set (Durbin & Watson, 1971).
The test for multicollinearity was done by interpretation of Tolerance and Variance of Inflation Factors (VIF) statistics in regression diagnostics. Table 4.20 shows results of the multicollinearity output (Tolerance and VIF).

**Table 4.20: Multi Collinearity Test**

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td></td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>.486</td>
</tr>
<tr>
<td>Community Commitment</td>
<td>.309</td>
</tr>
<tr>
<td>Affirmative Action</td>
<td>.387</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial Performance  
Source: Survey data (2019)  
Results in Table 4.20 show that Tolerance values are 0.486, 0.309, and 0.387 for Corporate Governance, Community Commitment and Affirmative Action respectively. From the results, it is clear that the Tolerance values all stand above the minimum threshold of 0.10 as recommended by the authors (Liu, Kuang, Gong, & Hou, 2003). On the same note, the VIF values for the predictor variables stand at 2.058 (corporate governance), 3.236 (community commitment), and 2.584 (affirmative action). The VIF values all fall below the maximum ceiling of 10 as recommended by authors. Therefore, an assumption was made on the absence of multicollinearity problem in the data set.

The test for Heteroskedacity was conducted through Test Glejser. The interpretation of Test Glejser would use the following decision rule: If the P value or Sig. > 0.05, then there is absence of heteroscedasticity problem. On the contrary, should the P value or Sig. <0.05, then the problem of heteroscedasticity would be present (Glejser, 1969; Long & Ervin, 2000). Table 4.21 provides the output of the Test Glejser test.
Table 4.21: Test Glejser for Heteroscedacity

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.419</td>
<td>.277</td>
<td>1.055</td>
<td>.201</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>.406</td>
<td>.272</td>
<td>1.880</td>
<td>2.784</td>
</tr>
<tr>
<td>Community Commitment</td>
<td>.346</td>
<td>.233</td>
<td>.702</td>
<td>1.056</td>
</tr>
<tr>
<td>Affirmative Action</td>
<td>.056</td>
<td>.075</td>
<td>.206</td>
<td>.894</td>
</tr>
</tbody>
</table>

a. Dependent Variable: AbsUt

Source: Survey data (2019)

Based on output, the obtained P values for corporate governance (0.052), community commitment (0.088), and affirmative action (0.313) are all greater than 0.05 (> 0.05). Therefore, going by the decision rule established earlier, a conclusion was reached on the absence of the heteroscedasticity problem in the data (Long & Ervin, 2000).

4.4.2 Regression Analysis

The study run a regression analysis to establish the effect of corporate social responsibility on financial performance of non-bank financial institutions in Kiambu County, Kenya. Table 4.22 represents the statistical output of the F test on ANOVA as generated using SPSS.

Table 4.22: F- Test on ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>200.518</td>
<td>3</td>
<td>66.839</td>
<td>144.852</td>
<td>.001</td>
</tr>
<tr>
<td>Residual</td>
<td>18.308</td>
<td>49</td>
<td>.374</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>218.826</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Corporate Governance, Community Commitment, Affirmative Action

b. Dependent Variable: Financial Performance

Source: Survey data (2019)
At the 0.05 or 5% significance level, there was enough evidence to conclude that the slope of the regression line was different from zero. This supposition is made as the p value of 0.001 falls below the 5% level of significance. Therefore, a conclusion was reached that at least one of the variables; corporate governance, community commitment and affirmative action was a useful predictor of financial performance.

The regression model summary was key in determining the usefulness of the model in predicting financial performance. Table 4.23 presents the regression model summary.

### Table 4.23: Regression Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.869a</td>
<td>.7551</td>
<td>.7483</td>
<td>.10091</td>
<td>2.383</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Corporate Governance, Community Commitment, Affirmative Action

b. Dependent Variable: Financial Performance

**Source:** Survey data (2019)

From results in Table 4.23 as explained by R Square, the Coefficient of Determination, 74.83 percent of variation in financial performance of non-bank financial institutions (the dependent variable) is explained by variability in corporate social responsibility variables: Corporate Governance, Community Commitment and Affirmative Action. To that end, other predictors not included in the model explained only 25.17 percent of variation in financial performance. Therefore, as guided by Draper, Smith, & Pownell (1966) and Seber and Lee (2012), a conclusion was reached that at least one CSR variable, Corporate Governance, Community Commitment and Affirmative Action was a statistically significant predictor of financial performance.
Table 4.24 shows the multiple linear regression coefficients with financial performance being the dependent variable and corporate social responsibility components (Corporate Governance, Community Commitment and Affirmative Action) as the independent variables.

