FIRM CHARACTERISTICS, CORPORATE SOCIAL RESPONSIBILITY, OPERATING ENVIRONMENT AND PERFORMANCE OF FINANCIAL INSTITUTIONS IN KENYA

BY

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DECLARATION

This doctoral thesis is my original work and has not been presented in any other college, institution or university other than the University of Nairobi.

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DEDICATION

This thesis is dedicated to my late father Joshua Nyaoke Nunda. Your leadership and people skills give me pride. I will forever remember your zeal for education and industriousness. Rest in peace “Jacameo.”

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ABBREVIATIONS AND ACRONYMS

AKI	Association of Kenya Insurers
AMFI	Association of Microfinance Institutions
BSC	Balanced Score Card
CBK	Central Bank of Kenya
CEO	Chief operating officer
CMA	Capital Markets Authority
CRB	Credit Reference Bureau
CSR	Corporate Social Responsibility
CT	Contingency Theory
DCT	Dynamic Capability Theory
DTM	Deposit Taking Microfinance
EPS	Earning per Share
ESP	Environment - Strategy-Performance
FCs	Firm Characteristics
FIs	Financial Institutions
FLIs	Firm Level Institutions
FP	Firm Performance
HoD	Head of Department
IRA	Insurance Regulatory Authority
KBA	Kenya Bankers Association
KCB	Kenya Commercial Bank
KPOSB	Kenya Post Office Savings Bank
KShs	Kenya Shillings
MD	Managing Director
NIC	National Industrial Credit
NSE	Nairobi Securities Exchange
OE	Operating Environment
OP	Organizational Performance
RBT /V	Resource Based Theory/View
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investments
ROS	Return on Sales

SACCOs	Savings and Credit Cooperatives
SASRA	Sacco Societies Regulatory Authority
SCBSC	Sustainable Balanced Scorecard
SCP	Structure Conduct Performance
ST	Stakeholders Theory
TBL	Triple Bottom Line
WBCSD	World Business Council for Sustainable Development

ABSTRACT

Organizational performance has been a key research issue for a majority of scholars in business research. Indeed, researchers and practitioners have attempted to unravel how firms can remain competitive by ensuring they keep their performance at peak year on year. Firms are thus making performance a key concern, which they grapple with often with all measures geared towards its improvement. Despite these efforts, it is still difficult to explain how two similar firms operating in the same environment have variations in their performance. The study conceptualized a relationship between firm characteristics, corporate social responsibility, operating environment and firm performance. It observed that there are factors which influence performance key among them being firm characteristics. Despite this observation, scholars remain skeptical on why performance is still a mirage. To address this challenge, this study proposed that there are key variables which when combined well with firm characteristics, would yield sustainable performance. The study observed that corporate social responsibility and operating environment play a greater role in enhancing the performance of the financial institutions in Kenya. The main objective of the study was to establish the influence of firm characteristics, corporate social responsibility and operating environment on the performance of financial institutions in Kenya. The study had the following specific objectives; effect of firm characteristics and firm performance, relation between firm characteristics and corporate social responsibility, effect of corporate social responsibility and firm performance, effect of corporate social responsibility in the relationship between firm characteristics and firm performance, effect of operating environment in the relationship between firm characteristics and firm performance and finally, joint effect of firm characteristics, corporate social responsibility and operating environment and performance of financial institutions in Kenya. The study had four hypotheses, which were tested at 95 percent confidence level. The study was conducted through cross-sectional descriptive survey. Data was gathered using semi-structured questionnaire delivered through drop and pick method as well as through email. A census of 382 financial institutions was reached, out of which, a response rate of 36.4 percent was achieved. The study further used multivariate and hierarchical linear regression analyses. The findings indicate a statistically significant relationship between firm characteristics and firm performance. The firm characteristics explained 99.5 percent of the performance of financial institutions in Kenya. Results of the intervening effects of corporate social responsibility on firm performance were statistically significant. The moderating effect of operating environment was equally statistically significant. The findings provide empirical support to contingency theory which calls for the firm to adapt to changes in the environment by supporting the postulation that strategy precedes structure. Theoretical linkage of stakeholders' theory was eminent. Further, institutional theory was supported through the manifestation of culture as an enabler of firm performance. This study will benefit managers and scholars by offering direction in the managerial practice, policy and contributing to theoretical discourse. Financial institutions will find it possible to understand how to vary their firm characteristics to improve their performance. The study has further demonstrated that corporate social responsibility is a necessary responsibility, which needs to be embraced by financial institutions. In addition, operating environment is an essential feature when varying performance. The study has suggested the need to conduct similar research in nonfinancial institutions as well as replicating it in a different context as well as make use of other methodologies to see whether results will change.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizational Performance (OP) is a complex multidimensional construct, which is tricky to operationalize (Dess & Robinson, 1984). Scholars, as well as practitioners, have tirelessly attempted to establish how organizations can improve their performance. The scholars have advanced various variables, which may influence the strategies that firms can adopt to improve their performance. Key among these are culture, structure, management style, and resources - what constitute Firm Characteristics (FCs), together with the Operating Environment (OE) as well as Corporate Social Responsibility (CSR). It has been observed that variations in the performance of firms are very difficult to understand (Kamasak, 2011). How some companies outperform others while operating in the same environment has remained tricky to explain. Strategic management attempts to unravel this difficulty by accepting the existence of multiple means, measures and theories advanced to promote Firm Performance (FP). Cameron and Whetten (1983) and Carton (2004) perceive performance as situational due to the multiple constituencies involved in its measurement leading to different interpretations. How FCs, CSR, and OE affect FP is a relationship which scholars would wish to explore.

To be able to understand how the performance of organizations can be improved, there are various constructs, which affect the performance of an organization. These constructs are supported by theories. The dominant theories on which this study was based are Stakeholder Theory (ST), Institutional Theory (IT), Contingency Theory (CT) and Open Systems Theory (OST). The ST requires a firm to address the ever-changing demands of all the players (Carroll, 1999). These include; shareholders, customers, employees, creditors, neighboring community among others. The IT emphasize the dependence of the organization on the environment (Meyer, 2007). Machuki (2012) alleges that OST assists explain why firm strategies must be anchored on the environment after the analysis of the influence of both external as well as internal factors. Amenta and Ramsey (2010) posit that institutions are formal as well as informal patterned actions of individuals in a structured way. Clemens and Cook (1999) acknowledged that institutions have influence over policy and political action within the organization. Contingency theory purport that there is no one best way of achieving organizational fit due to uncertainties within the environment (Lawrence & Lorsch, 1967). Open systems theory asserts that there are various players whose interest the firm must observe. Open systems theory contends that organizations are influenced by the environment in which they operate. The OST comes into focus as the organization assumes an open system role making its boundaries porous, which permeates information, ideas, and materials to pass through. The organization is therefore made up of subsystems, which are interrelated and interdependent on each other (Bastedo, 2004). This study was based on the premise that firm characteristics influence firm performance. The study acknowledged that the relationship between FCs and FP may also be moderated by OE as well as be intervened by CSR.

This study focused on the FIs in Kenya, and this choice was informed by the fact that the financial sector has been the most demanding on managers in terms of performance improvement. The sector has been seen to be concentrating on improving its performance due to stiff competition within this industry. In addition, the economy of the country depends on the success of financial institutions. It was, therefore, thought that since it is necessary for this industry to remain successful, a study had to be conducted to assist the managers in this industry to manage the sector. Consequently, this made FIs necessary as the study sought to contribute immensely to the improvement of performance of this important area. The growth of the economy rests in the success of the financial sector. Both individuals, as well as companies, require the financial sector to support them in one way or the other. The way in which FIs offer this support leads to stiff competition as the products and services available in these firms are easily copied (imitable) by competition. The need to aggressively innovate new products and services worsens the contest. According to the Central Bank of Kenya (CBK), 2013)), the financial institution in Kenya is made up of banking, insurance, Savings and Credit Cooperatives (SACCOs), forex bureaus and Deposit Taking Microfinance (DTMF) among others.

1.1.1 Firm Performance

The concept of firm performance has been equated to value creation. This value may relate to a positive change in the financial state of a company based on the financial outcome resulting from improved Return on Investment (ROI). Improved ROI is attributed to better application of raw material, labour, capital and proper management of the resources (Barney, 2002; Hofer, 1983; Alchian & Demsetz, 1972). It is, therefore incumbent on the providers of the asset to evaluate the value they derive from the asset input as the quest to invest further is contingent on the value received. Firm performance is the ultimate test of the firm’s health. It is the testimony to the fact that all systems and elements in a firm are working in harmony to enable an organization achieve unity of purpose (Odundo, 2015).

Performance is situational as much as it is perceptive since it depends on what the observer finds valuable. Bain (1968) noted that OP is critically dependent on the characteristics of industry environment in which the firm operates. Richard, Devinney, Yip, and Johnson (2009) observed that OP has multiple facets consisting of operating effectiveness, business performance, corporate reputation, and organization survival. Barney (2002) considers financial performance to relate to the fulfillment of an organization's economic goal. Venkatraman and Ramanujam (1986) believe that effectiveness is broader than the performance by acknowledging the lack of consensus on the definition of performance. March and Sutton (1997) noted that performance relates to efficiency in performing a task. Armstrong (2006) looks at performance as both behaviour and results this is why the fundamental interest of every business manager or owner is performance improvement (Pelissier & Ogutu, 2010).

There is no single index to explain performance (Chakravarthy, 1986), which has led to the reluctance in the application of both financial and non-financial measures of performance. Bain (1956) equates performance in an industry to having above-average profitability. Schmalensee (1985) refers to performance as Return on Asset (ROA). Profit Impact of Marketing Strategy (PIMS) perceived performance as a source of market share. The success of a business hinges on the characteristics of the served market. This market controls 75 percent of the reason for success or failure of the business. The operating skills of management control 25 percent of the success (Robert, 2011). Wernerfelt and Montgomery (1988) relate performance to the size of the firm. The Balanced Scorecard (BSC) provides a framework for organizing strategic objectives into measurable financial performance in line with the mission and vision of the organization (Kaplan & Norton, 2001). Sustainable Balanced Scorecard (SBSC) addresses stakeholder issues - environmental and social objectives of the firm (Bieker & Waxenberger, 2002) which provides high potential for the integration of environmental and social aspects as well as the objectives of the firm into the core management of the companies. Triple Bottom Line (TBL) is a CSR affiliated measure which accounts for business performance regarding financial, social and environmental with the aim of creating a balance and to avoid the emphasis on financial reporting (Elkington, 1997). This study sought to look into establishing how firms can improve their performance by looking at various means in which performance of firms can be boosted. As a working definition, the study adopted FP as a value creating measure, achieved through manipulation of input of ideas and resources resulting in attainment of organization goals.

