THE EFFECT OF SOCIAL MEDIA USAGE ON FINANCIAL PERFORMANCE OF DEPOSIT-TAKING MICRO FINANCE INSTITUTIONS IN KENYA

BY

ABEA FREDRICK BUCHANAN OKARI

D61/83802/2016

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

DECEMBER, 2017

DECLARATION

I declare that this research project is my original work and has not been submitted for any award in any other University/Institution.

Signature…………………………….. Date………………………….

Fredrick Buchanan O. Abea

D61/83802/2016

This research project has been submitted for examination with my approval as the University Supervisor

Signature……………………………… Date…………………………….

Abdulatif Essajee

Lecturer,

Department of Finance and Accounting

School of Business,

University of Nairobi

ACKNOWLEDGEMENTS

My deepest acknowledgements are dedicated to the Almighty God for the gift of life and providing me with good health to undertake this research as required for successful completion of my MBA program.

Special appreciation is to my parents (Mr. Hanson Abea and Mrs. Loise Nyambeki) for clothing me with the gowns of education and the principles of hard work that have enormously helped me in my entire life up to this far, I owe you maximum respect, receive my best gratitude.

I sincerely acknowledge the invaluable assistance of my project supervisor, Mr. Abdullatiff Essajee for tirelessly spending his time in supervising and checking on the progress of this research study and guiding me through the research period right from the proposal level to this final project report.

I wish to recognize and specifically thank the entire school of Business Lecturers for clothing me with the garments of knowledge in management that has enabled me to carry out this research study and compile this research project.

Finally, I would also like to acknowledge and thank all my brothers and my friend, Mr. David Sereti for their enormous encouragement, contribution, support and advice towards the research study that culminated into writing this project report.

Thank you all

Abea Fredrick Buchanan Okari

DEDICATION

I dedicate this research project to my wife (Christine) and Children (Allaine and Nelson) for their continued moral support, encouragement, cooperation, prayers and understanding that culminated into successful completion of my MBA course.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

ADTMFIs	Association of Deposit Taking Microfinance Institutions
ANOVA	Analysis of Variance
CAC	Customer Acquisition Cost
CAK	Communications Authority of Kenya
CBK	Central Bank of Kenya
CLA	Cost per Loan Asset
CRM	Customer Relationship Management
DTMFIs	Deposit Taking Micro Finance Institutions
FSD	Financial Sector Deepening
ICT	Information Communication Technology
I T	Information Technology
IRC	Internet Relay Chart
MBA	Master of Business Administration
NBFI	Non-Bank Financial Institution
PAR	Portfolio at Risk
ROA	Return on Assets
ROE	Return on Equity
SACCOs	Savings and Credit Corporative Societies
SPSS	Statistical Package for Social Sciences
UGC	User Generated Content

ABSTRACT

The increasing plethora of social media platforms have sparked both opportunity and concern on how the use of social media affects financial performance of microfinance institutions. This study primarily sought to establish the effect of social media usage on financial performance of microfinance institutions in Kenya. The study employed both primary and secondary data. Semi- structured questionnaires were used for primary data collection and were dropped and picked later. Secondary data was garnered using statements of financial position of DTMFIs from 2014 to 2016. A multiple linear regression model was utilized to determine whether financial performance was dependent on the specific variables indicated in the study. The study showed that all the microfinance institutions have embraced social media usage on their businesses activities with Facebook being the most commonly used platform for interaction between customers and institutions. Social media provides a platform for marketing and sales of products and services, access to customer comments, needs and real-time feedback to improve on customer satisfaction. It was found that the average number of new customers acquired through social media increased from 800 in 2014 to 1570 in 2016 leading to an increase in the average loan portfolio among the microfinance institutions over the three years ranging from Kshs. 16 million in 2014 to Kshs. 24 million in 2016. Customer acquisition cost was also found to decrease to greater levels due to social media interactions. Most of the microfinance institutions were found to have social media policies which were reviewed yearly by most of the microfinance institutions while others were reviewed when necessary. Microfinance institutions were also found to experience risk management issues upon deployment of social media usage on their business activities. The major risks recorded were data and regulatory risks followed by reputational risks and lastly the operational risks. Financial performance was found to be a function of customer acquisition cost, volume sales and risk mitigation and management by a factor of 0.397, 0.381 and 0.308 respectively. The statistical significance of the variables were 0.171(customer acquisition cost), 0.327 (sales volume) and (0.206) on risk mitigation and management. The study recommends that microfinance institutions in Kenya should have an independent social media function within their administrative structures so as to increase effectiveness in harnessing benefits of social media in business operations and encourage wider participation of customers in their social media platforms which in turn will attract more customers and build up customer trust and enhanced company reputation.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The financial sector in many developing countries, Kenya inclusive, is undergoing dynamic change processes. New technological innovations have opened up many sources of generating revenue thereby enhancing financial performance of Micro finance institutions and other forms of businesses in the financial sector. In the banking industry, ICT deployment is the preferred investment. This is due to its significant impact on risk analysis and control, operational efficiency, acquisition and retention of customers (Ali & Khan, 2013).

This study was based on four theories: The Social Network Theory which is embedded in mathematical graph theory has been used to examine the human social organization in social sciences and psychology (Scott, 2000).The Implicit Person Theory focuses on personality traits whereby according to Yorkston et al. (2010), consumer's traits are easily changed. The marketing theory which emphasizes the role in contributing to structural change by social marketers (Fox & Kotler, 2000). Lastly, the Stake Holder Theory which emphasizes on the social perspective of the objectives of a firm.

The social media phenomenon has caught the attention of financial institutions which are now drawing fresh blue prints that aim at harnessing the great power of social media (Gakii, 2017). In her discussion, Gakii notes that DTMFIs are no exception and are actively using these channels to better serve their customers as well as recruit new members especially tech-savvy millennials and generation Z. Gakii further argues that,

commercial banks, Saccos, Insurance companies and other financial services firms are using social media to make their presence felt, effectively sell their products as well as mine massive amounts of data that are now giving these institutions a better guide for making managerial decisions.

Kenya is barely a decade old in the world of social media but it is gaining recognition due to the active use of these platforms. Kenya's presence on social media platforms earned the country a surprise visit from facebook founder, Mark Zuckerberg in September, 2016 where he acknowledged through his post that indeed, Kenya is an important participant in the arena of social media and a global leader in mobile money.

1.1.1 Social Media Usage

Kaplan & Haenlein (2010), define social media as an application based on inter-net which allows the content generated by users to be exchanged. The virtual method where people interact and communicate has rapidly increased in the last few years. Through social media, individuals, groups and businesses are able to share and exchange information. (Ahmad 2016). Baird and Parasnis (2011) stated that organizations are able to get closer to their clients through social media. In turn, they are able to achieve efficiency through increasing revenue and reducing costs of operations. Social media is a powerful platform for communicating brand attitude and brand value given the platforms facilitate open forms of communication (Edosomwan et al., 2011)

As at October 2016 internet subscriptions in Kenya had grown by 8.2% from the last quarter. Based on Communications Authority of Kenya sector statistics, this signifies that the number of Kenyans getting online is increasing.

Eckerling (2014), stipulating on how social media is measured using ROI explains the same using the following steps: social media goal setting, right platforms determination, campaigns tracking, reporting findings and reviewing results. Through ROI, the numbers of customers gained are able to be estimated. For instance, Facebook views number on advertisement reflects awareness increase; the interest on a product might be represented by the number of clicks. Measuring ROI is however challenging in the essence that it is difficult to keep up with changes in algorithms, new tools implementation and proving to clients that they are getting the most out of their investment in you.

1.1.2 Financial Performance

DTMFIs have succeeded in financial deepening whereby the poor are now able to access financial services. According to Otero (1999) & Blavy et al., (2004) who documented DTMFIs success, the levels of success differ among DTMFIs; some have failed as others have grown to the extent of reaching millions of borrowers. In the process, the DTMFIs are able to cover costs (Ahlin & Maio, 2011).

Zeller &Meyer (2012) pointed out the three dimensional criteria to be used to measure DTMFIs performance: welfare impact, outreach and financial sustainability.

Rosenberg (2009), discussed performance measurement indicators as basic tools that can be used to measure performance of MFIs. These indicators include; breadth of outreach that can be measured by the amount of customers served, depth of outreach represented by the poverty level of customers served, financial sustainability (profitability) determined by the ability of MFI to maintain and increase its services without subsidies,

3

efficiency indicated by how well the MFI controls its operating costs, portfolio quality showing how well the lender is collecting its loans.

This study therefore will adopt financial sustainability as the key indicator of financial performance measurement.

1.1.3 Social Media Usage and Financial Performance

Given the competitive environment in the financial industry, firms put various strategies for their survival. Innovation in social media platforms is one of the strategies that DTMFIs can employ. Social media provides a competitive position which enables DTMFIs have competitive advantage that may lead to superior financial performance (Roberts & Amit, 2003)

The general performance of DTMFIs in Kenya in the last ten years has been improving with a few of these institutions declaring losses. Flamine et al., (2009) opined that macroeconomic factors affect the performance of commercial banks. This implies that DTMFIs are no exception. The microfinance industry exhibits little market orientation. They offer services that have low consideration to customer needs in turn posting low financial performance (Parasuraman et al., 2001).

Mutero (2014), stated that the banking industry needs to grip the social media platforms so as to connect with their clients. Mutero further asserts that social media provides platforms with an avenue of employing the least cost to propagate information about their products and services.

1.1.4 Micro Finance Institutions in Kenya

Charitonenko & Campion (2003), defined microfinance as the provision of an array of financial services: loans, payment services, and money transfer among others. These services are majorly accessed by the low-income class that normally has no access to any other formal financial sector services (Hermes et al., 2011)

Deposit-Taking Microfinance Institutions in Kenya are regulated by CBK and the Microfinance Act No. 19 of 2006. These DTMFIs are also regulated by Microfinance (DTMIs) Regulations 2008. The CBK sets the regulations and supervisory framework for the Microfinance industry in Kenya. As at August, 2017, CBK had licensed thirteen (13) DTMIs. These are the only DTMFIs licensed as deposit taking microfinance institutions in the country.

The 2013 report by Association of Microfinance Institutions indicated that the registered DTMFIs had a stable assets growth of 30.4% over the period under consideration and were worth over KES 220 billion as of December 2011, up from KES 129 billion as of December 2009. According to 2010 Financial Sector Deepening report only 60% of Kenyans had access to financial institutions. 30% of rural users lacked financial institution access.

1.2 Research Problem

Revolution of internet technology including smart technology has given organizations a new face and paradigm. Institutions have moved towards the deployment of various social media platforms to offer customer service to their clientele. Thus, as pinpointed out by Purcell et al., (2010), social media can be viewed in the context of the traditional

industrial media paradigm. There have been growing interests in MFI sustainability and performance (Rozzani et al., 2013). High operational costs are considered a major problem among DTMFIs. Through high interest rates, these costs are transferred to clients.