**Table 4.24: Regression Model Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>5.487</td>
<td>.067</td>
<td></td>
<td>1.110</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>2.304</td>
<td>.302</td>
<td>.713</td>
<td>2.023</td>
</tr>
<tr>
<td>Community Commitment</td>
<td>.701</td>
<td>.220</td>
<td>.553</td>
<td>2.103</td>
</tr>
<tr>
<td>Affirmative Action</td>
<td>.052</td>
<td>.214</td>
<td>.314</td>
<td>1.117</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial Performance

Source: *Survey data (2019)*

From the results in table 4.24, the regression analysis results, the coefficients for all the corporate social responsibility variables (Corporate Governance, Community Commitment and Affirmative Action) indicate that the variables are significant determinants of financial performance. The coefficient for Corporate Governance (2.304) has an associated p-value of 0.009 which is less than 5 percent or 0.05 level of significance. This indicates that Corporate Governance is a useful predictor of financial performance. The results support earlier empirical foundations by Ruangviset, Jiraporn and Kim (2014) and Kahancova (2010) who indicated that firms had positive financial benefits to reap from corporate governance as a CSR undertaking.

The coefficient for Community Commitment (0.701) has an associated p-value of 0.031 which is less than the 5 percent or 0.05 level of significance. As such, it is concluded that Community Commitment is a useful predictor of financial performance. The results support past findings by
Gordon (2012) and Palmer (2012) who also presented a case for community commitment as key in influencing the financial performance.

The coefficient for Affirmative Action (0.052) has an associated p-value of 0.023 which is less than 0.05 or 5 percent level of significance. This therefore signposts that Affirmative Action is a significant predictor of financial performance. In essence, the results support earlier foundations by Finney, Finney and Parry (2014) and Bhowmik (2016) who also presented a case for implementation of affirmative action.

A conclusion is therefore reached that corporate social responsibility indicators; Corporate Governance, Community Commitment and Affirmative Action are useful predictors of financial performance. The regression line model is developed as follows;

**Financial Performance = 5.487 + 2.304 (Corporate Governance) + 0.701 (Community Commitment) + 0.052 (Affirmative Action)**

From the regression model, all the CSR (independent variables) have a positive effect on financial performance.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covers a summary of findings, conclusions as well as policy recommendations on corporate social responsibility approaches that would best enhance the financial performance of non-bank financial institutions. The study also gives suggestions for further research in view of unique findings and research gaps not adequately addressed in the current study.

5.2 Summary of Findings

The study sought to establish the effect of corporate social responsibility on financial performance of non-banking financial institutions in Kiambu County, Kenya. The study focused on establishment of the effect of corporate governance, community commitment and affirmative action on financial performance. Return on Assets (ROA) ratio, a profitability metric, is used to indicate the financial performance of non-banking financial institutions.

On financial performance, findings demonstrated that the profitability of the non-bank financial institutions as reflected in their return on assets was fairly good. Nonetheless, the study indicated that some firms could be struggling with poor financial performance condition while others performed exemplary well. The same was reflected in the earnings before interest and tax and total assets status where huge differences were observed among the institutions. As explained by R Square, the Coefficient of Determination, more than three quarters of variation in financial performance of non-bank financial institutions was explained by variability in corporate social
responsibility variables: Corporate Governance, Community Commitment and Affirmative Action.

The participants were assertive that corporate governance influences the financial performance of their institutions. Among the reasons cited included a sense of positive drive, transparency, accountability and commitment which are yields of good corporate governance practices. It was held that the firms largely observed good corporate governance practices. To start with, the quality of information reflected in financial statements was given special emphasis. There was also high compliance with all elements of internal reporting in the non-bank financial institution. Prudent reporting in the company, the study revealed, had effectively enhanced good governance practices. It was further observed that the firms showed commitment to all elements of internal control, which then contributed, to strengthening the practice of corporate governance. Multiple linear regression analysis results indicated that corporate governance was a statistically significant determinant of financial performance. Notably, corporate governance yielded the highest positive effect on financial performance among all CSR variables.