1.1.2 Firm Characteristics

Firm characteristics (FCs) can be defined as the happenings or activities within the organization which influences the actions an organization takes to better its performance and meet its objectives (Ayyagari, Asli & Vojislav, 2005). Scott (2001) believe that these characteristics happen within an institution, which is a social structure. Carney, Gedajlovic and Young (2009) consider institutions to be dynamic with bi-directional interaction occurring between firms and other institutions. Judge, Douglas and Kutan (2006) perceive an institution as a derivative framework emerging from OST which shape or constrain on strategic choices through differing resource environments and facilitate structures and actions at lower levels. Suchman (1995) posits that institutions are more than just a means to produce goods and services but also social and cultural systems, thus, organizations and organizational actors not only seek to compete for resources but are ultimately seeking legitimacy. To understand social systems, one needs to study the institutional environment. Ayyagari et al. (2005) believe FCs to be denoted by structure, culture, style, size and systems among other performance enhancing constructs in operation within an organization. They allege that these FCs contribute to the success or failure of the strategy of the firm since these characteristics are the context upon which the strategy of the organization is institutionalized as well as operationalized.

As advocated by proponents of the Resource Based View ((RBV) (Barney, 1991; Prahalad & Hamel, 1990; Peteraf, 1993; Wanerfelt, 1984)) internal resources are a source of competitive advantage. In addition, the McKinsey 7S framework emphasize that strategy is the sole unifying driver for achieving a firm’s objective (Peters & Waterman, 1982). The FCs have a remarkable influence on the strategy an organization implements, hence is a pertinent variable requiring proper understanding for the performance of the organization to be improved. In line with strategy-structure-performance paradigm as advocated by Chandler (1962) and supported by Rumelt (1984), the degree of fit between an organization strategy and its internal structures have implications on the performance of such organizations. Since strategy relates to how a firm competes in its environment, in relation to key choices it makes concerning its goals, goals which include social obligation, treatment of employees as well as caring for the environment, successful formulation of strategy entails matching of internal competencies (resources), skills and values with the opportunities in the environment (Porter, 1985; Grant, 1991).

Firm Level Institutions (FLIs) are manifested in an organization through the McKinsey 7S framework (Machuki, Aosa & Letting, 2012). The McKinsey 7S model aims at ensuring that the internal situations in a firm are well aligned to support the organization's objectives (Peters & Waterman, 1982). Chandler (1962) alludes that strategy precedes structure. Friedman (1970) postulates that strategy determines which customer the company has chosen to serve. Consequently, Kaplan (2011) established that strategy precedes stakeholders. Organization culture has an effect on the long term performance of a firm (Kotter & Heskett, 1992). In addition, Strautmanis (2007) established that CSR is part of organizational culture (shared values) and that particular types of cultures lead to better performance which is a source of competitive advantage (Barnley, 1986). Empirical research has demonstrated an impressive array of findings indicating the influence of culture on firm performance. Mallak, Lyth, Olson, Ulshafer, and Sardone (2003) demonstrated that culture is linked to higher performance in the health sector. There is, however, a gap on the effect of multiple FCs as an independent variable, on performance an issue which this study sought to address.

1.1.3 Corporate Social Responsibility

As organizations struggle to improve their performance, a new phenomenon CSR gains prominence. The CSR is a way in which organizations integrate social, environmental and economic concerns into their value systems, culture, decision-making, strategy and operations, so as to establish better practices within the organization, create wealth and improve society for all. It is the creation of a win-win situation for all the stakeholders in an organization World Business Council for Sustainable Development (WBCSD, 2002). Thompson, Peterraf, Gamble, and Strickland (2012) posit that CSR is made up of philanthropic, environmental, economic, ethical, and employee components.

Carroll (1999) noted that the concept of CSR dates back in the 1950s. Parez and Beveridge (2013) observed that most scholars trace CSR to Bowen's publication "Social Responsibilities of Businessmen." The concept CSR has been taken as an umbrella term with synonymous meaning to social responsibility, corporate citizenship, corporate sustainability and corporate social performance among others. The original focus was to dissociate CSR from the obsession with economic (Davis, 1973) and legal requirements of business (Carroll, 1999). An important shift occurred when Sethi (1975) proposed a three-tier schema where first, classifying the adaptation of corporate behavior to social needs - social obligation (requiring the adaptation to market forces as well as the compliance with existing laws). Secondly, social responsibility (where congruence was sought with the prevailing social norms-culture and expectations of the firm) and lastly, social responsiveness (in which anticipatory and preventive actions were found and pursued). Parez (2013) observed that current studies in strategic management have emphasized the need for firms to use CSR to assist in the bottom line (what this study considers strategic CSR).

Grounded on stakeholder theory as advocated by (Clarkson 1995, Freeman, 1984; Freeman & Reed, 1983; Carroll, 1999), CSR encompasses economic, legal, philanthropic and ethical or discretionary obligation of a firm to different stakeholders all of whom must be taken care of somehow in the operations of the organization. Many organizations use CSR as a strategy to enhance their reputation (Siegel & Vitaliano, 2007). Baron (2001) coined the phrase "strategic CSR" to refer to the strategy of linking social contribution to sales. As a product differentiation strategy, CSR can be used by a firm to distinguish how its products are unique as they do not pollute the environment, use recycle material which saves on forests, and are organic among other social soft spots (McWilliams & Siegel, 2000). On the contrary, some scholars perceive CSR to be competing with other resource requirements of the firm hence should not be an agenda driven by firms which are set up to make profits (Friedman, 1970).

The motivation behind CSR has been interpreted differently by various scholars. According to Dam, (2008), organizations employ the use of CSR to retain competent staff, as a cost management initiative, and to build their brand names (as a public relation exercise) as well as provide an avenue for organizations to benefit from tax incentives. As a source of competitive advantage, Porter (1991) equates CSR to an avenue for building sustainable business. Critics of CSR argue that CSR competes with the other key drivers of the organization for scarce resources. The contention is that CSR requires resources; a requirement which is in conflict with the other demands for resources in the organization. Resources being scarce mean that the CSR initiatives a firm champions, puts the firm at a disadvantage financially leaving the firm administratively challenged. The study used CSR as an intervening variable.

1.1.4 Operating Environment

According to Pearce and Robinson (2007), the OE as a moderating variable, constitutes factors in the immediate competitive situation, which affect the firm's success in acquiring resources. This environment is also referred to as immediate, task or competitive environment and is made up of its customers, creditors, suppliers, labor unions and competitive position. The firm's competitive position is the most prioritized factor within the OE. The manipulation of the competitive position enables a firm to design strategies that optimize environmental opportunities.

Performance improvement requires OE to be aligned to support the raw material requirements of the firm as well as to appropriately respond to the desired CSR initiatives, which will elicit the required motivation in staff and customers. The changing environment brings about environmental turbulence due to the unpredictability nature of the environment. Aosa (1992) noted that the environmental disturbance brings about challenges to the firm forcing management to devise new ways of handling the problem in the environment. Chandler (1962), Daft and Weick (1987) separately argued that organizations are environmentally reliant on the changes in the external environment, which shape the opportunities facing these organizations. They advocate for the understanding of the environment to help the organization objectively and rationally develop strategies that can cope with challenges affecting them.

Porter (1985), acknowledged that the environment is critical in providing initial insight that underpins competitive advantage. Contingency theorists argue that organizations must adapt to the environment by employing appropriate strategies to counter the challenges posed by the environment (Chandler, 1962). Ansoff and McDonnell (1990) found that the environment influence the strategies that an organization designs. It is for this reason that Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is conducted to ascertain the internal as well as external challenges and opportunities existing (Taylor, Marylin & Gregory, 2005). How the OE influence the performance of a firm is a gap this study addressed.

1.1.5 Financial Institutions in Kenya

The economy of a nation rests on the stability of the financial sector. As the backbone of the economy, FIs are the social glue that holds the country and drives the businesses and development at both corporate and individual levels. This sector is currently affected by various challenges key among them being bad debt. Kenyan banks reported above 20 percent of non-performing loans in 2014, which is a threat to the survival of the FIs specifically the lending firms (CBK, 2014). The insurance industry alone is also facing awareness and penetration problem as only three percent of the Kenyan population is insured (Association of Kenyan Insurers (AKI), 2013)).

The competitive nature of the financial sector has not been helped either by the nature of the industry as the goods and services are homogeneous and, therefore easily imitable something which makes competition in this industry stiff. The entry barriers are also high as the regulatory requirements from CBK, Kenya Bankers Association (KBA), Insurance Regulatory Authority (IRA), Credit Reference Bureau (CRB), Capital Markets Authority (CMA), AKI among others can attest. In addition, joining the industry requires excessive financial capital. The financial resource requirement has not made it easier for new entrants (Porter, 1985).

The FIs are the custodians of funds for both businesses and individuals. The government itself is a heavy borrower from commercial banks as it seeks to bridge the gap between taxes collected internally and the donor funds. It is also from the FIs that business risks are insured as well as local and international trade are facilitated. The success of this industry, therefore, leads to success of a nation, hence the need to carry out this study to provide more understanding of this important sector. According to Allen (2001), financial institution is made up of three broad categories of firms; depository institutions (banks, building societies, credit unions, trust companies and mortgage firms), contractual institutions (insurance companies, and pension firms) as well as investment institutions (investment banks, underwriters and brokerage firms). The need to exploit the environment for maximum yield has led most FIs to shy away from advancing CSR measures as some of them perceive CSR to be an impediment to their success (Friedman, 1970).

1.2 Research Problem

Central in the field of strategic management is firm performance. The need to explain how two firms operating within the same environment perform differently is a concern and several research works in strategic management have been devoted towards understanding this mystery. This led to studies which focus on various strategic as well as organizational issues thought to be the cause of differing FP. Chesbrough (2003) offers an explanation for the variations in FP (innovation). Moreover, a lot of research has been devoted to the environment as the ingredient which holds the key to organizational performance (Grant, 1991). The unpredictable nature of the environment and the constant need to adjust strategy to achieve the desired goal has worsened the desire of managers to steer the company to known territories. In addition, the changing nature and demands of stakeholders complicate the work of executives further as they have to juggle between the conflicting interests of these stakeholders to arrive at a compromise. Judging from empirical studies, it is true that Environment, Strategy and Performance (ESP) hold an important role in strategic management especially in understanding organizations and how they compete (Porter, 1985; Rumelt, 1984; Aosa, 1992), but these are not the only variables which can guarantee performance of organizations.