Kenya is barely a decade old in the world of social media but it is gaining recognition due to the active use of these platforms. Kenya's presence on social media platforms earned the country a surprise visit from Facebook founder, Mark Zuckerberg in September, 2016 where he acknowledged through his post that indeed, Kenya is an important participant in the arena of social media and a global leader in mobile money.

A research conducted by Ahmad Daowd in 2016 at Brunel University in London found a significant influence of the social media over the DTMFIs' performance. Owino et al., (2016) sought to find out the impact of social media in Kenya focusing on brand equity. The study concluded that social media, brand image and customer relations have positive relationship. Tamrakar (2016), examined the relationship between social media and financial performance. He found that social media metrics did not add any incremental explanatory power to known determinants of quarterly cash flows.

It is notably recognizable that there is no consensus on the effect of social media usage on the financial performance of (DTMFIs) in Kenya. The previous study variables are different from this study thus implying this study is yet to be exhausted. Due to these reason, it's important to conduct this study. This research will strive to provide an answer to the question: what is the effect of social media usage on financial performance of Deposit Taking Micro Finance Institutions in Kenya?

1.3 Research Objective

To determine the effect of social media usage on financial performance of Deposit Taking Microfinance Institutions in Kenya.

1.4 Value of the Study

This research would be beneficial in the management of micro finance institutions (DTMFIs) in Kenya. The research would give an insight and acquaintance on the role played by social media in financial performance among microfinance institutions (DTMFIs) in Kenya. Findings of the study can aid management of micro finance institutions to identify various social media activities and interactions with customers in order to develop strategies for deployment of these emerging alternative channels of communication to enhance customer value, growth and financial performance.

The study would also benefit other financial institutions like commercial banks in deployment of social media as an alternative platform for customer acquisitions and interactions in Customer Relationship Management (CRM). It would help the regulators of the industry for policy formulation concerning social media usage in the financial sector.

Other researchers will also find this research more meaningful in undertaking their desktop background studies on social media usage and financial performance in the financial sector and other sectors of the economy. The research will add to the existing knowledge and offer background information to other researchers with keen interests in carrying out further studies in this area.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter contains an examination of literature related to social media and financial performance as presented by various researchers. The chapter contains a theoretical foundation for the study, a discussion on financial performance and its determinants and a look into empirical studies related to the subject of this study.

2.2 Theoretical Framework

Several researchers have attempted to explain the reasoning behind social media and its effect on performance of firms. This study will be constructed on three notions of social media.

2.2.1 Social Network Theory

The origin of the social network theory is placed in the theory of mathematical graph. It has been used to examine the human social organization in social sciences and psychology (Scott, 2000). According to Shafie et al., (2011), this theory views social relationships in aspects of ties and nodes whereby nodes entail the individual actors within the networks while ties are actors' relationships. A social network can be described as a direction showing relevant ties between the nodes.

The ability to address population-level problems is the main strengths of the social network theory. Individual level interactions build complex social structures. In the theory, casual relationships are defined by weak ties while strong ties signify close

relationships. The relationships between the nodes enable a person to understand individuals' choices in their relationships with others. Stutzman (2006) stated that there are weak ties among nodes in online social network. He further asserted that traditional sociological studies difference originates the power of social network. According to Krause et al., (2007), this approach is useful in explaining many real-world occurrences.

2.2.2 Implicit Person Theory

There are two types of theorists: implicit and explicit theorists. . Yorkston et al., (2010), asserts that implicit theorists involve those customers with the believe that behaviors are easily changed. Personality traits are usually revolved around the implicit person. Explicit theorists suggest that consumers' traits are fixed. Implicit theorists believe that consumers respond in various ways when drilled with different implicit theory orientations. Individual attributes are fixed according to prototypical entity implicit theory while in incremental implicit theory they are easily changed (Park & Roedder, 2014).

Various researches have been conducted on implicit person theory. Social psychologists carried out implicit person research on students and kids. They focused on factors that motivated incremental implicit theory (Henderson & Neeraj, 2010). Research has also been carried to determine implicit theory influence on self-regulation. Nevertheless, research on the managers' implicit theories has not been conducted to establish the effects of how they judge others. All of these research show that implicit theory focuses on personality, ability and morality.

2.2.3 Marketing Theory

The marketing theory is gripped in commercial marketing practices. The application of social marketing is however also seen in other sectors. Various disciplines are drawn from social marketing practice: psychology, sociology, and other social welfare related activities (Hunt, 1991). (Fox & Kotler, 2000) stated that social media marketing is a wide field that emphasizes on the role played by social marketers in contributing to structural change.

There are several social marketing theories that exist. This makes it hard to determine precisely the primary theory. Some theories are built on the exchange principal between its partners and consumers (Fine, 1981). There are variations in social marketing in various ways: if it should be widespread or local. What standards need to be applied and how the projects should be funded. The theory has been criticized that it emphasizes on an individual rather than individuals' larger environment.

2.2.4 The Stakeholders Theory

This theory offers a social viewpoint of the firm's objectives and, to a degree, clashes with the monetary perspective of significant worth augmentation. The utilization of stakeholders' fulfillment as firm performance has also been embraced by countless researchers (Agle, Mitchell,& Sonnenfield, 1999; Kaplan and Norton, 1992; and Richard et al., 2009. Freeman (1984) describes a partner as "any gathering or person who can influence or is influenced by the accomplishment of the objectives of an organization". In its true meaning, this definition can incorporate an insurmountable amount of voting demographics. Clarkson (1995) recommends some vital gatherings. Investors and

workers, for instance, should be relied on and available in inquiries. Given that investors have trade associations with the organization, other essential parties are providers and clients. Subordinate parties have backhanded associations with the organization; however they are definitely influenced by its activities as far as the social or ecological results.

Through this theory, a person determines what separates performance measures from the results. Performance measures evaluate the fulfillment of more than one gathering of partners. According to (Carneiro, Silva, Rocha, and Dib (2007) different organization, firm execution conceptualization is relevant enabling one to separate amongst high and low performers according to every stakeholder.

2.3 Determinants of Financial Performance

Microfinance institutions play a major role in any given economy. They are, however, normally faced with factors that threaten their survival. For this reason, many researchers have studied the determinants that impact on their financial performance. According to Rustam et al., (2011), the determinants are classified into two: micro and macro determinants. Micro determinants result from DTMFIs accounts, they are mainly influenced by policy objectives and decisions made by management. Macro determinates are non-related to management of DTMFIs, they focus on macroeconomic and industry related variables that are reflected in legal and economic environment affecting financial institution performance.

ROE and ROA are mostly used by researchers in measurement of financial performance. Studies on micro-specific factors have employed variables like risk, capital adequacy, size and operational efficiency and testing relationship with ROE or ROA. Felix &

Claudine (2008), in their study found out that profitability in ROA and ROE show negative association with non-performing loan to total loan ratio.

Short (1979), argued that size of DTMFIs and capital adequacy have close relationship. The basis for this is that large DTMFIs raise less expensive capital thus registering more profitability. Other studies however do not agree with this concept. Berger et al., (1987) argued that by increasing size of DTMFIs, there will be less cost saving hence suggesting that large firms will eventually face scale inefficiencies. This negative relationship is attributed to management cost for instance agency cost.

Credit risk has been considered as the major risk affecting profit (Maudos & De Guevara, 2004). According to Bourke (1989), credit risk and profitability have negative relationship. This is based on the fact that many DTMFIs are faced with high risk loans hence accumulation of loans that are unpaid.

More operational efficient DTMFIs are theoretically expected to be more profitable. Efficiency in loan distribution to customer is measured by cost per loan asset (CLA) ratio which is found through dividing total operating cost with loan amount. Researchers have conflicting arguments on operational efficiency and profitability. (Athanasaglou et al., 2005) found negative relationship while other findings indicate positive relationship (Molyneux & Thornton (1992).

There are several factors in the external environment that affect financial performance: inflation, interest rates and other variables representing market characteristics like market concentration, ownership status and size of the industry (Athanasaglou et al.,2005).

Market risk entails risk of asset value related with systematic factor. Though market risk cannot be completely diversified, they can be hedged out. Interest rate and relatively currency value are the major market risk for concern since they greatly impact on bank performance.

2.4 Empirical Review

Daowd (2016) study tried to investigate and find clarification on the effect of social media on DTMFIs' performance in developing countries India, Jordan and Kenya. A quantitative approach was adopted in collecting data from employees of DTMFIs. Results showed a significant influence of the social media on the DTMFIs' performance. The study recommended the use of social media in advertising, marketing and communication as tools for improving the DTMFIs performance.

Tamrakar (2016), examined the relationship between social media and financial perfomance. 180 monobrand firms spanning more than 10 industries were used. The study found out that social media sentiment is already fully priced into stock returns. Another study was carried out by the same researcher with intent to establish the effects of social media metrics on a firm's quarterly cash flows. Results from a multivariate time-series regression model and cross-sectional model showed that social media metrics did not add any incremental explanatory power to known determinants of quarterly cash flow.

Owino et al., (2016) determined the influence of social media, the focus of the study being brand equity in the banking industry in Kenya where descriptive cross-sectional survey was deployed. The population included undergraduate business students aged

between 18 to 30 years with bank accounts access to internet enabled mobile handsets. The study concluded that in the banking industry, brand image and customer relations have positive relationship. The research recommended the use of social media as a means of promoting mutually beneficial relationship with customers.

Mutero (2014) studied the effect of social media interactions on financial performance of commercial banks in Kenya where his research involved descriptive research design and multiple linear regressions. The study found that social media interaction has been embraced by commercial banks and the most dominant platform was Facebook having highest number of users and interaction between firms and customers. The study recommended some measures to be put in place by commercial banks in order to encourage wide participation of the customers.

Schivinski & Dabrowski (2013) sought to determine consumers' perception of brands resulting from social media communication. 504 Facebook users were used as population and multi-group structural modeling equation was used to measure variances. The study found out that user-generated social media content, brand equity and attitude have positive relationship.

Odhiambo (2012) did a research to find if social media was more effective than the traditional media on brand management. His research employed case study as the scientific research methodology. Through comparison between traditional advertising channels and social media, the latter was discovered to be more effective. The study also found that one cannot implement social media alone without incorporating the other forms of traditional advertising channels.