On Community Commitment, participants widely agreed that community commitment largely influenced the financial performance of non-banking financial institutions. Good community relations was highlighted as the main reason by which community commitment enhanced financial performance. Good relations ensured quick access to the ready market hence the implications of more sales and profits. The findings established too that the firm had effectively explored new ways to promote the loyalty of customers. The non-bank-financial institutions, results indicated, made prudent investment decisions, a strategy that worked effectively in winning shareholder
confidence and loyalty. Nonetheless, the participants were indifferent that the non-bank financial institutions preserved organizational knowledge and shared the same with other members. Results further showed that the non-bank financial institutions largely appreciated human capital as the most important intellectual asset as this was the view of most respondents. Multiple linear regression analysis results established that community commitment as a dimension of CSR was a statistically significant determinant of financial performance. The effect of the variable was positive.

On affirmative action, it was the position of many that the factor was key in influencing the financial performance of non-bank financial institutions. Effectively, as the study results showed, the firms had largely integrated affirmative action with CSR, thereby helping in development of business-linked programs that catered for communities. Further, results showed that the firm’s initiative to offer employment opportunities as an indicator of affirmative action had greatly enhanced the performance of the non-banking financial institution. The firms highly used education sponsoring in executing affirmative action as a facet of social responsibility. There was high agreement that the non-bank financial institutions had a continuous budget towards education sponsored programs. It was further observed that training programs offered by the firm were effective in raising awareness about the opportunities and challenges of entrepreneurship and self-employment. Further, the firms had well entrenched entrepreneurship training programs. However, respondents were largely indifferent on implementation of apprenticeship-training programs in the firms that would largely help in recruitment upon successful completion of courses. Multiple linear regression analysis results indicated that affirmative action was a statistically significant predictor of financial performance. Notwithstanding the fact that the effect of affirmative action was positive
and statistically significant, affirmative action yielded the least effect on financial performance among all CSR variables.

5.3 Conclusion of the Study
Inferential statistics allow generalisations (inferences) and conclusions to be made regarding the larger population. The study concludes that corporate social responsibility is an important factor in enhancing the financial performance of firms. All the corporate social responsibility variables: Corporate Governance, Community Commitment and Affirmative Action positively influence the financial performance of non-bank financial institutions positively. The multiple linear regression analysis results lead to a conclusion that corporate governance stands as a statistically significant determinant of financial performance. It is further concluded that of all the CSR variables, corporate governance yields the highest positive effect on financial performance. Further guided by the regression analysis results, community commitment as a dimension of CSR is a positive and statistically significant determinant of financial performance. On affirmative action, multiple linear regression analysis results lead to a conclusion that the factor is a statistically significant predictor of financial performance. Of all the CSR variables, the study concludes that affirmative action yields the least effect on financial performance.

5.4 Recommendations of the Study
Key policy recommendations are made, in view of unique findings to help the non-bank financial institutions and other firms in the like industry device ways to enhance their financial performance levels. Although the average profitability (financial performance) of the non-bank financial institutions as reflected in their return on assets was fairly good, it was established that some firms could be struggling with poor financial performance condition. Huge differences were also observed on the earnings before interest and tax and total assets status of the firms with some
posting marginal figures. The study recommends that the underperforming non-bank financial institutions to consider benchmarking on other players to learn ways to build their capacity to deliver better financial results. The study recommends enhanced adoption of corporate social responsibility as an organisational practice as it has been established as significant in driving financial performance. There should be more investment on CSR factors namely; corporate governance, community commitment and affirmative action.

On corporate Governance, the study recommends more tightening of standards to ensure quality of information reflected in financial statements. Compliance to internal reporting and internal control should further be enhanced by the non-bank financial institution. Of all CSR factors, corporate governance should be given more attention as it yields the largest influence on performance. On community commitment, more investment should be made to cultivate the level of community commitment which was established to play a crucial role in positively influencing the financial performance. Recommendations are made on need to improve the practice of preserving organizational knowledge and sharing the same with other members of the organisation. Notably, this was found to be deficient in the firms. On affirmative action, the study recommends practices to pursue the implementation of the factor further as it was found to yield positive results. Focus should be driven on employment opportunities and education sponsoring which were found to be key factors likely to shape the direction of financial performance condition. The study recommends that the firms review the implementation of apprenticeship-training programs which was found to be poorly executed.
5.5 Limitations of the Study

The study encountered a number of limitations. A non-response situation was encountered where some participants failed to answer all the questions. This condition led to some disparities with data. In addition, the study respondents comprised of a busy class of workforce at Non-banking financial institutions who had limited time to participate in the study. This explains further the reason as to why one hundred percent response rate was not achieved. The nature of information collected touched on sensitive guarded policy secrets and performance figures. The study was further limited by the scope in that only three CSR factors were considered (corporate governance, community commitment and affirmative action). Hence, the study may not be in a position to answer to questions beyond the covered scope.