There are three facets of the FIs in Kenya namely: depository (banks, credit unions, unit trusts and mortgage firms), contractual (insurance companies, and pension funds), and investment institutions (investment banks, underwriters and brokerage firms). Notably, the FIs in Kenya hold a lot of hope for the nation as it is the sector, which is the custodian of the country's finances. The importance of the FIs is better understood by the number of regulatory bodies (CBK, AKI, IRA, CMA, KBA, and CRB), which have been established to ensure checks and balances exist in the sector so as to ensure they are run professionally with corporate governance adherence. The choice of the financial institution is due to the competitive nature of the industry and the fact that it is the most significant economic sector (controlling over KShs. 3 trillion in assets and over KShs. 2 trillion in deposits) in the country (CBK, 2014).

The relationship between FCs and FP has been demonstrated (Machuki et al., 2012). In addition, the OE (Aosa, 1992), as well as CSR (Carroll, 1999) have been shown to have an influence in FP. However, there is no known study, which has related the influence of CSR and OE in the relationship between FCs and performance of FIs in Kenya. Empirical literature attempts to favour a two-thronged approach towards improving FP as demonstrated through competition based view (Porter, 1985) and RBV (Penrose, 1959; Wenerfelt, 1984, Grant, 1991) of the firm (Leenders, Gabbay, & Fiegenbaum, 2001). Venkatraman (1989), observed that for an organization to perform effectively there must be a fit between environment and strategic characteristics chosen. Miles and Snow (1994) denote the need for fit between a firm and its strategy, structure, environment, and processes. This is reinforced by Chandler (1962) in the strategy, structure interplay research. In addition, Porter (1991) considers CSR as a source of building sustainable business.

Various studies have been carried out to address the performance of financial institutions both locally as well as globally. Harker and Zenios (2000) studied the performance of financial institutions and observed that these institutions constitute (5 to 9) percent of a country's Gross Domestic Product (GDP) which is why it is important for this study to address their performance to ensure they do not disappoint the population who directly or indirectly rely on them. Olagunju, Olurin, and Okuyemi (2012) carried out a study on corporate social responsibility reporting and financial performance of banks in Nigeria. They noted that corporate social responsibility influenced profitability and return on assets of banks but does not influence Return on Equity (ROE). Machuki et al. (2012) studied firm level institutions and the performance of publicly quoted companies in Kenya and established that firm level institutions are important ingredients of strategy implementation and that firm level institutions have an indirect effect on corporate performance and that successful organizations are those who align their strategic behaviour to the external environment. Machuki (2011) investigated external environment, strategy co-alignment, firm level institutions and performance of publicly quoted companies in Kenya and noted that external environment had an influence on strategic choice of an organization and that the environment affects the performance of organizations. In addition, Ogollah (2012) studied organizational configuration, stage of development and performance of commercial banks in Kenya and discovered a significant relationship existed between strategy-structure configuration as well as structure-environment configuration on market share. However, the study did not investigate the effects of multiple firm characteristics on performance.

While some of the studies were done outside Kenya, the majority of the ones conducted locally have attempted to address the influence of firm specific variables affecting firm performance (such as structure, resources, environment, strategy, culture, knowledge, among others), leading to contextual gaps. Variables in this studies have not been adequately addressed in prior studies leading to conceptual gaps. In addition, the use of census, as opposed to case studies, has been employed therefore addressing the methodological gap. This study, addresses the joint effects of firm characteristics, corporate social responsibility, operating environment and the performance of FIs in Kenya. It is for this reason that this study sought to address gaps identified from previous research in this subject area. What is the influence of firm characteristics, corporate social responsibility, operating environment and performance of FIs in Kenya?

1.3 Research Objectives

The overall objective of this study was to establish the influence of firm characteristics, corporate social responsibility and operating environment on the performance of financial institutions in Kenya. The specific objectives were to establish the:

i. Effect of firm characteristics on firm performance among financial institutions in Kenya.
ii. Relation of firm characteristics on corporate social responsibility among financial institutions in Kenya.
iii. Effect of corporate social responsibility on firm performance among financial institutions in Kenya.
iv. Effect of corporate social responsibility on the relationship between firm characteristics and firm performance among financial institutions in Kenya.
v. Effect of operating environment on the relationship between firm characteristics and firm performance among financial institutions in Kenya.
vi. Joint effect of firm characteristics, corporate social responsibility and operating environment on performance of financial institutions in Kenya.

1.4 Value of the Study

The findings of this study are important in various ways; first, it contributes to the existing literature in strategic management especially in theory building. Secondly, it addresses gaps in literature, which serve as reference material for scholars. Thirdly, the study provides research recommendations with empirical underpinnings. A clear understanding of the influence of CSR as an intervening variable as well as OE as a moderating variable in the wider relationship between FCs and performance of FIs in Kenya is explained. This knowledge is vital for both scholars and practitioners as they seek to establish how they can improve the performance of an organization operating in the same industry with other competitors.

To the policy makers, the study will assists in decision making, especially in the financial institutions. Policy makers will have better understanding of the ingredients required to make organizations improve their performance. It is believed that the organizations are therefore in a position to better design policies and procedures to improve organizational performance. The government will equally benefit from this study by being more informed about the FIs as this sector contributes immensely to the GDP.

Finally, this study informs practitioners on the importance of understanding the variables, which are necessary to better the performance of their organizations. This way, the players will be better placed to come up with a good mix of FCs, and CSR components which observe the type of environment the organization is operating to be able to improve the performance of the organization. The study emphasized the importance of FCs and the role CSR and OE play towards the improvement of organizational performance.

1.5 Structure of the Thesis

The study is organized into six chapters; Chapter one presents the background of the study, research problem, research objectives and the value of the study. Chapter two explains the theoretical underpinnings of the study variables and explores empirical literature of the relationships of the variables on firm performance. Consequently, it identifies the knowledge gaps. The chapter concludes by exposing the conceptual framework and generating hypotheses.

Chapter three presents the research methodology, which constitutes the research philosophy, research design, population of the study, data collection, operationalization of variables and data analysis techniques employed in this study. Chapter four explores data analysis and findings where it looks at the reliability and validity tests. In addition, the chapter provides the statistical assumptions made in regression as well as explains various descriptive statistical tests. Chapter five presents the tests of hypotheses and discussions. It does so by explaining the interpretations of results of these predictions. In addition, it establishes whether the findings are supported or not supported by the empirical studies. Lastly, Chapter six offers the summary of findings, conclusion, contributions to knowledge, implication on theory, policy, managerial practice, limitations of the study and recommendations for further research. The next chapter takes us through the literature review where empirical studies are explored.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter addressed the literature review on stakeholders' theory, institutional theory, open systems theory and contingency theory. Literature review was conducted to be able to establish a clear understanding of the underlying concepts in this study. Both empirical and the theoretical review was conducted on key variables of the study. The chapter first established the theories on, which the research is grounded before exploring aspects of firm performance, corporate social responsibility, firm characteristics and operating environment and their relationship with each other.

Conceptual and empirical literature was reviewed bringing out extant gaps in knowledge. Various gaps were identified and formed the basis of a conceptual framework showing the relationships between various variables. It is on this conceptual framework where hypotheses were formulated to address the identified gaps in the literature.

2.2 Theoretical Underpinnings of the Study

This study was inspired by four theories from where concepts were developed and studied. The theories for this study were; stakeholders' theory, institutional theory, open systems theory and contingency theory. A review of the literature demonstrated that firm characteristics, corporate social responsibility, operating environment and firm performance as variables of the study were well articulated by the above theories. Theoretical studies show that stakeholders' theory represents corporate social responsibility, institutional theory explains firm characteristics variable, open systems theory elaborate more on operating environment and contingency theory covers firm performance. Various scholars have been linked to the theories on, which this study is based; stakeholders' theory (Freeman, 1984 and Carroll, 1999), open systems theory (Carmeli & Tischer, 2004; Bastado, 2004), institutional theory (DiMaggio, 1988; Scott, 1995; Meyer, 2007) and contingency theory (Lawrence & Lorsch, 1967; Donaldson, 2001; Child, 1975).

The stakeholders' theory is related to the interaction of various players (stakeholders) with the firm. It aims at establishing how the firm should relate with key stakeholders in light of economic, legal, ethical and philanthropic perspectives. It was assumed that a firm's cordial relationship with these perspectives as demanded by the stakeholders will result in improved firm performance. The open systems theory and institutional theory relate to the firms interaction with the environment. While the former considers the firm as a system permeable to interactions both within itself as well as with the environment, the later emphasize the need to pattern the behaviour of employees in what is referred to as culture to force conformance and ultimately result in the desired output. The contingency theory sought to show that the decision taken by firms is contingent on the challenge at hand and that there is no single way of resolving a solution. The study, therefore, looked into the joint effects of the variables advanced by these theories. The aim was to establish what combination will improve or limit performance. The following is, therefore, a discussion of these theories individually.

2.2.1 Stakeholders Theory

In its ideological form, stakeholders are made up of groups and individuals who benefit from or are harmed by the actions of the firm or their own actions. In addition, these groups and individuals have rights, which can be respected or violated by the decisions of the firm. The groups and individuals possess some claim on the firm. The ST argues that it is the prerogative of many organizations to ensure that they maximize shareholders wealth. As advocated by Freeman (1984) and Carroll (1999), ST further purport that an organization is a collection of groups (customers, shareholders, suppliers, employees, creditors, neighbouring communities) who are affected or affect the actions of the organization (Freeman, 1984).

The father of ST is Friedman (1970) who proposed that the sole responsibility of business is the maximization of profit. He believed that organizations are run with one primary objective in mind (profit making). Beyond this feat, he argued that businesses have no other role than to enrich the shareholders (Friedman, 1970). However, organizations are no longer legal devices through which transactions are conducted to improve the individuals in what is referred to as managerial capitalism (Freeman, 1984). The ST suggests that the purpose of the firm should be broader than the economic value creation. Instead, it includes the societal interests as well as other players who affect or are affected by the operations of the firm (Hillman & Keim, 2001).