2.5   Conceptual Framework

Independent Variables   **Dependent Variable**

```
┌─────────────────────────────────────┐         ┌──────────────────────────────┐
│ Sales volume                        │         │ Financial Sustainability     │
│                                     │────────▶│ (Annual Revenue Growth)      │
│ Customer Acquisition Cost (CAC)     │         │                              │
│                                     │         │                              │
│ Risk Mitigation                     │         └──────────────────────────────┘
└─────────────────────────────────────┘
           **Control variables**
┌─────────────────────────────────────┐
│ Credit risk (Portfolio at Risk)     │
│                                     │
│                                     │
└─────────────────────────────────────┘
```
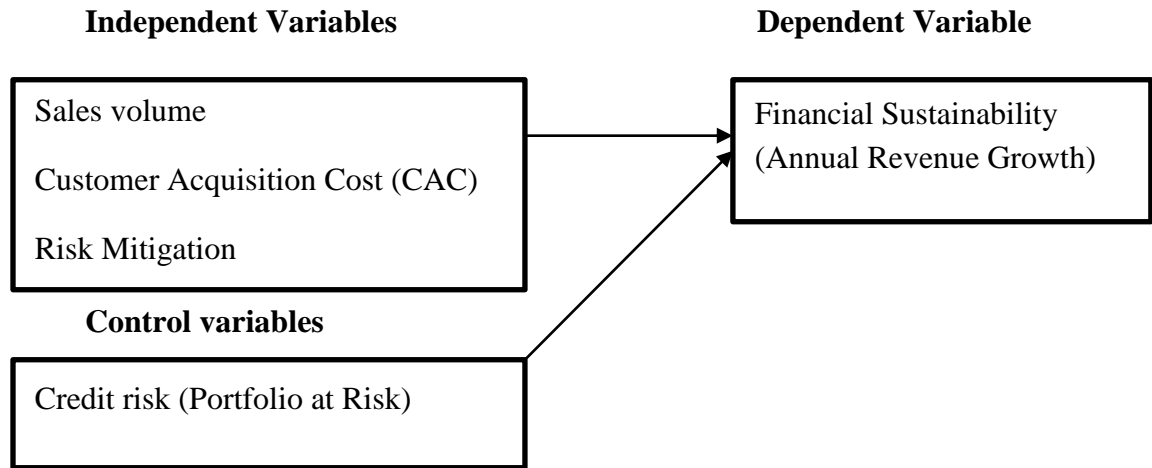
Figure 2.1: Conceptual framework

2.5 Summary of Literature Review

All global and local empirical reviews except Tamrakar (2016) agree that Social media has an impact on financial performance. Nevertheless, both reviews fail to focus on Deposit Taking Micro Financial Institutions as the main focus of study. Tamkarar (2016) focused on monobrands while Mutero 2014 focused on commercial banks.

While analyzing the study variables, a small proportion of the studies have focused on social media and financial performance as their research variables. Odhiambo (2012) did research to determine if social media was more effective than the traditional media on brand management while Schivinski & Dabrowski (2013) sought to determine consumers' perception of brands with respect to social media interactions. Failure to concentrate on variables and focus of the study provides an opportunity for more research to be conducted on the effect of social media usage on financial performance of DTMFIs in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Chapter three of this project report focuses on methods and approaches used for finding facts, testing and writing of the final findings. The chapter explains research design, research site, study population, sample size, sampling procedures, data collection instruments and data analysis tools used in the study.

3.2 Research Design

Dooley (2007) attempted to define research design as a structure that lays out structure and procedure of examination to find answers to research questions and control irregularity. This study adopted a descriptive research design which selects the whole populace or a subset thereof and from these people, information is gathered. This research approach was ideal for this study since it represented the variables by answering who, what and how questions.

3.3 Study Population

Population entails clearly outlined group of individuals or objects with similar characteristics (Kothari et al., 2010). The study was a census survey of all the 13 licensed DTMFIs in Kenya as at 31st December 2016; they are listed in Appendix 1.

3.4 Data Collection

Primary and secondary data were put to use in this study. Through semi structured questionnaires, primary data were collected for analysis. The questionnaires contained open and closed ended questions targeted at the respondents. These questionnaires were dropped at the institutions for the respondents to answer and were picked later for analysis by SPSS. Secondary data was garnered using statements of Financial Position of DTMFIs from 2014 to 2016.

3.5 Data Analysis

Descriptive and inferential statistical analysis were adopted where the former was applied simply to have an overview of the general characteristics of the various factors used in the model which included measures such as the mean, standard deviation and percentages. The latter was mainly used to establish if there existed a significant relationship between the factors considered in the study which were; the sales volume, CAC, Risk mitigation and management and credit risk (portfolio at risk). The Quantitative data was analyzed through application of a Statistical Software called, SPSS. Qualitative data were transliterated and evaluated through content analysis method. Responses were structured on themes and trends were also established.

3.5.1 Analytical Model

The relationship between dependent and independent variables was realized through a multivariate regression model. The mathematical model used in the study was a multiple linear regression model of the following general form;

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X2 + \beta_3 X_3 + \beta_4 X_4 \ \varepsilon$

Where;

Y (Independent Variable) = Financial Performance which is measured by the annual revenue growth of DTMFIs

β_0 = Constant (Y-Intercept, the predicted value of Y when all the X values are equal to 0)

$\beta_1 - \beta_3$ = Intercept of Independent Variables (coefficients of independent variables).

X = Social Media Interaction which was measured using four data points namely; X_1, X_2, X_3, and X_4

Where;

X_1 = Sales volume; the quantity of products or/and services sold over a specific time period which will be measured by the number of new accounts opened through social media interaction and loan portfolio growth since the adoption of social media interaction strategy

X_2 = CAC; which entails the resources a business needs to allocate financially so as to acquire an additional customer. This is established by the sum total of CAC divided by the number of additional customers acquired through the use of various social media platforms deployed by the firms

X_3 = Risk Mitigation and Management, measured by the number of risks that the bank is exposed to through usage of social media interaction

X_4 = Credit risk, measured by the Portfolio at Risk (PAR)

ε = the Error term.

3.5.2 Test of Significance

The Pearson product moment coefficient **(R)** was used to determine the association that exists between social media usage and financial performance. A coefficient of determination **(R^2)** was performed to assess how much of the dependent variable comes about as a result of the independent variable that was being tested. The test was at 5% significance level. To test the significance of the findings, analysis of variance (**ANOVA**) was also done.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This section contains data analysis, results and discussions regarding research objectives raised in the research. Main objective of this research was to determine the effect of social media usage on financial performance of deposit-taking microfinance institutions in Kenya.

4.2 Response Rate

The research study targeted thirteen (13) registered microfinance institutions in Kenya. Out of the 13 administered questionnaires by the researcher, 9 duly filled questionnaires were collected translating to a 69% response rate. According to Mugenda and Mugenda (2003), in social science research, a response rate of 50 percent is taken to be adequate for analysis and reporting. Hence, a response rate of 69 percent was considered satisfactory for this study. The response rate was as shown in table 4.1 below.

Table 4.1 Response rate

Target Population	13
Reponses	09
Response Rate	69%

Source: (Research findings, 2017)

4.3 Microfinance Years of Operation

Table 4.2 and Figure 4.1 below shows the research findings on the number of years the microfinance institutions under the study have been operating in Kenya.

Table 4.2 Microfinance Years of Operation

Years of Operation	Frequency	Percent	Valid Percent	Cumulative Percent
0-10 years	3	33.3	33.3	33.3
11-20 years	4	44.4	44.4	77.8
21-30 years	2	22.2	22.2	100.0
Total	**9**	**100.0**	**100.0**	

Source: (Research findings 2017)
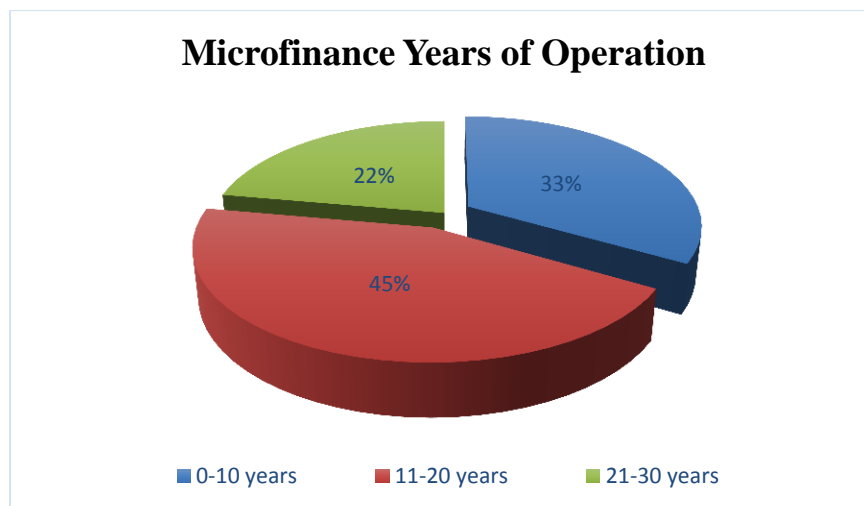
Figure 4.1 Microfinance Years of Operation

Figure 4.1 above shows that most of the Microfinance institutions have operated in Kenya for the period between 11-20 years representing (45%), followed by a period 0-10 years of operation (33%). 22% of the microfinance institutions in Kenya have been in operation for the period 21-30 years. The findings show that most of the microfinance institution in Kenya came to operation after social media has been in Kenya. They are therefore expected to have embraced use of social media in their operations.

4.4 Use of Social Media in Microfinance Institutions

Table 4.3 and figure 4.2 below shows the results on the most common social media tools used by Microfinance institutions in Kenya. Facebook accounted (44.4%) and twitter is second with (33.3%). LinkedIn comes third with 11.1%. Facebook is the dominant social media tool used for interaction between the micro finance institutions and customers although some institutions are shifting to Twitter and LinkedIn.

Table 4.3: Most common Social Media Tools Used

Social Media Site Tools	Frequency	Percent	Valid Percent	Cumulative Percent
Facebook	5	44.4	55.5	55.5
Twitter	3	33.3	33.3	88.8
LinkedIn	1	11.1	11.1	100.0
Total	**9**	**100.0**	**100.0**	

Source: (Research findings, 2017)
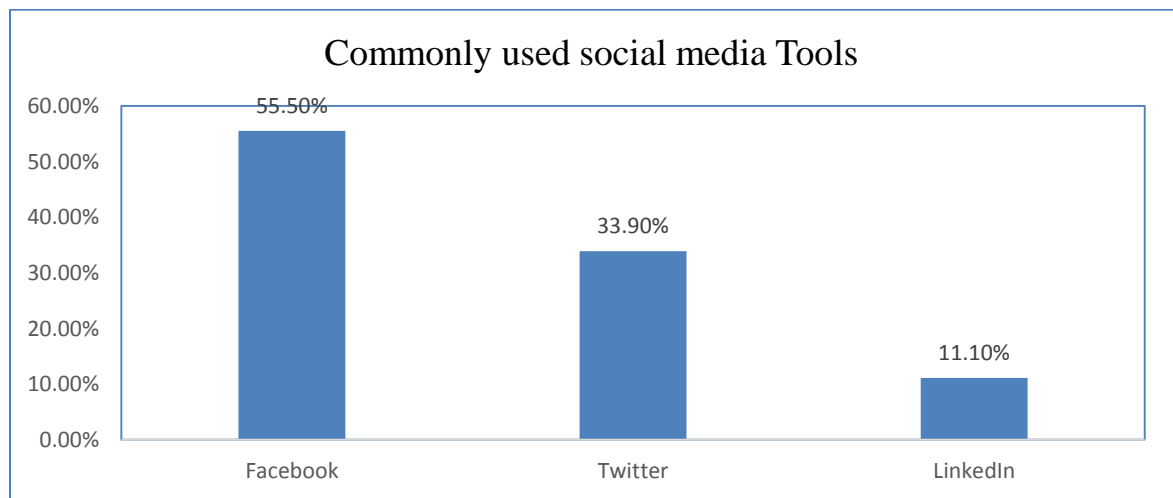
Figure 4.2: Most common Social Media Tools Used

In addition 97% of the microfinance institutions indicated to have a social media Unit under the marketing department or having specific staff given mandate to post content, update or respond to claims from customers at any given time. Thus the Microfinances are already embracing the deployment of social media platforms to improve on real time feedback with their clients. This is supported by the increasing number of followers that the microfinances had between the three year period between 2014 - 2016 as shown in table 4.4 and figure 4.3 below.