5.6 Suggestions for further research

On account of research constraints caused by limited resources, the study was limited to analysis of non-bank financial institutions in Kiambu County, Kenya. For this reason, the study recommends future studies to expand the population and cover a wider scope. A study is recommended on the determination of the effect of Corporate Social Responsibility on Financial Performance of Non-Bank financial institutions in Kenya. Empirically, the study recommends use of more indicators of financial performance in future research. The return on assets alone may not have reflected wholly the financial performance condition. In particular, other dimensions of financial performance such as operational efficiency and liquidity could be the focus of future studies.
References


Centre for Corporate Governance of Kenya (CCG) (2004)


Weinreb, E. (2012). Talent ShowProof: A strong CSR program can attract, retain talent for less. Available at: www.greenbiz.com/blog/2012/06/06/proof-strong-csr-program-can-attract-retain-talent-for-less.


Appendix 1: Letter of Introduction to Respondents

Patrick Mungai Ndungu
Kenyatta University, CBD Campus
Nairobi.

Dear Sir/Madam,

RE: DATA COLLECTION BY PATRICK MUNGAI NDUNGU

I am undertaking an MBA degree in Finance of Kenyatta University CBD Campus. In partial fulfillment of the course, I am conducting a required research paper on “the relationship between corporate social responsibility and financial performance of non-banking financial institutions in Kiambu County, Kenya” You have been selected to participate in this study/survey and I would like to kindly request for your assistance. The information provided is strictly for academic purpose and will be handled with strict confidence. Your assistance and cooperation will be highly appreciated.

A copy of the research report would be availed to you upon request.

Yours sincerely,

Patrick Mungai Ndungu

D53/CTY/PT/33328/2014
Appendix II: Questionnaire

Corporate Social Responsibility and Financial Performance of Non-Banking Financial Institutions in Kiambu County, Kenya. Please read each question carefully and follow the instruction given. Kindly answer the questions by ticking in the box that best describes your answer or writing your answers in the spaces provided where applicable. The answers provided will be for academic purpose only and will be treated with utmost confidentiality.

Section A: Biographic Information

1. What is the name of your institution (optional)
   ........................................................................................................................................

2. Respondents’ Gender
   Male [ ]
   Female [ ]

3. Kindly indicate your age bracket
   18-30 years [ ]
   31-40 years [ ]
   41-50 years [ ]
   > 51 years [ ]

4. What is your highest level of education?
   Primary [ ]
   Secondary [ ]
   Graduate [ ]
   PhD [ ]

5. How many years have you worked in your institution?
   1-5 years [ ]
   5-10 years [ ]
   10-15 years [ ]
   >15 years [ ]

Section B: Descriptive Statistics

{I} Corporate Governance

1. Does corporate governance influence financial performance of your institution?
   Yes [ ] No [ ]
ii. If Yes, how

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iii. If No, please explain

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2. Please indicate the extent to which corporate governance influences on financial performance of your institution.

[ ] Not at all
[ ] Small extent,
[ ] Moderate extent
[ ] Large extent
[ ] Very large extent

Kindly tick (√) or fill appropriately in the spaces provided regarding the statements relating to the influence of corporate governance on financial performance of non-banking financial institutions on a scale of 1 to 5 where; 1=Not at all, 2 = Strongly disagree, 3=Disagree, 4=Agree, 5=Strongly Agree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. CSR acts as the platform on which the company advertise their services and products</td>
<td></td>
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<tr>
<td>4. Through CSR, the company and the public are in direct contact, which allows sharing of information about the products</td>
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Reporting