The ST attempts to answer the question, ‘in whose interest and for whose benefit should the firm be managed?’ The motivation behind this theory according to Asher and Mahoney (2004) is the economic value creator and distribution of wealth to multiple benefactors. The operationalization of the theory in a firm compels managers to set ambitious objectives which create value to the stakeholders (Freeman, Wicks & Parma, 2004). This study explored how the performance of FIs satisfies stakeholders in the firm. The ST informed this study my assisting in the underscoring the role of CSR in an organization. The need of CSR to address various stakeholder requirements was addressed by this theory.

2.2.2 Open System Theory

The OST advanced by Bastedo (2004) purports that organizations are strongly influenced by the environment in which they operate. According to OST, there is a boundary between the organization and the environment. This boundary needs to be kept porous by the organization to permeate information, ideas, and materials to pass through. The organization is therefore made up of subsystems, which are interrelated with each other (Bastedo, 2004). A remarkable interaction between organizations exists in which the organizations exchange energy, information, and ideas. The influence of the OE on FP is manifested through this theory.

The OST has its origins from Biology in the 1930s when organizations were initially considered closed systems. Around the 1960s, organizations were considered open systems as they made use of resources from the environment. The interaction an organization has with external organizations leads to exchanges hence influence. Organizations which are thus receptive to external influence are likely to prosper. In addition, organizations also affect the way the other organizations operate. The use of OST in this study calls for firms to devise more than one way to accomplish goals due to equifinality (Griffin, 2016). The proponents of OST suggest that the external environment plays a key role in the success of the strategy of any firm (Lawrence & Lorsch, 1967). The success and survival of such firms are pegged on the continuous understanding of the environment as well as the alignment of the strategies of the firm to the external environment which is usually dynamic. Sustainable firms have known the fact that successful firms are environment serving (Ansoff & McDonell, 1990).

Carmeli and Tischer (2004) postulate that open systems are ‘living systems’ which need to maintain themselves in exchange of inputs, which are derived from the external environment. Such firms must be highly adaptive to fresh ideas to be able to survive. The continuous interaction of firms with external environment ensures that firms easily access resources from the external environment to sustain its demand on scarce resources. The OST was used to show how necessary it is for the organization to anticipate and adjust to the environment.

2.2.3 Institutional Theory

The IT emphasize that organizations are based on a set of rationalized system of norms, which control behavior in these firms. The norms within organizations give rise to structures exhibited by positions, policies and procedures (Meyer, 2007; Scott, 2001). Institutions are considered as the rules of the game or humanly devised constraints, which structure social interactions (North, 1991). DiMaggio (1988) noted that IT is concerned with 'patterning' culture. The IT holds that firms adapt to their institutional environment by adopting features which are considered legitimate in the wider institutional environment, thereby guaranteeing support (Scott, 1995).

Clemens and Cook (1999) believe that institutions have influence over policy and political action within the organization. These institutions, therefore, constrain as well as superimpose some conditions which may limit some action while facilitating others. Amenta and Ramsey (2010); Hodgson (1994), established that institutions are "higher-order" factors above individual level activities which encourage repeat, collective mobilization, and intervention to achieve regularities. Institutions arise to reduce transaction costs and meet social needs (Scott & Meyer, 2007). The IT is credited with the FCs as it affects how these FCs interact in the firm.

Critics of IT argue that the theory is extremely contemptuous as it fails to recognize that firms can produce real outcomes of value in an operational sense. In addition, the theory also fails to assign sufficient strength to the argument that many firms are under 'competitive pressure' to improve their operational effectiveness. Consequently, it emphasizes institutional isomorphism, that is, organizations becoming more like their peers (Donaldson, 1995; DiMaggio & Powell, 1983). The IT in this study was used to demonstrate how the FCs are essential components which influence the performance of FIs and as such are therefore important aspects when attempting to improve the performance of FIs.

2.2.4 Contingency Theory

The CT dates back in the 1960s and gives credence to the environment as a determinant of actions managers need to take in their firms (Lawrence & Lorsch, 1967). As the leading theory for this study, CT purports that there is no one best way of achieving the right structure but to have a proper alignment of the structure with the environment. Congruence between environment and organization structure results in improved performance. This argument can be extended to all the FCs since different FCs have various effects in their relationship with the environment (Longton, 1984). The adoption of an organization to the environment is credited to the observance of CT. Donaldson (2001) posits that CT aims at ensuring that an organization attains equilibrium with the environment. Doing so enables the organization to adjust to the environment by changing its structures to fit performance expectations. Organizations, which are fit enjoy higher performance which generates excess resources and leads into expansion (Hamilton & Shergill, 1992). The theory holds that the most effective firm design (structurally) is where the structure fits the contingencies. Contingency theory postulates that organizational outcomes are a consequence of match which takes place between two or more factors (Jasmin & Hui, 2012).

Critics of CT argue that it is not sensible for firms to move into a fit with their contingencies since these contingencies are not static. While the firms are changing their structures to fit the contingencies, the contingencies themselves change. Hence, the firm structural change may not produce the expected fit (Child, 1975). Since this study was motivated by the need to improve FP, contingency theory was the main theory of study. The lead theory for this study, therefore, remained contingency theory as the firms have to find all means possible to improve performance. The use of CT in this study informed the need of varying all the other variables necessary to achieve improved performance in FIs in Kenya.

2.3 Firm Characteristics and Firm Performance

Studies have shown that FCs influence performance of an organization in various ways. The external forces affect a firm's strategic choices, which in turn influence the organizational structure and internal processes (Pearce & Robinson, 2012). The strategy being the driver of organizational performance relies heavily on the environment. The environment equally dictates the type of strategies that a firm employs. Chandler (1962) shows that the impact of the environment dictates how a firm operates as seen in the analogy of structure following strategy concept. For a strategy to be successful, its implementation must be supported by the organization's culture. To improve organizational performance, the application of the right management style calls for use of right skills in the application of scarce resources (Peters & Waterman, 1982).

According to Machuki et al. (2012), FLIs have an indirect effect on corporate performance but with a direct effect on the strategy implementation. The success of an organization relies heavily on the choice of strategy. However, the success of a strategy is not only in its formulation but also in its implementation. The determinants of the implementation of strategy are based on the FCs such as organization culture, organization structure, resource availability, management style among others. Studies have demonstrated that FCs affect FP. This is the reason FCs need to be given priority in the formulation and implementation of strategy within the organization. The study proposed that FCs affect the performance of FIs in Kenya.

2.4 Firm Characteristics and Corporate Social Responsibility

The relationship between FCs and CSR can be derived from empirical studies. Just as structure follows strategy (Chandler, 1962) so is CSR implementation reliant on FCs (especially strategy). Once a firm chooses to pursue a strategy which calls for conserving the environment, new forms of packaging, demands for recycling, environmental responsibility for safety and obligations to produce and maintain environmentally ‘green’ products as well as the disposal mechanism continue to dictate the strategies and products/services which organizations put in place (Prahalad & Hamel, 1990).

Grant (1991) looked at the implications that internal resources had on the strategy of organizations. Proponents of CSR establish that it is vital to perceive strategy as an enabler of CSR hence the phrase “strategic CSR.” The CSR activities that a firm engages in determine the choice employees make when evaluating whether to join that employer or not (Judge & Breitz, 1992). Scott (2000); Montgomery and Ramus (2003) showed how some job applicants choose organizations based upon values congruence and CSR reputation. Human resources as a source of organizational resources, when harnessed well, can lead to superior products or service resulting into sustainable source of competitive advantage. It is therefore necessary to look at CSR as a strategy that a firm can employ as a source of attraction for employees, hence a means of competitive advantage. As a prerequisite, FCs influence the CSR choice as alluded in the literature. This study proposed that FCs significantly influence CSR of FIs in Kenya.

2.5 Corporate Social Responsibility and Firm Performance

Many studies have attempted to relate CSR to organizational performance. Margolis and Walsh (2003) concluded that the overall correlation between CSR and financial performance is positive. Debate on whether CSR has a direct impact on the performance of the firm has remained unresolved. Margolis and Walsh (2003) contend that CSR and performance studies are inconclusive due to previous studies imperfections and measurement problems related to CSR and proper performance measurements. A lack of important analysis of causality between CSR and firm performance has faced variable operationalization challenges and a lack of appropriate methodological rigor.

Dam (2008), and Margolis and Walsh (2003) found out that there is a mixed response in the relationship between CSR and financial performance and that not all CSR ventures result in a positive economic benefit as there is a multitude of non-financial benefits that CSR contribute to the firm. Barnett and Salomon (2006) established that the financial performance of an organization varies with the type of CSR the organization engages in. They noted that some social responsibility investments are linked to higher financial performance than others.

The impact of CSR engagement on firm value is less examined (Margolis & Walsh, 2003). Carroll (1999) contends that CSR must embody the economic, legal, ethical and philanthropic dimensions of business. However, there is adequate empirical literature in support of CSR investment and firm reputation, which has led to over-investment in CSR (Barnea & Rubin, 2010). Jo and Harjoto (2011) postulate that there is a need for an efficient monitoring of CSR investments to tame the drive of most top management to resolve stakeholder's conflict by over investing in CSR. Zahra and LaTour (1987) observed that particular CSR practices affect selected organization effectiveness. This leads to the proposition that there is a positive relationship between CSR and FP.

2.6 Firm Characteristics, Corporate Social Responsibility and Firm Performance

The overriding objective of most organizations is to achieve better performance financial or otherwise (Armstrong, 2006). It is evident from the empirical literature that strategy is the driving force for the performance of the organization without which chances of success are near zero (Mintzberg, 1990). It is also evident that strategy must be operationalized and institutionalized in an organization for it to achieve the desired results (Machuki et al., 2012). This can only happen when the strategy is aligned to the environment (Ansoff & McDonnell, 1990). Culture, structure, strategy, skills, style, and organizational resources play an important role in the formulation and implementation of strategy (Peters & Waterman, 1982).

Stakeholders' theory articulates a broader company mission beyond the narrow, short-term shareholder value maximization model by increasing a firm's sensitivity on how to incorporate preferences and expectations of stakeholder's without which, the approach can undermine the focus on organizational performance. Freeman (1984) asserts that stakeholders are groups and individuals who can affect or be affected by the achievement of the organization mission. In addition, the BSC incorporates stakeholder interests, within a coherent strategy and value creation, as it emphasizes that the performance is critical for the success of the strategy of the organization (Kaplan, 2011). Kaplan (2010) further argues that BSC includes performance in communities as a process perspective which matches the view articulated by Porter and Kramer (2006) where they advocated for the environmental and societal performance to be aligned to and supported by the company strategy.