Table 4.4: Average Number of Followers

Year	Average Number of Followers
Year 2014	25,000
Year 2015	30,000
Year 2016	41,000

Source: (Research findings, 2017)
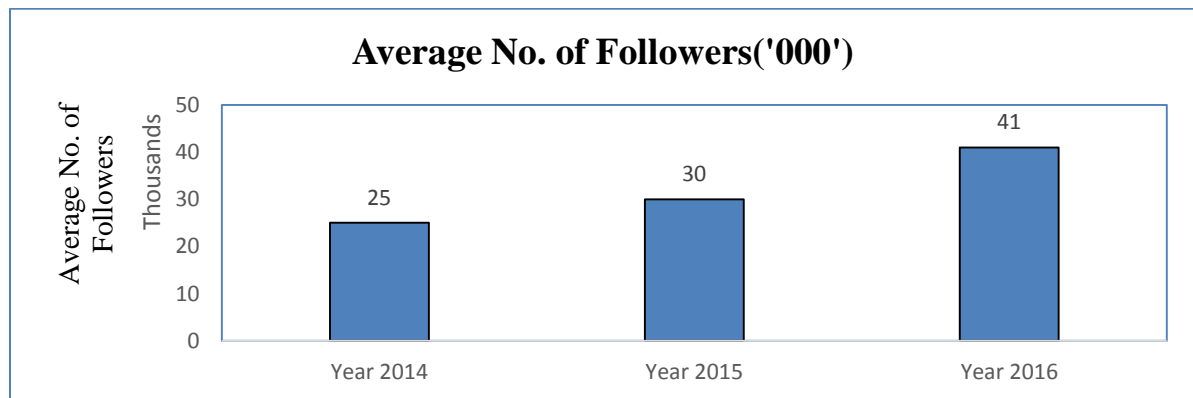
Figure 4.3: Average Number of Followers

Respondents were requested to specify average number of followers in the social media platforms used in the respective microfinance institutions for the period between 2014 and 2016. Results were as presented in the figures and table above. The results indicated a steady increase in the number of followers from 2014 to 2016. This is an indication that

social media platforms have been an effective tool for the firms' business operations. The study also sought to establish the reasons for microfinance utilization of social media and the response was as shown in the table below.

Table 4.5: Reasons for Social Media Use

Reasons for Social Media Use	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Customer Relationship Management(CRM)	9	3	5	43	4.78	.667
Selling of products	9	3	5	42	4.67	.707
Market research	9	3	5	42	4.67	.707
Access new markets	9	2	5	40	4.44	1.130
Collecting data on customers	9	1	5	39	4.33	1.414
Develop new products brands	9	1	5	37	4.11	1.453
Valid N (list wise)	9					
Average Mean						

Source: (Research findings, 2017)

The findings indicate that respondents agreed to a very large extent that microfinance institutions use social media mainly for customer relationship management with a mean of (4.78) and a standard deviation of (0.667). Sale of products came second, a mean of (4.67) and a standard deviation of (0.707); market research was third, a mean of (4.67)

24

and a standard deviation of (0.707), access to new markets was fourth with a mean score, (4.44) and a standard deviation of (1.130). Collecting data for customers had a mean score, (4.33) and standard deviation, (1.414) and developing of new product brands had a mean average, (4.11) and standard deviation, (1.453). These findings are consistent with those of Nyambu (2013) and Kiveu and Ofafa (2013) that the social media offers promotional campaign, marketing, access to real-time platform to client feedback which enhances the firms' understanding of clients' needs hence strive to meet them.

4.5 Social Media and Volume Sales

Results of the study were summarized in table 4.6 and figure 4.4 below showing the mean number of new customers acquired by microfinance institutions over the three year period of study. The results show that the total average number of customers acquired through social media by the micro finance institutions had increased from 800 in year 2014 to 1,570 in year 2016.

Table 4.6: New Customers Acquired through Social Media

Year	Average No. of customers Acquired through social media
Year 2014	800
Year 2015	1,300
Year 2016	1,570

Source: (Research findings, 2017)
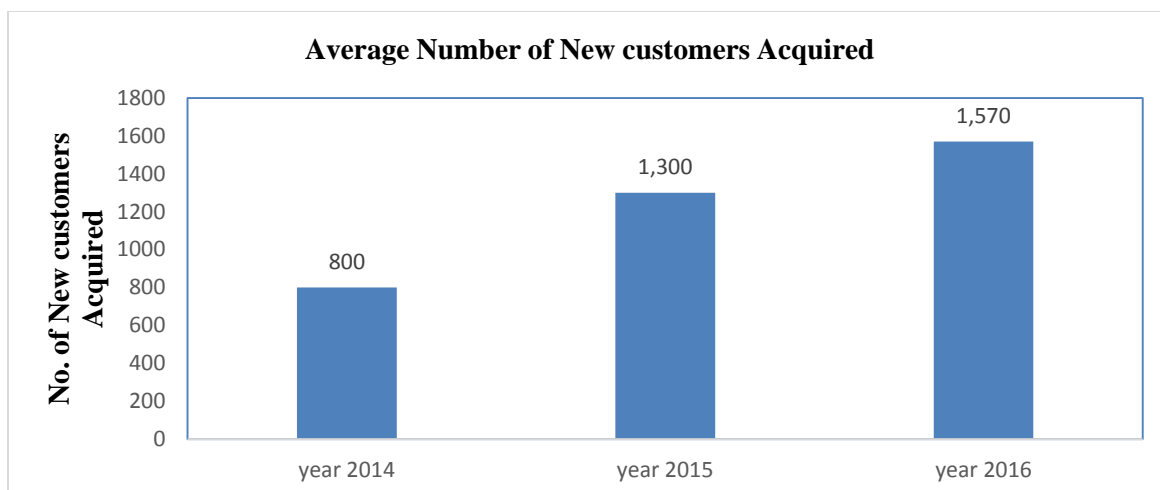
Figure 4.4: New customers Acquired through Social Media

It is notable that microfinance institutions are attracting new customers through social media usage in addition to their traditional ways of marketing and interaction with its customers. Due to the increasing number of new customers acquired, there has been an average increase in loan portfolio among the microfinance institutions as shown in table 4.8 and figure 4.8 below. The interest earned on increased loan portfolio performance contributes largely to the performance of microfinance institutions as long as it is regulated to operate within acceptable limits and with favourable interest rates.

Table 4.7: Average Loan Portfolio for the Micro-Finance Institutions

Year	Average Loan Portfolio (Kshs. "Millions")
Year 2014	16.0
Year 2015	18.0
Year 2016	23.30

Source: (Research findings, (2017)

Average Loan Portfolio (Kshs. "millions")
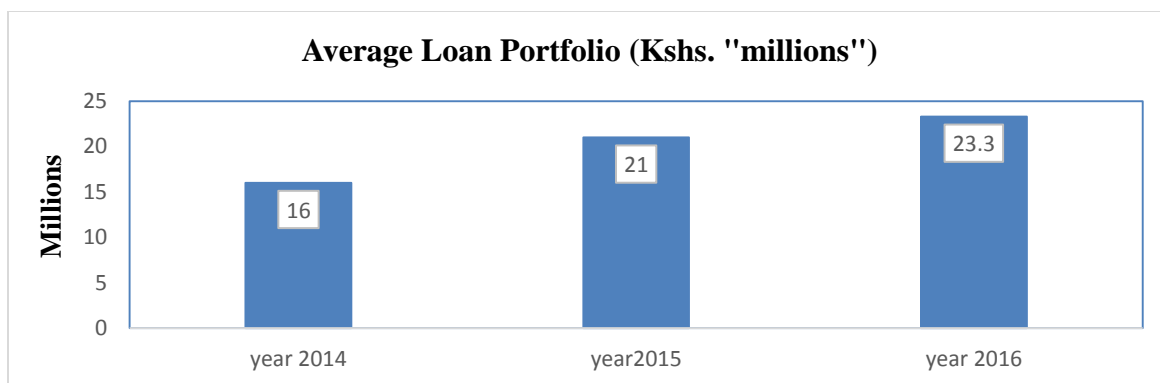
Figure 4.5: Average Loan Portfolio

Respondents were further requested to indicate to what extent they agree or disagree that new customers acquired contribute to revenue growth through increased volume sales. These results were tabulated as shown in the following table 4.8 and figure 4.6 respectively.

Table 4.8: New Customers and Revenue Growth

Extent	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	3	33.3	33.3	33.3
Agree to some extent	4	44.4	44.4	77.8
Neither agree or disagree	1	11.1	11.1	88.9
Strongly disagree	1	11.1	11.1	100.0
Total	**9**	**100.0**	**100.0**	

Source: (Research findings, 2017)
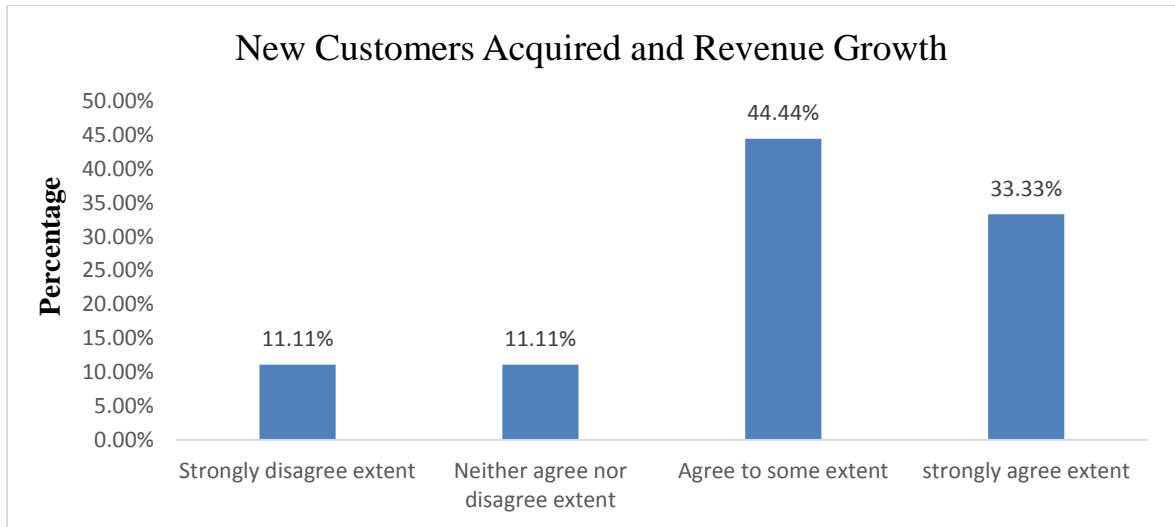
Figure 4.6 New Customers and Revenue Growth

Most of the respondents (44.44%) agree to some extent while (33.33%) strongly agree. The respondents who strongly disagree and those who neither agree nor disagree scored (11.11%) each. This indicates that, generally acquisition of new customers increases revenue growth among microfinance institutions in Kenya.