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<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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</thead>
<tbody>
<tr>
<td>5. Information quality for company financial statements is given special emphasis</td>
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<tr>
<td>6. There is compliance with all elements of internal reporting in our institution</td>
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<tr>
<td>7. Reporting in the company has effectively enhanced good governance practices</td>
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</tbody>
</table>
8. There has been commitment to all elements of internal control, which has contributed, to strengthening the practice of corporate governance

9. There has been compliance with all elements of internal control in the non-bank financial institution

Community Commitment

1. Does community commitment influence financial performance of non-banking financial institutions?
   Yes [ ] No [ ]

ii. If Yes, how

iii. If No, please explain

2. Please indicate the extent to which community commitment influences financial performance of non-bank financial institutions by ticking in the space provided.
   [ ] Not at all
   [ ] Small extent,
   [ ] Moderate extent
   [ ] Large extent
   [ ] Very large extent

On a scale of 1 to 5, Kindly tick (√) or fill appropriately, your level of agreement with the following statements regarding community commitment CSR Practice of the non-banking financial institution. Where; 1= Strongly Disagree, 2=Disagree, 3=Undecided, 4=Agree, 5=Strongly Agree
<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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<tbody>
<tr>
<td><strong>Customer loyalty</strong></td>
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<td>3. The firm has effectively explored new ways to promote the loyalty of customers</td>
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<td>4. The institution enjoys strong corporate and individual loyalty out of CSR initiatives</td>
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<tr>
<td><strong>Investor loyalty</strong></td>
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<td>5. The firm’s makes prudent investment decisions to win shareholder confidence</td>
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<tr>
<td>6. The firm is committed in cultivating good investor relations in a bid to win loyalty</td>
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<tr>
<td><strong>Increase in intangible assets</strong></td>
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<td>7. The firm preserves organizational knowledge and shares it with other members of the institution</td>
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<td>8. The institution appreciates human capital as the most important intellectual asset</td>
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<td>9. In your own opinion, how else does community commitment influence financial performance of non-banking financial institutions?</td>
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<tr>
<td><strong>Affirmative Action</strong></td>
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<tr>
<td>1. Do affirmative action influence financial performance of non-financial institutions?</td>
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<tr>
<td>Yes [ ] No [ ]</td>
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<td>ii. If Yes, how</td>
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<td>iii. If No, please explain</td>
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</table>
Tick (✓) or fill appropriately relating to affirmative action and its influence on financial performance of non-financial institutions.

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<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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</thead>
<tbody>
<tr>
<td><strong>Employment opportunities</strong></td>
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<tr>
<td>2. The firm has integrated affirmative action with CSR that has helped in developing business-linked programs that cater for communities.</td>
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<tr>
<td>3. Offering employment opportunities as an indicator of affirmative action has greatly enhanced the performance of non-banking financial institution</td>
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<tr>
<td><strong>Entrepreneurship training</strong></td>
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<td>4. The firm has a well-entrenched entrepreneurship training program</td>
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<td>5. The firm implements apprenticeship-training programs that help in recruitment upon successful completion of the course</td>
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<td>6. The training programs offered by the firm are effective in raising awareness about the opportunities and challenges of entrepreneurship and self-employment</td>
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<tr>
<td><strong>Education sponsoring</strong></td>
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<td>7. The firm uses education sponsoring to execute of affirmative action as a facet of social responsibility</td>
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<td>8. The institution has a continuous budget towards education sponsored programs</td>
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</table>

11. In your own opinion, how else does affirmative action influence financial performance of non-financial institutions?

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Financial Performance of Non-Financial Institutions

Please indicate the extent to which the following determinants measure financial performance of non-financial institutions

<table>
<thead>
<tr>
<th>Financial Performance Measure</th>
<th>Financial year</th>
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<tbody>
<tr>
<td></td>
<td>2013</td>
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<tr>
<td>Return on Assets</td>
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</table>
### Earnings Before Interest and Tax (EBIT)

<table>
<thead>
<tr>
<th>Categories</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<td>Below Kshs.2,000,000.00</td>
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<td>Between Kshs.2,000,000 and 3,000,000</td>
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<td>Above Kshs.5,000,000</td>
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### Total Assets

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<th>Categories</th>
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<th>2014</th>
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<th>2017</th>
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Thank you very much!
**Earnings Before Interest and Tax (EBIT)**

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<th>Categories</th>
<th>2013</th>
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<td>Above Kshs.5,000,000</td>
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**Total Assets**

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<th>Categories</th>
<th>2013</th>
<th>2014</th>
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<td>Above Kshs.5,000,000</td>
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Thank you very much!
Appendix III: Research Authorizations by Kenyatta University

KENYATTA UNIVERSITY
GRADUATE SCHOOL

Internal Memo
FROM: Dean, Graduate School
DATE: 12th March, 2019

TO: Patrick Mungai Ndungu
C/o Accounting and Finance Dept.