Firm performance hinges on the formulation of right strategy as well as the methodical implementation of the strategy. The success of the strategy heavily relies on the culture of the organization, the alignment of the strategy to the internal structures, and the notable experience of managers as a result of their skills and competencies. Above all, the management style applied by the implementers of the strategy indicates how best the firm will handle change management processes during the transition. It is the view of this study that despite the evidence alluding to the independent studies of FCs, which operationalize various indicators of FCs with performance (individually), the relationship of FCs and FP can be enhanced by CSR, hence leading to the proposition CSR has an effect (intervening) on the relationship between FCs and performance of FIs in Kenya.

2.7 Corporate Social Responsibility, Operating Environment and Firm Performance

Depending on the environment, Flammer (2012) posits that CSR is an investment with decreasing marginal returns. This is despite the agreement by most scholars that CSR generates valuable resources, which allows firms to differentiate themselves in the market and improve their competitiveness. This notion is consistent with the major theories such as resource based view of the firm (Hart, 1995), instrumental stakeholder theory (Jones, 1995), and shared value argument (Porter & Kramer, 2011). The type and choice of CSR ventures to support is more often than not decided by the organization. Conversely, due to the dictates of different environments (in line with stakeholder's theory), such organizations may change their minds and instead support a CSR-type dictated by the environment. Considering that there are the economic, social and environmental benefits of CSR (Flammer, 2012; Phillips, 2003), an organization may decide to support a CSR-type which improves its reputation hence promote sales, therefore leading to improved performance (financially). The above argument is in line with IT as well as ST (Campbell, 2007; Freeman, 1984).

Since businesses incur costs to be friendly to the environment (clean-up costs), such costs lead to higher prices and reduced competitiveness of the organization. Governments in attempting to force self-regulation through CSR, bring environmental regulations by legislation such as treatment of industrial affluence before they get discharged into the water bodies, setting up of standard bureaus to check on quality produced just to mention but a few (Sheridan, 1992). In essence, there exist a symbiotic relationship between businesses and the environment with the environment seeking protection from businesses through CSR and the environment providing raw materials, workforce and capital to the firm. Organizations are more interested in sustainable reaping hence their initiatives to support the environment (Longenbach & Anderson, 2010).

The reciprocal relationship between organizations and the ecosystem remains pertinent. The need to employ resources from the environment and the promise to keep the environment safe in the hope of not depleting the necessary resources has been the drive to embrace CSR. Waste disposal measure of the firm as well as the ever-growing educated population has kept organization on toes when it comes to 'minding the planet.' The effect of this awareness and the need to be friendly to the environment has led firms to invest in costlier but more efficient waste disposal means. Many firms are subjected to new environmental legislations which impact corporate strategies. However, innovative companies have looked at the need to be environmentally friendly as an opportunity to devise new products hence responding to the challenge strategically (Pearce & Robinson, 2012).

Olagunju et al. (2012) found that CSR influence the profitability and return on assets of banks but does not influence return on equity. The challenge of CSR is its measurement difficulty (Margolis & Walsh, 2003). For a while, government and non-governmental organizations have abdicated themselves regulatory roles. The CSR has since changed this as organization now become the champion of environmental problems (deforestation, fish depletion in major lakes and oceans, and mining destruction) as well as social problems such as human rights violation. Conversely, lack of compliance on CSR related issues, results in boycotts (Auld, Bernstein & Cashore, 2008). The over-riding question is how a firm identifies unique internal resources, which can be harnessed to form sustainable CSR to lead to the sustainable competitive advantage. This study proposed that the OE has a moderating effect on the relationship between FCs and performance of FIs in Kenya.

2.8 Firm Characteristics, Corporate Social Responsibility, Operating Environment and Firm Performance

Meyer (2007) posited that institutional theorists claim that individuals and organizations are affected by societal institutions. In addition, the same institutions rely heavily on the environment to get resources. It is, therefore, imperative that some sort of co-existence between the environment and organization is encouraged (CSR foots this billing). Since many firms are attempting to enhance their environmental image and reputation through CSR so as to better their performance (Hart, 1995), the challenge is measuring the efforts of CSR (Chatterji, Levine & Toffel, 2007) because it is difficult for stakeholders to evaluate environmental impact (Lyon & Maxwell, 2006). Empirical studies conducted so far do not have a definite conviction that CSR positively contributes to organization performance (Margolis & Walsh, 2003).

The value chain of a company is affected by societal issues (Porter & Kramer, 2011), these issues are better resolved when the company and society come together in the spirit of shared value to articulate the issues and find mutual solutions to societal and company challenges. Grant (1991), looking at RBT alludes that using unique internal resources, a firm can come up with value generation products thereby formulating strategies which allow the capturing of the maximum value in a sustainable way. In the same spirit, it will be in order to investigate how internal capabilities can be used to run CSR ventures, which may lead to sustainable competitive advantage. Organizations can use FCs to improve performance. The underlying drive by organizations is to protect the environment so that it keeps supporting (sustainability) the organization considering that businesses want a “livable planet” (Porter & van der Linde, 1995). There is, therefore, every desire to protect the environment so that it keeps giving back to business and vice versa.

O’Reilly, et al. (2012) denote that top management team’s personality affects a firm’s culture and that culture, is subsequently related to a broad set of organizational outcomes including a firm’s financial performance (revenue growth, and net income), reputation, and employee attitudes. Earlier studies demonstrated a direct correlation existing between culture and performance (Barney, 1986). This has, however led to a more nuanced view that recognizes that the culture-performance linkage needs to reflect an alignment with the organization strategy and the ability to realign cultures to adapt to changing strategies and market realities (Chatman, 2012; Kotter & Heskett, 1992). Strategy relates to how a firm competes in its environment, in relation to key choices it makes concerning its goals, which include social obligation, treatment of employees and caring for the environment. Successful formulation of strategy entails matching of internal competencies (resources), skills and values with the opportunities in the environment a task which requires skills and experience of the managers (Porter, 1981; Grant, 1993). This study evaluated the effect of FCs, CSR, and OE on the performance of FIs in Kenya.

2.9 Summary of Literature Review

Various gaps have been identified in this study (see Table 2.1). Key among them is methodological gaps, which relate to research design, the population of study, sample size and data analysis. Contextual gaps relate to the local context while conceptual gaps relate to gaps espoused in literature. A notable gap is how firms can use FCs to improve FP when applying the right CSR and understanding the OE leading to the proposition; CSR and OE have a joint effect on the relationship between FCs and Performance of FIs in Kenya.

The summaries of the literature build to the fact that most studies conducted on FP attempt to relate FP and single FCs variables such as strategy, structure, culture among other. They have not embraced the effect of multiple variables such as structure, culture, and strategy among others in what this study has combined as FCs on FP. The studies reviewed have also demonstrated mixed findings on the influence of CSR and OE in the relationship between FCs and performance of organization due to the differing methodologies applied as well as the definition of the variables used or the contextual factors in play. The causal linkages of all the variables in this study have not been demonstrated at all as having been tested by the empirical studies. This, therefore, formed the gap, which this study sought to investigate.

In summary, Institutional theory was linked to variables related to FCs, the stakeholders theory linked to variables related to CSR, open systems theory was linked to variable OE and contingency theory related to FP. This linkage provided the grounds on which theories supported the variables of study which guided the conceptualization of the study variables.

Table 2.1: Summary of Literature Review

Researcher(s)	Focus of Study	Methodology	Findings	Study Gaps	Focus of Current Study
Grant, (1991)	The RBT of Competitive Advantage: Implications for Strategy Formulation	A case study of twenty companies of the top one hundred US top stocks in the 1990s.	Study established that resource and firm capabilities are central contribution in strategy formulation and are a source of firm profitability, which can lead to sustainable competitive advantage.	Study conducted out of Kenya hence the need to give it contextual relevance. Study did not emphasize strategy implementation yet strategies have been shown to fail if not well implemented. Study ignored the effect of CSR on strategy chosen.	Study sought to establish the effects of FCs on performance in Kenyan context (financial institutions). Role of CSR in the relationship between FC and FP was investigated too.
Cockburn et al. (2000)	Untangling the Origins of Competitive Advantage	An empirical exploratory research study.	Established that competitive advantage is as a result of the firm's strategic response to changes in the environment.	Study conducted outside Kenya. This study needs to replicate the finding in a Kenyan context.	Study is given local context. Effect of environment on choice of strategy studied but with the aim of exposing the moderating effect of OE on FC.
Baron (2001)	Private Politics, Corporate Social Responsibility and Integrated Strategy	An empirical investigation	Study links strategy to CSR Study shows that individual FCs supports CSR and performance (sales).	Study ignored the cost of CSR as a factor, which reduces ROA for shareholders.	How firms fund CSR needed to be investigated as well as how firms mitigate the cost of CSR to avoid competing with other resources within the firm. This study sought to establish the multiple effect of various FCs in its relationship with Firm performance.

Table 2.1: Cont..

Researcher(s)	Focus of Study	Methodology	Findings	Study Gaps	Focus of Current Study
Bieker (2002)	Sustainable Management with Balance Score Card	Empirical investigation of causal relationship between environmental focus attached to strategy.	Study established the importance of environment alongside strategic planning and company management on performance. Study incorporated SBSC (ecology, social and economic) aspects of measurements to provide both financial and non-financial viewpoints. Study showed the effect of individual FCs (culture, skills) on performance.	Study did not show how FCs contributed to performance. Has challenges in measuring performance Did not consider intervening (CSR) and moderating (operating environment) variables	Tested the role of FC on FP. Used BSC to show both financial and nonfinancial parameters of performance.
Richard et al. (2008)	Measuring Organizational Performance as a Dependent Variable: Towards Methodological Best Practice	Cross sectional survey	Study found that performance measurement can be done using multiple measurement indexes as opposed to single index. Study established the need of research to use triangulation where multiple measures are applied as well as longitudinal data. Study established the need to use alternative methodological formulations as a means of appropriately aligning research context with measurement of organizational performance.	Use multiple measurement techniques as well as conduct measurements, which are not biased to finance and accounting (financial in nature) but also nonfinancial measure.	Use of BSC to measure both the financial and nonfinancial performance was carried out.