4.6 Customer Acquisition Costs

From the results presented in table 4.10 below, all the respondents agreed social media interaction reduced customer acquisition costs to a great extent (44.4%). Further (22.2%) indicated it reduced to moderate extent; very great extent (22.2%) and to little extent (11.1%). The average cost of acquiring a new customer ranged between Kshs.50 and Kshs.150 among the microfinance institutions. The cost of running a social media site ranged between Kshs.45,000 to Kshs. 80,000 per year in the microfinance institutions. This was contributed by the fact that most of the microfinance institutions had specific staff dealing with social media sites under the marketing department and the technology improvement.

Table 4.9 Extent to which Social Media usage Reduced Customer Acquisition Costs

Extent	Frequency	Percent	Valid Percent	Cumulative Percent
Great extent	4	44.4	44.4	44.4
Moderate extent	2	22.2	22.2	66.6
Very great extent	2	22.2	22.2	88.8
Little extent	1	11.1	11.1	100.0
Total	**9**	**100.0**	**100.0**	

Source: (Research findings 2017)
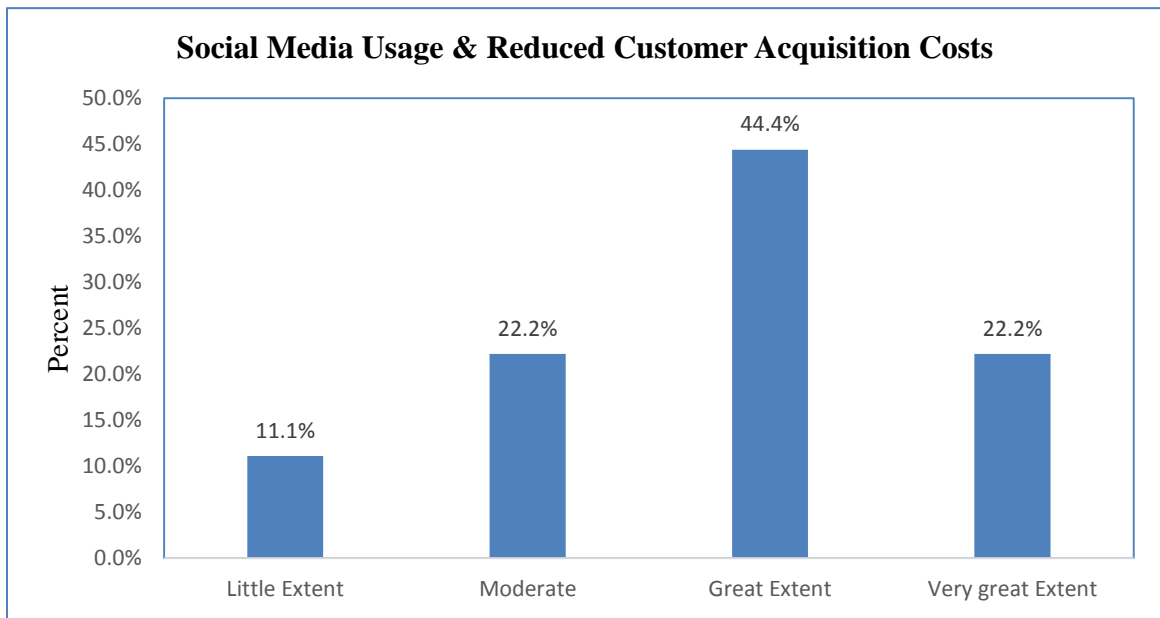
Figure 4.7: Extent to which Social Media Usage Reduced Customer Acquisition Costs

4.7 Social Media Usage and Risk Management and Mitigation

The researcher also studied the proportion of microfinance institutions with social media policy and the results were tabulated as shown in table 4.10 and figure 4.8 below.

Table 4.10 Social Media Policy Response Rates

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	6	66.7	66.7	66.7
No	3	33.3	33.3	100.0
Total	**9**	**100.0**	**100.0**	

Source: (Research findings, 2017)
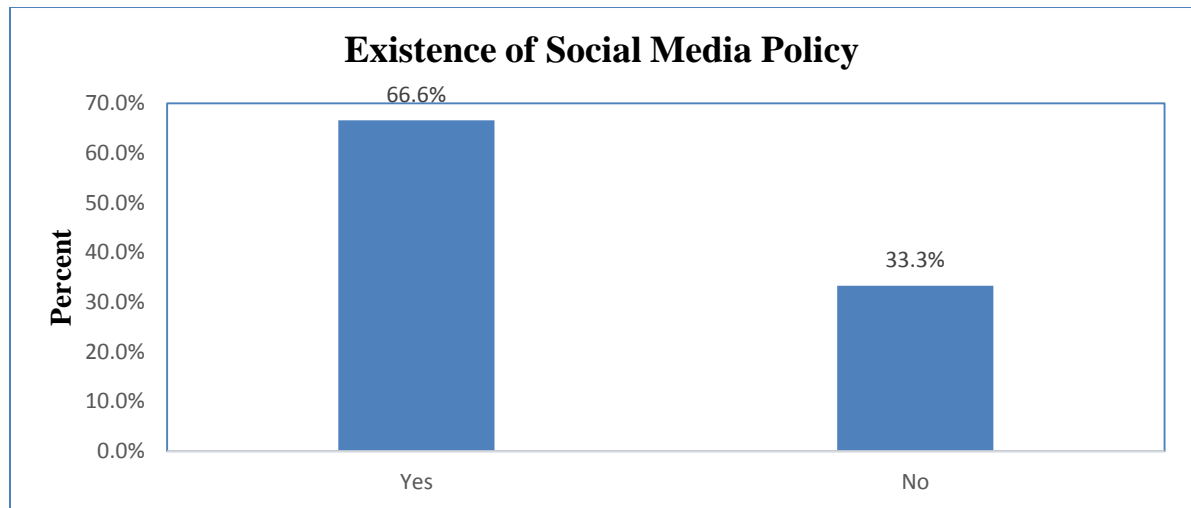
Figure 4:8 Social Media Policy Existence

From the results, (66.7%) of the microfinance institutions have social media policies while (33.3%) have none. The social media policy encourages employees to responsibly share the institutions' messages. The rest of the microfinance institutions lacking social media policies need to draft and adopt one so as to align themselves with ethical business behaviour in social media interactions.

The microfinance institutions with social media policies review them periodically. This is attributable to the point that social media is so dynamic changing regularly. 50% of micro finance institutions with social media policies review them yearly, (33.3%) of them half yearly while (16.7%) review them quarterly. Table 4.11 and figure 4.9 shows a summary of the findings.

Table 4.11: Social Media Policy Review Frequency

Intervals of Review	Frequency	Percent	Valid Percent	Cumulative Percent
Quarterly	1	11.1	16.7	16.7
Half yearly	2	22.2	33.3	50.0
Yearly	3	33.3	50.0	100.0
Total	**6**	**66.7**	**100.0**	

Source: (Research findings, 2017)
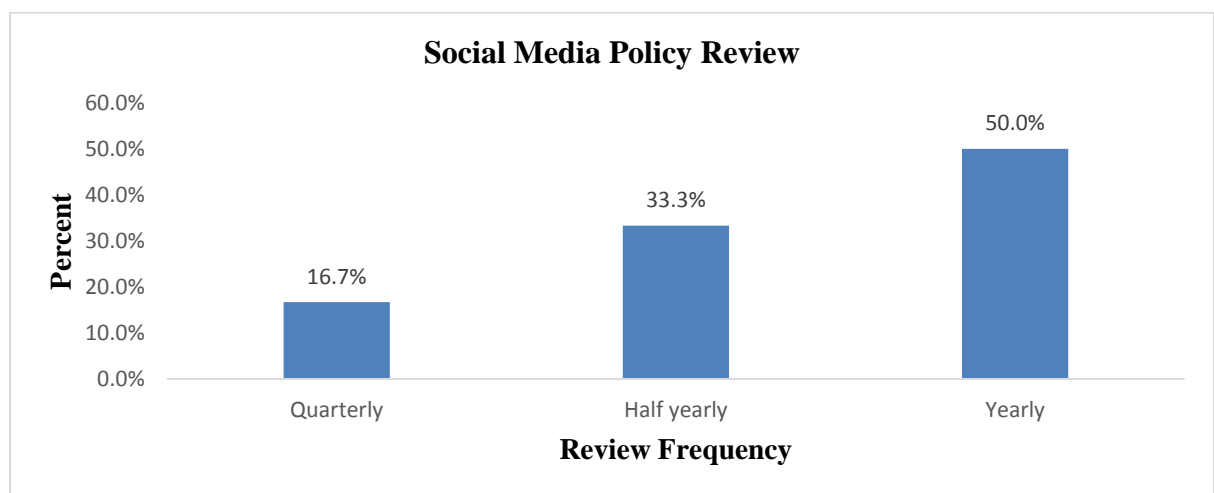
Figure 4.9: Social Media Policy Review Frequency

Asked whether social media usage had any risks in their operations, the respondents indicated that social media usage had posed several risks to the microfinance institutions. The most common risk was data and information regulatory risk with (88.9%), reputation risk followed with (77.8%) and operation risk had (66.7%).The table below shows results of this findings illustrated and tabulated in table 4.12 and figure 4.10 below.