REF: D54/CTY/PT/33328/2014

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 6th March, 2019 approved your Research Project Proposal for the M.B.A Degree Entitled, “Corporate Social Responsibility and Financial Performance of Selected Non-Financial Banking Institutions in Kiambu County, Kenya”.

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University’s Website under Graduate School webpage downloads.

Thank you.

[Signature]

FOR: DEAN, GRADUATE SCHOOL

cc. Chairman, Accounting and Finance.

Supervisors:

1. Dr. John Mungai
   C/o Department of Accounting and Finance
   Kenyatta University
Appendix IV: Research Authorization and Permit by NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-394241
Fax: +254-32-395952
Tel: +254-20-395951
Website: www.nacosti.or.ke
When replying please quote:

Ref No. NACOSTI/P/19/72390/29316

Date: 16th July, 2019.

Patrick Mungai Ndungu
Kenyatta University
P.O. Box 43844-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on “Corporate Social Responsibility and Financial Performance of selected Non-Banking Financial Institution,” I am pleased to inform you that you have been authorized to undertake research in KIAMBU COUNTY for the period ending 16th July, 2020.

You are advised to report to the County Commissioner, and the County Director of Education, KIAMBU COUNTY before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

DR. STEPHEN K. KIBIRU, PH.D.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
KIAMBU COUNTY,

The County Director of Education
KIAMBU COUNTY.
Appendix V: List of Non-Banking Financial Institution in Kiambu County

Co-operative Societies
1. Kenya Post Office Saving Bank
2. Ruiru Catholic Development Fund
3. Githunguri Catholic Development Fund
4. PCEA Ruiru Sacco
5. Urithi Housing Cooperative Society
6. Chania Travellers Sacco Ltd
7. Fundilima Sacco Society
8. Kingdom Sacco Society
9. Tai Sacco
10. Kiambu Teachers Sacco Society
11. Kenya Canners
12. All Churches Sacco Society Ltd
13. Dimkes Sacco Society Ltd
14. Firiji Sacco Society Ltd
15. Kenversity Sacco Society Ltd
16. Joinas Sacco Society
17. K-Unity Sacco Society Ltd
18. Metropolitan National Sacco Society
19. NRS Sacco Society Ltd
20. Orient Sacco Society Ltd
21. Bhupco Saving and Credit Ltd
22. JujaMirima Cooperative Society Ltd
23. Rubber Saving and credit cooperative society
24. Afro Knit Saving and credit cooperative society
25. Limuru Poultry Cooperative Sacco Ltd.
26. Kirichu Dairy cooperative Society Ltd
27. Acif workers Coperative saving and credit ltd
28. Kensara Sacco Ltd.
29. Conduits Cooperative Sacco Ltd.
30. Gatukuyu Saving and Credit
31. Komothai Coffee Saving Credit Society
32. Blue highlands Saving and credit Cooperative society
33. TingangaFarmers Cooperative Society
34. Muguga Spinners &VeaversCoperative society
35. Kandara Farmers Coperative Society Ltd.
36. Croplife Farmers Sacco
37. Githunguri Dairy & Community Sacco Society Ltd
38. Murata Farmers Coperative Sacco
39. Kiambaa Dairy Farmers Cooperative Society
40. Unitas Sacco Ltd.
Insurances
41. Corporate Insurance Company (CIC)
42. Resolution Insurance
43. Heritage insurance
44. Apollo Pan African Insurance
45. Pioneer Insurance Company
46. Trident Insurance Company
47. Invesco Assurance Company
48. Kenya Orient Insurance
49. UAP Insurance Company
50. Pacis Insurance Company
51. Madison Insurance Company
52. First Assurance Kenya
53. AAR Insurance Kenya

Microfinances
54. Kenya Women Finance Trust
55. Faulu Micro Finance
56. Choice Microfinance
57. Musoni Microfinance
58. Rafiki Microfinance
59. K-rep Bank Ltd
60. SMEP Microfinance