Table 2.1: Cont..

Researcher(s)	Focus of Study	Methodology	Findings	Study Gaps	Focus of Current Study
Machuki and Aosa, (2011)	The Influence of External Environment on Performance of Publicly Quoted Companies	Cross sectional survey. Hierarchical and multiple regression analyses	Study observed that external environment influence the organizations strategic decision making. Study observed that environment affects performance.	The study focused on the relationship between environment and performance of firms listed at the NSE.	This study sought to extend the scope to include the entire financial institutions in Kenya (widen contextual scope).
Machuki (2011)	External Environment Strategy Coalignment , Firm Level Institutions and Performance of Publicly Quoted Companies in Kenya	Cross sectional survey	Study established a strong relationship between strategy and performance. Study found that external environment account for variations in corporate performance. Study established a strong relationship between FLIs and performance.	Study did not investigate the intervening effect of CSR as well as the moderating effect of operating environment in the relationship between FLIs and organizational performance.	The intervening effect of CSR as well as the moderating effect of operating environment in the relationship between FCs and firm performance was investigated Study widened the scope and looked at the entire financial institution in Kenya.
O'Reilly et al. (2012)	The Promise and Problems of Organizational Culture: CEO Personality, Culture, and Performance	Cross sectional survey	Study investigated CEOs personality and their effects on culture, which enhance firm reputation (CSR) and performance. Study found that culture is a source of competitive advantage.	Study did not bring out the relationship between internal resources as key facilitators of competitive advantage.	Study looked at the effects of internal resources in enhancing the economic and philanthropic manifestation of CSR. Study sought to establish how multiple FCs can be a source of competitive advantage for a firm.

Table 2.1: Cont..

Researcher(s)	Focus of Study	Methodology	Findings	Study Gaps	Focus of Current Study
Olagunju et al. (2012)	CSR reporting and Financial Performance of Money Deposit Banks in Nigeria	Cross sectional survey	Noted that CSR influence Profitability and ROA of banks. Study found that CSR does not influence Return On Equity (ROE) Study established that reporting CSR boosts reputation of organizations Study found out that firms apply CSR as a defense to maintain good reputation	Study ignored CSR measurements yet CSR is a contestable issue. Study did not address internal resources as valuable ingredients of CSR.	This study focused on how internal resources are valuable ingredients in a firm especially in supporting FP. This study was contextualized in Kenya.
Machuki et al. (2012)	FLIs and Performance of Publicly Quoted Companies in Kenya.	Cross sectional survey	Study established that FLIs are important ingredients of strategy implementation. FLIs have an indirect effect on corporate performance.	Did not relate the influence of CSR in the effect of FCs and FP.	Relate the influence of CSR in the relationship between FCs and FP. This study looked at the effect of FCs, CSR and OE on FP.
Ogollah (2012)	Organizational Configuration, Stage of Development and Performance of Commercial Banks in Kenya	Cross sectional survey	Study discovered a significant relationship between strategy structure configuration as well as structure–environment configuration on market share as well as nonfinancial performance (CSR, firm reputation and employee development)	Study was conducted in the commercial banks in Kenya. The intervening effect of CSR and moderating effect of environment was not studied.	Results may vary when these variables are tested in the expanded scope of the entire financial institutions. The intervening effect of CSR as well as the moderating effect of OE was tested on the entire FCs as opposed to paring just two components of the FCs variable.

Source: Literature Review

The study conceptualized a relationship between FCs, CSR, OE and FP. The FCs were conceptualized to have an independent empirical role influencing FP. The FCs was operationalized through indicators such as strategy, structure, systems, style, skills, staff, shared values (culture), internal resources as evidenced in extant literature.

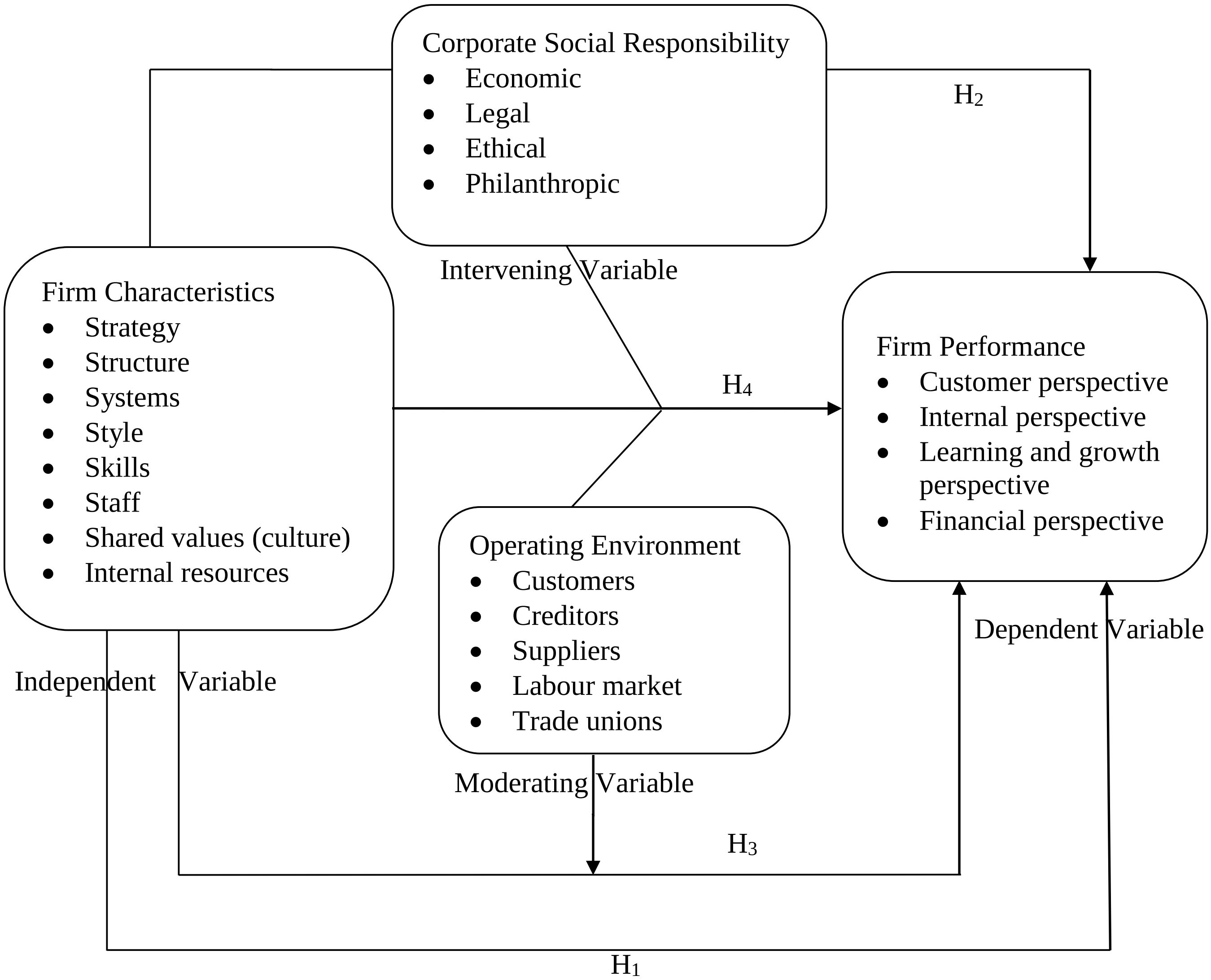
The dependent variable in this study was FP and was operationalized by BSC indicators, which have both financial as well as non-financial indicators. The financial indicator was represented by sales revenue, profitability, asset utilization, asset growth, and cost controls measures put in place in the financial institutions. The non-financial indicators included internal business processes, customer focus, learning and growth. The study conceptualized that FCs alone may not fully explain FP. Consequently, the study conceptualized that CSR has an influence on the relationship between FCs and FP. The CSR was operationalized using indicators economic, legal, ethical and philanthropic and played an intervening role. Lastly, OE was conceptualized to have a moderating role in the relationship between FC and FP. The study used customers, creditors, suppliers, labour, market, trade unions to operationalize OE. The summary of knowledge gaps as captured on table 2.1 demonstrate that the problem as stated in problem statement is real. There are remarkable gaps especially those related to conceptual, methodological and contextual hence the need of this study to address these gaps.

2.10 Conceptual Framework

As a perspective for carrying out this study, the conceptual framework (figure 2.1) was adopted to guide empirical research in answering the gaps in knowledge highlighted in the literature review of conceptual as well as empirical literature investigated above. Looking at the literature review conducted, it was explicitly clear that the variables have been investigated and the relationships between them established. The framework ultimately result into a conceptual model as shown below. An inherent example was the relationship between FCs and FP, which has been clearly established and supported by the framework.

This framework further proposed that the relationship between FCs and FP is intervened by CSR as well as moderated by OE. This is the relationship which has not been established which this study sought to establish further. In addition, the joint effect of FCs, CSR and OE on FP is a notable gap, which has not been addressed by existing literature. This study, therefore sought to explore the joint relationship between these variables on FP.

Figure 2.1: Conceptual Model130



Source: Author (2015)

2.11 Conceptual Hypotheses

To enable the establishment of relationships in the schematized conceptual model, study came up with four conceptual hypotheses, all stated in the null for testing. They include:

H_{01}: Firm characteristics do not affect firm performance among FIs in Kenya.

H_{02}: Corporate social responsibility has no influence on the relationship between firm characteristics and firm performance among FIs in Kenya.

H_{03}: Operating environment has no influence on the relationship between firm characteristics and firm performance among FIs in Kenya.

H_{04}: Joint effect of firm characteristics, CSR and operating environment on firm performance is not different from the sum total of the independent effects of individual variables on firm performance among FIs in Kenya.

The study had six objectives as shown in section 1.3 but ended up with only four hypotheses. It was envisaged that the objective related to the relationship between FCs and CSR as well as that between CSR and FP would have been established when the intervening role of CSR in the relationship between FCs and FP was carried out.

2.12 Chapter Summary

The chapter was devoted to summarize both theoretical and empirical studies related to this topic. The chapter discussed, and synthesized theories underpinning this study and went further to provide a pairwise review of the study variables. The chapter has in addition synthesized the background, proposition, and limitations of stakeholders' theory, open systems theory, institutional theory and contingency theory. This review was necessary to assist the research appreciate and acknowledge empirical works done by earlier scholars as a springboard to exposing gaps in the previous studies.