Table 4.12 Major Social Media Usage Risks

Types of Risks	No response (%)	Yes Response (%)	Total
Data and Information Regulatory Risk	11.10%	88.90%	100%
Operation Risk	33.30%	66.70%	100%
Reputation Risk	22.20%	77.80%	100%

Source: (Research findings, 2017)
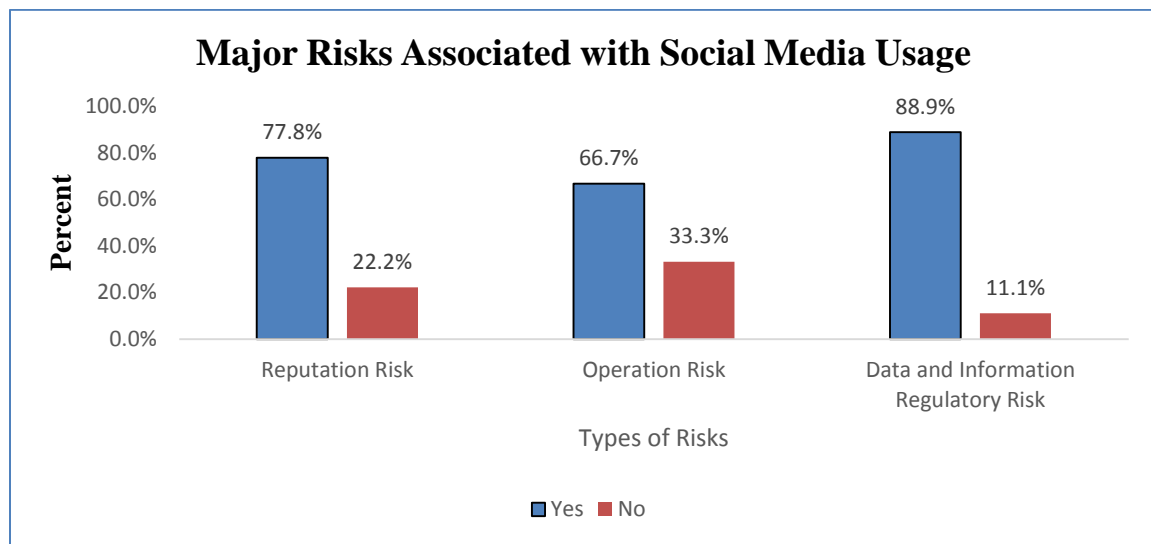
Figure 4.10: Major Risks associated with Social Media Interaction

Data and information regulatory risk was contributed by the rising cases of fraud in banking industry. Organizations perceive that information misfortune represents business risk. Regardless of whether money related esteem isn't allocated to the information, the

negative consequences for operations can be huge. A bad reputation on social media can lead to loss of customer trust leading to huge losses. To curb these risks, the microfinance institutions have employed various strategies including; prompt response to customer complaints, employees encouragement to adhere to the social media policies and full time monitoring of the institutions' social media pages. From Table, 4.13 and in figure 4.11 below, intervals of monitoring social media platforms for microfinance institutions is clearly illustrated.

Table 4.13: Social Media Sites Monitoring Frequency

Intervals in Monitoring Social Media Sites	Frequency	Percent	Valid Percent	Cumulative Percent
Daily	2	22.2	22.2	22.2
Weekly	2	22.2	22.2	44.4
Monthly	5	55.6	55.6	100.0
Total	**9**	**100.0**	**100.0**	

Source: (Research findings, 2017)
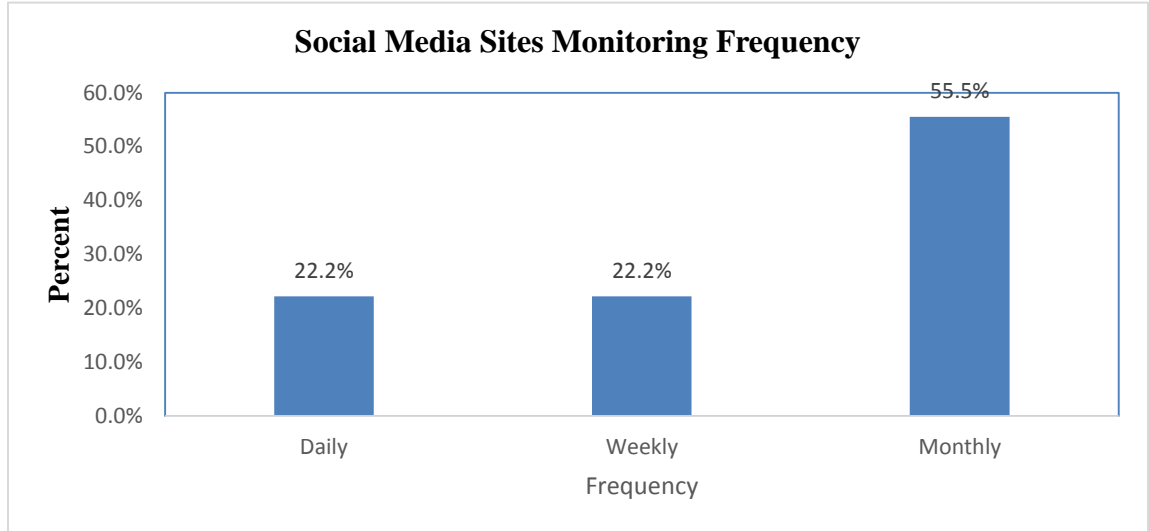
Figure 4.11: Frequency of Social Media Sites Monitoring

Most (55.5%) of the microfinance institutions monitor their social media sites on a monthly basis, (22.2%) weekly and (22.2%) on a daily basis.

4.8 Regression Analysis

The regression analysis performed indicated that independent variables examined in this research explain 90.8% of the performance of Microfinance institutions in terms of revenue as represented by adjusted R^2. Other parameters not considered by this research were found to contribute 9.2% in performance among microfinance institutions in Kenya. Hence, further research should be carried out to determine the other social media interaction related factors that affect microfinance institutions' performance.

4.8.1 Regression Coefficients (Parameters)

Results of the regression coefficients were as shown in table 4.14 below.

Table 4.14: Regression Coefficients/Parameters

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.937	6.531		8.143	.002
	Risk mitigation and management	0.414	0.897	0.138	13.462	.003
	Customer Acquisition Cost	0.798	0.352	0.667	12.268	.043
	Sales volume	.106	.092	0.227	1.159	.039
	Portfolio at Risk	0	0	0	65535	0
a. Dependent Variable: Average Financial Performance						

Source: (Research findings, 2017)

The table above illustrates findings of the linear regression model that was used in studying the effect of independent variables (sales volume, customer acquisition cost, portfolio at risk and risk mitigation and management) on the dependent variable (financial performance). From the analysis, and based on the regression coefficients as presented in table 4.14 above, the multiple linear regression describing the actual relationship between the factors considered in the study took the general form;

$$Y = 0.937 + 0.227X_1 + 0.667X_2 + 0.138X_3 + X_4$$

Where Y is the dependent variable (financial performance), X_1 is sales volume, X_2 is customer acquisition cost, X_3 is risk mitigation and management and X_4 portfolio at risk (control variable). It is evident from the model that all the predictor variables contribute positively to financial performance of DTMIs. This is supported by the fact that all the coefficients have positive values.

According to the regression equation above, keeping all factors in the equation constant at zero, financial performance will increase by 0.937 units. It also shows that financial performance among microfinance institutions is greatly affected by customer acquisition cost followed by sales volume and risk mitigation and management. Taking all other independent factors constant, a unit decrease in customer acquisition cost will result in a 0.667(66.7%) increase in financial performance while one unit increase in sales volume will increase financial performance by 0.227(22.7%) in microfinance institutions in Kenya. Lastly, one unit increase in risk management and mitigation will lead to 0.138 (13.8%) unit increases in financial performance.

A control variable is described as a variable that a researcher would mainly not be very much concerned about in the study although it is related to the dependent variable and the researcher always works towards removing its effect from the equation. This is equivalent to assigning it a coefficient of one in the model and hence X_4 of the multiple linear regression model used in the study to represent control variable (Credit Risk-PAR) was assigned a coefficient of one.

4.8.2 Model Summary (Power of the Model)

Table 4.15 Model Summary; the Power of the Model

Model	R	R Square (R^2)	Adjusted R Square	Std. Error of the Estimate
1	.971[a]	.942	.908	1.220

Source: (Research findings, 2017)

From the model summary above, approximately 90.8% variations in the financial performance of DTMFIs is explained by the independent variables/predictors used in the study as indicated in the model represented by X_1, X_2, X_3, and X_4. This implies that only about 9.2% variations are due to other factors not considered in the model. The F value calculated is greater than the F critical (value = 2.197), in conclusion therefore, the overall model is adequate/reliable and can be used for estimation of financial performance of DTMIs in Kenya.

4.8.3 ANOVA

ANOVA provides statistical methods used for testing the significance of a regression model. Table 4.15 below provides results from the ANOVA.

Table 4.16: ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	121.447	3	40.482	2.197	.002[b]
	Residual	7.442	5	1.488		
	Total	**128.889**	**8**			

Source: (Research findings, 2017)

It is evident from the results of the ANOVA table above that the multiple linear regression model used is statistically significant with an F-value of 2.197 and the corresponding P-value of 0.002 (i.e. $P < 0.05$). This is compatible with the R square value of 0.942.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Research was undertaken to determine the effect of social media usage on financial performance of microfinance institutions in Kenya. Research found out that nine out of thirteen registered microfinance institutions in Kenya have deployed social media platforms in their business operations where Facebook and Twitter are the most popular platforms with LinkedIn as the third commonly used social media application. Most microfinance institutions have staffs responsible for social media site management within their marketing departments leading to the recorded increase of followers of social media between 2014 and 2016.

Over the three-year period considered for study from 2014 - 2016, microfinance institutions had a significant increase in the mean number of new customers acquired from 800 in year 2014 to 1,570 in year 2016 resulting from social media deployment. This led to an increase in the average loan portfolio and revenue in terms of the interest earned hence better performance of microfinance institutions in Kenya over the 3 year period. It was also noted that social media adoption led to significant decrease in the cost of customer acquisition .The average cost of acquiring a new customer ranges between Kshs.50 to Kshs.150 among the microfinance institutions. This has been due to the reason that social media platforms are cheaper, faster and easy to deploy and use. A platform like Facebook offers a quick tool for customers to interact with the institutions and give feedback or raise their concerns on products and services offered by the firms.

Microfinance institutions which have deployed social media for their business operations are able to lower time spent on emails and telephone contacts. This has enhanced customer satisfaction levels, resolving off complaints in a quick manner and providing customers immediate attention in an economical way.

The operations related to social media interactions are undertaken with the social media policy that ensures the employees adhere to set rules in sharing customer information, responding to customer complaints. The microfinance institutions review their social media policies periodically depending on changes in the social media application platforms. These reviews are made to curb major risks associated with social media interaction effectively. Finally, the regression analysis shows that social media usage has a significant effect on financial performance among microfinance institutions in terms of revenue earnings growth. All factors (sales volume, CAC and risks mitigation and management) were found to increase performance among microfinance institutions.

5.2 Conclusion

Microfinance institutions have embraced social media bringing them closer to the goal of customer satisfaction. Social media interaction avails microfinance institutions a platform to reach out to customers and deal with their needs and enquiries in real time. This will increase the quality of their services and levels of consumer loyalty. The firms have adopted social media platforms in marketing their products and services in order to lower their cost of operations. The trend is hastening the adoption rate of social media marketing by banking institutions which significantly increases revenue from the uptake

of loans. Social media policies are in place to ensure proper and efficient utilization of social media platforms by the microfinance institutions.

5.3 Recommendations for Policy and Practice

Following this research, it is recommended that microfinance institutions yet to embrace social media in their operations should do so because social media is rich in opinions, wishes and comments among other benefits yet to be realized. A lot of noise may be irrelevant but if data is refined, it has the greater potential to provide the banking industry with vivacious comprehension and understanding of their current and potential customers and their demands and needs in order to increase customer satisfaction levels.

From the front line to the back office, staff must be given training and flexibility to provide service on social media channels. Modalities must be installed to facilitate harvesting of social insights for the stakeholder groups of the business to meet their individual goals and deliver on the overarching business strategy.

The management should also keep in mind the target audience who will be consuming social media shared information. They should ensure that the social media initiative deployed is providing value towards their overall business strategy and business goals to understand if the social media initiative is deepening customer relationship and understand the quality of service delivered to their customers to establish whether there are any opportunities for improvement in existing processes.

Lastly, the study recommends that microfinance institutions that have no social media policies to draft and adopt one to ensure that they are transparent and meet the ethical business behavior in the field of social media interactions.

5.4 Limitations of the Study

It was challenging to collect data from the employees of microfinance institutions given that they were busy during the day hence the researcher had to drop the questionnaires in their offices and collect them at a later date. Some respondents were also afraid of expressing correct opinions of the financial performance in their microfinance institutions in fear of victimization. This allowed the respondents to fill the questionnaire at their own time.

The study only focused on the effect of social media usage on financial performance of microfinance institutions in Kenya. Other factors affecting financial performance other than sales volume, customer acquisition cost and risk mitigation and management were not put into consideration.

5.5 Suggestions for Further Research

Due to the limited time and funds, a few areas are hereby recommended for more research. Further studies should be carried out on the impact of social media marketing in the banking industry involving all Commercial banks in the Country. Another study should also be conducted on the general perspective of how social media and mobile applications integrated with other emerging technology infrastructure is shaping the delivery of financial services in the financial industry in Kenya.

REFERENCES

Agarwal , V., Desai, V., Kapoor, S., Kumaragurk, P., & Mittal, S. (2011). Enhancing the

    Rural Self Help Group-Bank Linkage Program. In SRII Global Conference

    (SRII), 2011 Annual (pp.456-464)

Agle, B.R., Mitchell, R.K., & Sonnenfeld, J.A. (1999). Who matter to CEOs? An

    investigation of stakeholder attributes and salience corporate performance,

    and CEO values. Academy of Management Journal,42(5), 507-

    525.doi:10.2307/256973

Ahlin, C., Lin, J., & Maio, M. (2011). Where does microfiance flourish? Microfinance

    Insitution Performance in macroeconomic context. Journal of Development

    Economics, 95 (2) 105-120.

Ahmad Daowd, (2016). The Impact of Social Media on the Performance of Microfinance

    Insitutions in Developing Countries: A quantitative Approach. Unpublished PhD

    Thesis, Brunel University, London.

Ali, S.S., & Khan, M.N.A. (2013). Ict Infrustructure Framework for Microfinance

    Insitutions and Banks in Pakistan: An Optimized Approach. International Journal

    of Online Marketing (IJOM), 3(2), 75-86.

Ashta, A., Demay, I., & Couchoro, M. (2016). The Role of Stakeholders in the Historical

    Evolution of Microfinance in Togo; Economic History of Developing Regions, 1- 42.

Athanasoglou, P., Brissimis, S N., and Delis, M D. (2005), Bank-particular, industryspecific and macroeconomic determinants of Bank gainfulness. MPRA Paper No.153.

Baird, C.H., & Parasnis, G. (2011). From Social Media to Social Customer Relationship Management. Strategy & Leadership, 39(5), 30-37

Berger, A.N., G.A. Hanweck, and D.B. Humphrey, Competitive Feasibility in Banking: Scale, Scope, and Product Blend Economies, Journal of Monetary Economics 20 (December 1987):501-520Aza

Blavy, M. R., Basu, M.A., & Yulek, M.A. (2004). Microfinance in Africa: Experience & Lessons from selected African Countries (e-Pub) (No. 4-174) IMF.

Bourke, P.,(1989). Concentration and other Determinants of Bank Profitability in Europe, North America and Australia, Journal of Banking and Finance 13, 65-79

Brau, J.C., & Woller, G.M.(2004). Microfinance: A comprehensive review of the existing literature. Journal of Entrepreneurial Finance, JEF, 9(1), 1-27.

Carneiro, J. M. T., Silva, J. F., Rocha, A.,& Dib, L. A. R. (2007). Building a better measure of business performance. RAC-Eletrônica, 1(2), 114-135

Charitonenko S., & Campion, A. (2003); Expanding Commercial Microfinance in Rural Areas: Constraints and Opportunities in paving the way forward: An International Conference on Best Practice on Rural Finance. Washington DC, June (Vol.2)

Chen, H., P. De. Y. Hu & B. Hwang (2012), Customers as advisors: The Role of Social

   Media in Financial Management Science, 54 (3) 477-491

Clarkson, M. B. E. (1995). A stakeholder framework for analyzing and evaluating

   corporate social performance. The Academy of Management Review, 20(1), 92-

   117.

Curtis, L., Edwards, C., Fraser, K.L., Gudelsky, S., Holmquist , J., Thornton, K., &

   Sweetser, K.D. (2010);Adoption of Social Media for Public Relations by Non

   Profit Organizations. Public Relations Review, 36(1), 90-92.

Dooley, L. (2007); University - Industry Collaboration: Grafting the Entrepreneurial

   Paradigm onto Academic Structures, European Journal of Innovation

   Management, Vol. 10 Issue: 3, pp.316-332

Eckerling, D. (2014); How to Measure Social Media ROI

Edosomwan, S., Prakasan, S.K., Kouame, D., Watson, & Seymour, T. (2011) The history

   of social media and its impact on business, Journal of Applied Management and

   Entrepreneurship, 16(3), 79.

Felix, A.T. and Claudine, T.N (2008); Bank Performance and Credit Risk Management,

   Unpublished Masters Dissertation in Finance, University of Skovde.

Fine, S. (1981), The Marketing of Ideas and Social Issues, New York: Praegerarketing,

   44(2): 24 – 33.

Flamin C., Valentina C., McDonald, g., & Liliana, S. (2009), The Determinants of

Commercial Bank Profitability in Sub-Saharan Africa, IMF Working Paper

Fox, Karen F. A. and Philip Kotler, (2000), The Marketing of Social Causes: The First

Ten Years, Journal of M

Frame, W.S. & White, L.J (2004), Empirical Studies of Financial Innovation: Lots of

Talk, Little Action? Journal of Economic Literature, 42(1): 116-124

Freeman, R. E. (1984). Strategic management: a stakeholders approach. Boston: Pitman.

Gakii Mercy(2017), How social media is shaping Sacco Movement in Kenya. Unaitas

SACCO Bi-Annual Publication January-June 2017, pp.

Harmes N., Lensink R., Meesters A. (2011). Outreach and Efficiency of Microfinance

Institutions. World Development 39: 966-973

Henning Thuran T., Malthouse E. C., Gensler S., Lobschat L., Ranga Swany A., & Skiera

(2010); The impact of new media on customer relationships. Journal of Service

Research, 13(3), 311-330

Henderson, T and Neeraj, A. (2010), Promoting Brands across Categories with a Social

Cause:Implementing Effective Embedded Premium Programs, Journal of

Marketing, 74(6): 41-60.

Hossain, M. A., & Ahmed, M.F.(2012). Evaluating the Impact of Mobile Banking

Deployment for Microfinance Insittutions. DU Journal of Marketing, 15, 143-157

Hunt, S. D. (1991), Modern Marketing Theory, Cincinnati: South-Westem Publisbing Co

Kaplan, A.M., & Haenlein, M. (2012). Social Media: back to the roots and back to the

future. Journal of systems and information technology, 14(2), 101-104.

Kaplan, R.S.,& Norton, D.P. (1992). The balanced scorecard: measures that drive

performance. Harvard Business Review,70(1), 7-79.

Kauffman, R.J., & Riggins, F.J.(2010),January. Research Directions on the Role and

Impact of ICT in Microfinance. In System Sciences (HICSS), 2010 43rd Hawaii

International Conference (pp.1-10). IEEE.

Kiveu, M. & Ofafa , G. (2013). Enhancing Market Access in Kenyan SMEs Using ICT.

Global Business and Economics Research Journal, 2(9): 29 - 46

Kothari, A., Lencucha, R., and Hamel, N. (2010). Broadening coordinated efforts for

knowledge   translation: lessons from the group based participatory research

literature.   Evidence and Arrangement: A Diary of Exploration, Level headed

discussion and Practice, Vol. 6(1), pp. 61-75.

Krause, J., Croft, P. D., & James, R. (2007). Social Network Theory in the Behavioural

Sciences:

Ledger Wood, J. (1999). Microfinance Handbook: An Institutional and Financial

Perspective. World Bank Publications.

Lyon, T.P., & Montgomery, A.W.(2013). Tweetjacked: The Impact of Social Media on

Corporate Greenwash. Journal of Business Ethics, 118(4), 747-757.

Mabrouk, A., & Mamoghli C. (2010); Dynamics of Financial Innovation and

Performance of the Banking Industry. International Research Journal of Finance

and Economics, 5, 2010

Mangold, W. G & Faulds, D.J. (2009), Social Media: The New Hybrid Element of the

Promotion Mix, Business Horizons, 52(4): 357-365

Maudos, J., & de Guevara, J.F.(2004); Factors Explaining the Interest Margin in the

Banking Sectors of the European Union. Journal of Banking and Finance Vol. 28,

pp.2259-2281

Molyneux, P. And J. Thorton, (1992): The determinants of European Bank profitability,

Journal of Saving money and Fund 16 (6), 1173-1178.

Mutero W. Njeri (2014), Effect of Social Media Interactions on financial Performance of

Commercial Banks in Kenya. Unpublished MBA Research Paper, University of

Nairobi Repository.

Nkpoyen, F., & Eteng, G.(2012). Micro-lending as an empowerment strategy for poverty

alleviation among women in Yala Local Government Area of Cross River State.

Nigeria. International Journal of Business and Social Science,3(18).

Nyambu, E. M. (2013). The Influence of Social Media Marketing on Performance of Telecommunication Firms in Kenya. International Journal of Innovative Research and Development, 2(9): 185-190

Odhiambo, C. A (2012), Social Media as a Tool of Marketing and Creating Brand

Awareness, MBA Thesis, Business Economics and Tourism, Vaasan Ammattikorkeakoulu University of Applied Sciences.