In summary, the study came up with selected empirical studies with methodologies used as well as identified the existing gaps. The study further indicated how the gaps in the empirical studies were addressed in the current investigation. A conceptual model was also drawn showing the relationship existing between variables of the study. In addition the resultant hypotheses were also shown. The next chapter presents the research methodology employed.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the methodology applied in the study. It first discussed the research philosophy then proceeded to explain the research design and target population. Consequently, the study shows the data collection methods used and culminated with the operationalization of variables of the research and data analysis procedures employed.

3.2 Research Philosophy

According to Saunders et al. (2012), the nature of knowledge is related to two philosophies (Epistemology and Ontology). Epistemology is the discipline that helps researchers understand the metaphysical reality existing in nature. It is the study of knowledge (as justified true belief of existence), which relates to how we know what we know (Bryman & Bell, 2011). It enables human beings view the world as a reality by attempting to explain what exists outside mankind. Researchers are able to study knowledge and how one gets to know something (Gay, Mills & Airasian, 2008). Epistemology enables researchers to explain their claim of existence of something by assisting in separating truth from false and reality from illusion. Making sense of the world is only possible through epistemology (Saunders et al., 2012). The nature of researchers is to know what exists and through epistemology, this becomes a reality. It is, therefore, the theory of knowledge, which helps in understanding nature. There are two ways in which knowledge is acquired- through senses (referred to as empiricism) and through reasoning (referred to as rationalism, (Punch, 2005)).

Ontology as a branch of philosophy, on the other hand, relates to the nature and scope of knowledge, which attempts to study what exists by looking at the fundamental parts of the world and how the parts of the world relate to each other. It mainly looks at reality and how to understand its existence as a whole. Ontology establishes what exists in the world (Schuh & Barab, 2008). The nature of reality can be external to the social world and can exist in socially negotiated meaning, which is assigned to it by people. The reality as well can be based on observable phenomena. Ontological Objectivism believes that reality and their meaning have existence, which is independent of the social players. In addition, ontological subjectivism asserts that social entities are created through perceptions and actions of the players (Bryman & Bell, 2011).

Research philosophy relates to the development of knowledge and the nature of that knowledge (Saunders et al., 2009). There are two main competing and opposing positions in research philosophy in social sciences (positivism and phenomenology). This study employed positivism as opposed to phenomenology. Positivism is a quantitative method, which follows a scientific approach to research. Positivism is considered an empirical, explanatory approach that maintains belief as observable. The method is objective, generalizable and the results are easily replicable (Blumberg, Cooper, & Schindler, 2011). Despite these benefits, positivism has weaknesses such as its inflexibility, its weaknesses in understanding social processes as well as inability to discover meaning the world attaches to social phenomena (Bryman & Bell, 2011). Despite these weaknesses, the study chose positivism due to the need to confirm theory. The population of study was large and could only have been studied using positivism. In addition, the need for high reliability and quest to generalize from sample population dictated the choice of positivism.

Phenomenological philosophy holds that the subject matter of social sciences, people and institutions are fundamentally different from that of the natural sciences. Phenomenology was ignored due to its weaknesses mainly related to its perceived incredibility. Data analysis by phenomenology is challenging as well as complex. In addition, there are various uncertainties, which may not have resulted into the emergence of clear patterns hence not credible. Since the data expected from this study was considered highly objective, the use of phenomenology would not have been ideal. In addition, phenomenology concerns itself with the generation of theory yet this study was based on hypotheses, which were targeting confirmation of theory (Bryman & Bell, 2008).

The choice of positivism for this study is attributed to its thoroughness as it is well informed from the observation of phenomenon as they happen (Blumberg et al., 2011). In addition, positivism makes use of mathematical models, which are predictable as it applies statistical models to objectively test the empirical hypothesis. Phenomenology has a weakness since it is not capable of capturing feelings, experiences and any unique characters of respondents hence the reason it was ignored. Since positivism will guarantee objectivity, clear measurement, neutrality and validity of results, it was the most preferred for this study hence its adoption (Bryman & Bell, 2008).

3.3 Research Design

Research design is a plan used in selecting the sources and types of information, which is to be used to answer a research question. It assists in the development of a structure solely for identifying existing relationships within variables of study. As a blue print for collection, measurement and analysis of data, research design enables researchers to carry out the investigation so as to conceive and obtain answers to research questions (Blumberg et al., 2011). Research design guides in data collection and analysis so as to ensure that the study is systematic, follows the right methodology and yields reliable and valid results.

This study was a descriptive cross-sectional survey in nature as it was structured and made use of stated hypotheses, which helps answer questions related to who, what, when, where and how as well as assist in establishing estimates of population and discovery of associations among variables of study (Blumberg et al., 2011). In addition, this descriptive study was cross-sectional in nature as it was more concerned with breadth as opposed to depth of study. Cooper and Schindler (2011) observed that cross sectional studies are carried out once to help researchers establish associations among variables. The study sought to establish particular phenomena at a given point in time. Consequently, this study established causal relations between properties and dispositions as well as in certain areas described pattern of relations before attempting to establish causal inference between variables or properties. Previous studies have been carried out by researchers using this method and the results were plausible (Aosa, 1992; Irungu, 2007; Machuki, 2011).

3.4 Population of Study

The population of study for this research was all FIs in Kenya in operation as at December 2014. These included commercial banks, unit trusts, housing finance, Deposit Taking Microfinance (DTM), post office savings bank, investment banks, stock brokers, fund managers, forex bureaus, and insurance companies and deposit taking SACCOS. The population of study was 382 FIs operating in Kenya as at December 2014 (CBK, 2014; AKI, 2014; Sacco Societies Regulatory Authority (SASRA), 2014; Momanyi, 2014 and CMA, 2014) as shown in Table 3.1 below.

Table 3.1: Financial Institutions in Kenya- December 2014

Financial Institutions	Number
Post Office Savings Banks	1
Housing Finance Corporations	1
Stock Brokers	10
Deposit Taking Microfinance	10
Unit Trusts	12
Investment Banks	13
Fund Managers	24
Commercial Banks	43
Insurance Companies	47
Forex Bureaus	86
Deposit Taking Savings and Credit Cooperatives	135
Total	382

Source: Adopted from CBK (2014) and SASRA (2014)

To achieve remarkable results, the study chose to conduct a census for the entire FIs. The study chose to target the entire financial sector (247) other than SACCOs. In addition, 135 deposit-taking SACCOs were also chosen to represent the sample population. According to SASRA (2014), there were 135 deposit-taking SACCOs in Kenya. This brought the entire population to 382. The choice of the deposit taking SACCOs was based on the fact that the number of SACCOS in operation in Kenya was impractical to study as they were too many. The study found that there were 10,800 SACCOs which was too large to study, hence the choice of the deposit taking SACCOs. Momanyi (2014) observed that there were 10,800 SACCOs in operation in Kenya by 2014. SASRA (2014) depicted that there were 135 deposit taking SACCOs (see appendix 8). Table 3.2 shows the population targeted by this study.

Table 3.2: Population Distribution Frequency – December 2014

Financial Institutions	Number	Frequency (Percent)
Deposit taking Savings and Credit Cooperatives	135	35.30
Forex Bureaus	86	22.50
Insurance Companies	47	12.30
Commercial Banks	43	11.30
Fund Managers	24	6.30
Investment Banks	13	3.40
Unit Trusts	12	3.10
Stock Brokers	10	2.60
Deposit Taking Microfinance	10	2.60
Post Office Savings Banks	1	0.30
Housing Finance Corporations	1	0.30
Total	382	100

Source: Research (2015)

3.5 Data Collection

This study relied mainly on primary data. The primary data focused on FCs, CSR and OE and any unpublished data on the performance of FIs in Kenya. Data was collected using semi-structured questionnaire using a five point Likert scale divided into five sections with each section addressing variables as depicted by the conceptual framework (Figure 2.1). Section one of the questionnaire gathered data about the firm, section two focused on FCs, section three on CSR, section four provided information about OE and lastly, section five which focused on the performance of FIs in Kenya.

The questionnaire was designed on a five-point Likert scale type, which ranged from (1) representing no extent to (5) very high extent. Likert scale is the most frequently practiced method of variation of the summated rating scale. It depicts statements, which capture the respondents' favorable or unfavorable attitude toward the object of interest. Cooper and Schindler (2011) opine that Likert scale enables the researcher to seek respondents' to agree or disagree with each statement in the questionnaire. Likert scale is known for certain weaknesses and they include; central tendency bias, some participants may avoid extreme response categories, acquiescence bias, some participants may agree with statements as presented in order to appease the researcher, hence response may be misleading, some respondents may portray themselves in a more socially favourable light rather than being honest, validity may be difficult to demonstrate, hence, the difficulty for researchers to be sure whether they are measuring what they set out to measure. On the contrary, Likert scales are beneficial to researchers due to their simplicity to construct, are likely to produce a highly reliable scale and are easy to read and complete for respondents. In addition, they are regularly used, hence acceptable to respondents.

The research instrument was constructed from questions generated from previous empirical studies, theory as well as the researcher's own questions generated on the context of study. In addition, the research instrument was refined with the help of the university teaching staff led by the supervising committee during the various presentations (at departmental, open forum and doctoral committee stages). Non-financial data related to BSC components, which are customer, internal, learning and growth. The study did not make use of secondary data since the population of study was very diverse. It was also very difficult to gather financial information from the entire FIs. However, financial information was sought through respondents' perception on their understanding of the firms' historic financial position.

The questionnaires were administered through drop and pick method as well as through direct emails on the respondents who were in far flung areas of the sampled population. The study targeted mainly senior managers of the organizations as respondents, which included the chief operating officer or managing directors, directors or heads of (strategy, marketing, human resource, finance) or their representatives. At least one respondent per financial institution was considered adequate for data collection.

3.6 Operationalization of Study Variables

This study made use of measured operational definitions; on FCs, the study measured aspects of the framework of McKinsey 7S model (strategy, structure, system, style, skills, staff, and shared values-culture), and internal resources. The CSR measured aspects such as CSR impact in economic, legal, philanthropic and ethical (Machuki, 2011; O'Reilly et al., 2012; Carroll, 1999). The OE measured aspects such as customer, creditors, suppliers, labour markets and trade unions. Firm performance measured performance aspects in the areas of financial and non-financial. The performance measure relied purely on BSC to demonstrate both the financial and non-financial components (internal, customer, learning and growth). Table 3.3

shows how the variables of the study were operationalized, the type of measures applied as well as the section of the questionnaire which addressed the variable in question.