Otero, M. (1999). Bringing Development Back into Microfinance. Journal of microfinance/ESR Review, 1(1), 8-19

Owino.J.O, Cherotich M, Karuri W.P, Gitonga V., Kimuya L., Kaumbulu K., The Influence of Social Media on Brand Equity in Kenyan Banking Industry Journal of Business and Finance Management Research, Vol. 2(1) pp. 001-005

Parasuraman, A., & Colby C.L(2001), Techno Ready Marketing: How and Why your Customers Adopt Technology, Free Press, New York, NY.

Park, J. K & Roedder, D. J (2014), I Think I Can, I Think I Can: Brand Use, Self-Efficacy, and Performance, Journal of Marketing Research, 51(2): 233 – 247

Potential Applications, Journal of Behavioral and Ecological Sociobiology 62:15–27

Purcell, K. Smith A. & Zickuhr K, (2010). Social Media & Mobile Internet Use among Teens and Young Adults (PP.155-79) Washington DC. Pew Internet & American Life Project.

Read L., R. (2014), State of the Microcredit Summit Campaign Report 2014. Microcredit

      Summit Campaign: Washington DC. Retrieved from http://state of the

      campaign.org/ on 01/12/2015

Richard, P. J., Devinney, T. M., Yip, G. S., & Johnson, G. (2009).Measuring

      Organizational Performance: towards methodological best practice. Journal of

      Management, 35(3), 718-804.

Roberts, P.W. & r. Amit (2003). The Dynamics of Innovative Activity and Competitive

      Advanctage: The case of Australian Retail Banking, 1981 to 1995, Organization

      Science, 14(2):107-122

Rosenberg, R. (2009), Measuring Results of microfinance Insititutions. Minimum

      Indicators that donors and Investors should Track. CGAP. A Technical Guide.

Rozzani, N., Rahman, R. A., Mohamed, I. S., & Yususf, S.N.S.(2013); Applying: Issues

      in Microfinacne Operations. Middle East Journal of Scientific Reseach, 17(3),

      374-381

Rustam, S., Bibi, S., Zaman, K., Rustam, A.&Haq, Z. U. (2011). Perceptions of

      corporate clients towards islamic saving money items and administrations in

      Pakistan. The Romanian Economic Journal, 41, 107-123

Sabi, M. (2013). Microfinance Institution Activities in Central Asia: A case study of

      Tajikistan and Uzbekistan. Post-Communist Economies, 25(2), 253-266

Schivinski, B & Dabrowski, D (2013); The Effect of Social Media Communication on Consumer Perceptions of Brands, GUT Faculty of Management and Economics Working Paper Series A (Economics, Management, Statistics) No. 12/2013 (12)

Shafie, L. A., Mansor, M., Osman, N. Nayan, S., & Maesin, A. (2011). Privacy, Trust and Social Network Sites of University Students in Malaysia, Research Journal of Internatıonal Studıes, 20(3): 34 – 56.

Short, B.K., (1979), The connection between commercial Bank benefit rate and Banking in Canada, Western Europe and Japan, Journal of Banking & Finance 3.

Sinclaire, J.K. & Vogus, C.E. (2011): Adoption of Social Media Networking Sites: An exploratory Adaptive Structuration Perspective for Global Organizations, Information Technology Management 12: 293-314

Solis, B and Li, C (2013), The State of Social Media in Business Risk Mitigation, The Maturing of Social Media into Social Business, 9(3): 33 – 43

Stutzman,F.(2006): An Evaluation of Identity Sharing Behavior in Social Network Communities. Journal of the International Digital Media and Arts Association,3 (1),10-18

Tamrakar, C.B (2016); Essays on Social Media and Firm Financial Performance, University of Iowa.

Thard, N., & Singh, J.(2016). Financial Inclusion. A key to microfinance. Indian Journal of Applied Research, 5(11).

Yorkston, E. A., Nunes, J. C & Shashi, M. (2010), The Malleable Brand: The Role of Implicit Theories in Evaluating Brand Extensions, Journal of Marketing: 74(1): 80-93.

Yunus M. (2007a), Creating a World Without Poverty; Social Business and the Future of Capitalism. Perseus Books Group, Philadelphia, PA.

Yunus M. (2007b), Banker to the Poor: Microlending and the Battle Against World Poverty. Public AFFAIRS Books, New York, NY

Zeller, M. and R. Meyer, (2002). The Triangle of Microfinance: Financial Sustainability, Outreach and Impact. The Johns Hopkins University Press.

APPENDICES

APPENDIX I: NUMBER OF LICENSED DEPOSIT TAKING MICROFINANCE INSTITUTIONS IN KENYA AS AT 31ST DECEMBER, 2016:

1. Faulu Microfinance Bank Limited

2. Kenya Women Microfinance Bank Limited

3. UWEZO Microfinance Bank Limited

4. SMEP Microfinance Bank Limited

5. Remu Microfinance Bank Limited

6. Rafiki Microfinance Bank Limited

7. Century Microfinance Bank Limited

8. SUMAC Microfinance Bank Limited

9. U & I Microfinance Bank Limited

10. Daraja Microfinance Bank Limited

11. Choice Microfinance Bank Limited

12. Caritas Microfinance Bank Limited

13. Maisha Microfinance Bank Limited

APPENDIX II: INTRODUCTORY LETTER

The Respondent,

Dear Sir/Madam,

Re: Request for Research Data

I'm a Postgraduate student pursuing a Master of Business Administration Degree at the University of Nairobi. My research project topic is "The Effect of Social Media Usage on Financial Performance of Deposit Taking Micro Finance Institutions in Kenya".

You have been selected to form part of those who will provide necessary data required for research. You are therefore kindly requested to assist in filling the attached questionnaire at your convenience. Information provided will be treated with the strict confidentiality that it deserves and will be purely for academic purposes. Assurance is guaranteed that your name will not appear in the final research report.

Your cooperation in filling the questionnaire will be highly appreciated.

Thank You.

Sincerely,

Abea Fredrick Buchanan Okari

APPENDIX III: RESEARCH QUESTIONNARE

Dear Sir/Madam,

Allow me to request your participation in my research project. To ensure confidentiality of all responses, you are requested not to provide your name in this questionnaire. The information you give in response to this survey will be purely for academic purposes.

Section A: Background Information

1. Name of the Microfinance institution: ……………………………………..

2. Name of your department ………………………………………………..

3. Below, please tick appropriately to indicate how long your institution has been in operation in Kenya.

a) 0-10 Years   [ ]

b) 11-20 Years   [ ]

c) 21-30 Years   [ ]

d) 31 and above years [ ]

4. Under the following categories, please indicate how long you have been working with the Institution

a)   0 - 10 years   [ ]

b)   11 - 20 years   [ ]

c)   21 - 30 years   [ ]

d)   31 years and more   [ ]

Section B: Use of Social Media

5. Does your institution have a social media site (s)?

Yes   [ ]   No   [ ]

6. If yes, which of the following social media sites do you have?

a)   Facebook   [ ]

b)   Twitter   [ ]

c)   Blogs   [ ]

d)   WhatsApp   [ ]

e)   LinkedIn   [ ]

f)   Instagram   [ ]

g)   You Tube   [ ]

h)   Wechart   [ ]

i)   Snapchart   [ ]

j)   Telegram   [ ]

k)   Others (Please Specify)………………………………………..

7. Does your institution have a social media department or Unit?

Yes   [ ]   No   [ ]

If yes, how many staffs are deployed in the department/Unit?

Below 5   [ ]   5 - 10 [ ]   Above 10 [ ]

8. How many followers have you had on each social media platform for the past 3 years?

Please indicate appropriately in the table below;

Social Media Sites (Platform)	2014	2015	2016
Facebook			
Twitter			
Blogs			
WhatsApp			
Linkedin			
Instagram			
You Tube			
Wechart			
Snapchart			
Telegram			
Others			

9. Please indicate in the table below, the level of your agreement with the statements as a reason for using social media platforms in your institution.

Objectives of using social media	Strongly Disagree	Disagree to some extent	Neither agree nor disagree	Agree to some extent	Strongly agree
Market Research					
Access new markets					
Develop new product brands					
Selling of products					
Collect data on customers					
Customer Relationship Management (CRM)					

Section C: Sales through social media

10. Please indicate in the table below on average, how many new customers has your institution acquired in the last 3 years through social media platforms?

YEAR	2014	2015	2016
Number of New customers acquired			

11. To what extent would you agree or disagree that the new customers acquired through social media interactions contributed to revenue growth in the last 3 years?

i) Strongly disagree   [ ]

ii) Disagree to some extent   [ ]

iii) Neither agree nor disagree   [ ]

iv) Agree to some extent   [ ]

v) Strongly agree   [ ]

12. Averagely, what was has been the loan portfolio of your institution in the last 3 years?

YEAR	2014	2015	2016
Loan portfolio			

Section D: Customer Acquisition Cost (CAC)

13. Has the adoption of social media interaction reduced the cost of customer acquisition in your Microfinance institution?

Yes   [ ]   No   [ ]

14. What has been the average cost of acquiring a customer in your Microfinance institution for the past three years?

2014   Ksh…………....

2015   Ksh…………....

2016   Ksh…………....

15. What has been the cost of running a social media site/platform in your Microfinance institution for the past three years?

2014   Ksh…………....

2015   Ksh…………....

2016   Ksh…………....

16. To what extent has social media interaction reduced customer acquisition costs in your   Microfinance Institution?

i) Not at all   [ ]

ii) Little extent   [ ]

iii) Moderate Extent   [ ]

iv) Large Extent   [ ]

v) Very Large extent   [ ]

Section E: Risk Management and Mitigation

17. Does your institution have a social media policy?

Yes   [ ]   No   [ ]

18. If yes, how frequently is the policy reviewed/updated?

i) Quarterly   [ ]

ii) Half yearly   [ ]

iii) Yearly   [ ]

iv) Never   [ ]

v) Other (please specify)…………………………..

19. Do you think social media interaction has created any risk management concerns in your Microfinance Institution?

Yes [ ]   No. [ ]

If yes, what are the major risk concerns that have been brought about by social media usage in your institution?

i) Reputational risk   [ ]

ii) Operational risk   [ ]

iii) Data and information regulatory risk   [ ]

iv) Other, (Please specify)…………………………...

20. How has your Microfinance institution controlled the communications and content posted on the social media sites/platforms to avoid such risks?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

21. How frequent is the social media site(s) monitored and updated in your Institution?

i) Hourly   [ ]

ii) Daily   [ ]

iii) Weekly   [ ]

iv) Monthly   [ ]

v) Other (please specify) ………………………..

XXXXXXXXXXXXXXXXXXXXXXXX **END** XXXXXXXXXXXXXXXXXXXXXXXX

Thank you for your time and participation in the survey