Table 3.3: Operationalization of Study Variables

Variable	Nature	Operationalization	Measure	Questionnaire	Source
Firm Characteristics	Independent	• Strategy, • Structure, • Systems, • Style, • Skills, • Staff , • Shared values • Internal resources	Likert scale	Section 2	Machuki (2011); Peters & Waterman (1982); Barnley (1986); Mallak et al. (2003); Wanerfelt (1984).
Corporate Social Responsibility	Intervening	• Economic • Legal • Ethical and • Philanthropic	Likert scale	Section 3	Carroll, (1999); O'Riordan (2006); Freeman (1984); Sangeetha & Pria (2011); Margolis & Walsh (2003); Porter and van der Linde (1995).
Operating Environment	Moderating	• Customer • Creditors • Suppliers • Labour market • Trade unions	Likert scale	Section 4	Pearce & Robinson (2012); Porter (1985); Johnson, Scholes & Whittington, (2005); Ansoff & McDonnell (1990).
Firm Performance	Dependent	BSC perspectives • Customer focus • Internal business processes • Learning and growth • Financial performance	Composite indices	Section 5	Venkatraman & Ramanujam (1986); Chakravarthy (1986); Kaplan & Norton (1996); Bieker & Waxenberger, (2002); Copeland et al. (1996); Thompson et al. (2012).

Source: Research (2015)

3.7 Data Analysis

Data collected was cleaned and checked for completeness. Three questionnaires were removed from the analysis due to the failure to meet set criteria for data analysis as they lacked completeness in certain sections. Data was then coded for analysis and analyzed using the Statistical Package for Social Sciences (SPSS).

Various tests as discussed in details in chapter four were conducted on the data before commencing any data analysis. These tests included reliability and validity, normality, multicollinearity and homogeneity. The data analysis provided both descriptive and inferential statistics in order to summarize data in an understandable way, which made it possible to infer characteristics of the population. This study used linear regression analysis techniques to analyse the data. As a multivariate statistical technique, linear regression analysis is capable of analysing relationships between several variables simultaneously, hence establishing the relationships in these variables (Nachmias & Nachmias, 1996).

The use of linear regression analysis was applied in testing the relationship between FCs and FP. According to Waller (2008), multiple linear regression analysis takes into account the relationships of dependent and other variables as shown in Table 3.4. Hypothesis testing was done to determine whether results were significant or not. The use of both descriptive (frequency distribution and measure of central tendency for analysis of demographic data) and inferential statistics were used to describe and make inferences, respectively. Pearson correlation coefficient (r) was used to establish relationships between two variables. According to Blumberg et al. (2011), correlation reveals the magnitude and direction of relationships. The magnitude is the degree to which variables move in unison or opposition and ranges between -1 to +1 (the larger the coefficient, the stronger the association between the tested variables). Pearson correlation was used to establish the relationship between FCs and CSR as well as between CSR and FP.

In addition, multiple linear regression analysis was used to generate a model expressing the relationship between FP (dependent variable) and predictor variables (FCs, CSR and OE). Multiple linear regression analysis yields the coefficient of determination (R^2), which provided the proportion of variance in the independent variable accounted for by the combination of predictors. The study employed p-values to determine both overall and individual significance of the study variables. Assessment of the overall robustness and significance of the regression models was done using the F-test and p-values. The level of significance was set at 0.05, thus, if the p-value was less or equal to 0.05 (p-value $\leq$ 0.05) the null hypothesis was rejected otherwise it was not rejected. Furthermore, a model equation of the variables relationship was computed for each hypothesis showing the marginal values and relationship of the independent variable(s) and the dependent variable. The study further employed the use of hierarchical regression analysis to determine the moderating effect of OE in the relationship between FCs and FP as well as to test the intervening effects of CSR in the relationship between FCs and FP. Table 3.4 shows the analytical interpretation applied in the study.

Table 3.4: Analytical Interpretation of Data

Objective	Hypothesis	Analytical Model	Analysis Done
Establish the effect of firm characteristics on firm performance among FIs in Kenya	H_{01}: Firm characteristics do not affect firm performance among FIs in Kenya	Simple linear regression analysis $FP = ß_0 + ß_1FCs + \varepsilon$ where FP = Firm performance $ß_0$- Intercept/constant $ß_1$- Regression coefficient FCs – Firm characteristics ε - Error term	Coefficient of determination F-value p-value
Establish the relation of firm characteristics on corporate social responsibility among FIs in Kenya		Pearson coefficient	Correlation of coefficient
Establish the effect of corporate social responsibility on firm performance among FIs in Kenya		Pearson coefficient	Correlation of coefficient
Establish the intervening effect of corporate social responsibility on the relationship between firm characteristics and firm performance among FIs in Kenya	H_{02}: Corporate social responsibility has no influence in the relationship between firm characteristics and firm performance among FIs in Kenya	Multiple linear regression analysis $FP = ß_0 + ß_1FCs + ß_2CSR + \varepsilon$ CSR – Corporate social responsibility	Coefficient of determination F-value p-value
Establish the effect of operating environment on the relationship between firm characteristics and firm performance among FIs in Kenya	H_{03}: Operating environment has no influence in the relationship between firm characteristics and firm performance among FIs in Kenya	Hierarchical linear regression analysis: $FP = ß_0 + ß_1FCs + ß_2OE + \varepsilon$ OE – Operating environment	Coefficient of determination F-value p-value
Establish the joint effect of corporate social responsibility and operating environment in the relationship between firm characteristics and performance of FIs in Kenya	H_{04}: Joint effect of firm characteristics, corporate social responsibility and operating environment on firm performance is not different from the sum total of the independent effects of individual variables on firm performance among FIs in Kenya.	Multivariate linear regression $FP = ß_0 + ß_1FCs + ß_2OE + ß_3CSR + \varepsilon$	Coefficient of determination F-value p-value

Source: Research (2015)

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The study was designed to establish the influence of corporate social responsibility and operating environment in the relationship between firm characteristics and firm performance. To achieve this objective, the study collected data from primary data sources by using a semi-structured questionnaire. The respondents were senior managers of the financial institution. Data analysis was conducted using descriptive as well as inferential statistical techniques.

The finding of this study is presented in chapter four and five. Chapter four starts by first, looking at the response rate then presents the results of various diagnostic tests such as; reliability and validity tests. This is followed by tests of normality and multicollinearity before testing homogeneity of the variance. In addition, organization profile and that of the respondents were presented. The chapter also presented other descriptive statistical analyses in line with the study objectives.

4.2 Response Rate

The study targeted a population of 382 financial institutions. The response rate of 142 firms was achieved. Data gathered from three financial institutions was excluded due to their incompleteness. The response rate for this study was therefore reduced to 139 representing 36.4 percent of the population. Baruch and Holtom (2008) acknowledged that a response rate of 35.7 percent is acceptable for organizational research. They analysed 1,607 studies conducted between 2000 and 2005 and found out that the studies related to organizational research, which covered more than 100,000 organizations had an average response rate of 35.7 percent. Hopkins and Hopkins (1987) conducted a study on strategic planning–financial performance relationships in banks. The study targeted 350 firms with the response rate of 112 (being 32 percent success rate). In addition, Groves (2006) observed that decrease in survey response rate does not necessarily result into increases in response bias due to recent methodological works. From these observations, the response rate of 36.4 percent achieved in this study was considered adequate for data analysis.

Additional studies have demonstrated that a response rate of 33 percent for survey research is adequate for interpretation. A survey study of 470 institutions yielded a response of 157 which is 33 percent response rate. The association of the variables in this study turned out to be robust

(Bourque, Afifi, Magumi, & Franke, 2008). Pinsonneault and Kraemer (1993) argued that none response has a negative effect on validity and inference made in a study and they emphasized the need to avoid simple sampling procedures but instead employ multiple sampling procedure designs to counter the low response rate. The use of census by this study was to ensure inclusivity of the population so that a wider and more elaborate response was achieved to enable generalization.

Table 4.1: Number of Employees in the Firm

Category of Financial Institution	Number of Employees in the Firm (Percent)					Total
	Under 300	301 to 600	601 to 900	901 to 1200	Above 1201	
Commercial banking	6.5	3.6	1.4	2.9	7.2	21.6
Mortgage financing	0.7	0.7				1.4
Forex bureau	38.1					38.1
SACCOs	12.2	1.4			0.7	14.4
Unit trust	1.4					1.4
Other	4.3	0.7			0.7	5.8
Insurance companies	7.9	7.2	1.4			16.5
Deposit taking micro finance		0.7				0.7
Total	71.2	14.4	2.9	2.9	8.6	100.0

Source: Research (2015)

Table 4.1 shows that majority of FIs employed fewer than 300 staff. This demonstrates that these firms were not very large in size. Table 4.1 also shows that only four FIs had employees above 1,200. Table 4.1 demonstrate that commercial banks had employees in all the clusters. This observation was in line with the banks' 'tiers' where large commercial banks have more employees than the small banks. It can be deduced from this observation that majority of FIs in Kenya are small in size. The study also showed that only 8.6 percent of FIs were large with a staff base of above 1,200.

The study gathered data from each cluster of FIs and the manner in, which the responses were received was a manifestation that there was representativeness in all the clusters of the financial institution. A response rate of 36.38 percent was achieved, and the study deduced that the level of inclusivity was good. Therefore, any generalization of findings generated from these responses would be a representation of the entire FIs in Kenya.

4.3 Reliability and Validity Tests

To be able to meet the methodological rigor that would fit this study, there was a need to observe reliability as well as validity. This led to tests of reliability as well as those of validity to be conducted. The need for consistency is desirable for any research study and the measurement tools need to return consistent results to be considered reliable. To achieve reliability, a pilot study was conducted to ensure that the respondents would answer the questionnaires without difficulty. Cooper and Schindler (2011) noted that pilot testing aims to reveal errors in design, as well as improper control of environmental conditions and it, therefore, permits refinement of the instrument before final tests are held. The pretest relied on a sample of 14 banks selected randomly without adhering to any sampling rules. The respondents did not necessarily fall within the selection criteria set by this study.

The study further ensured it adhered to the perspective of equivalence reliability as well as internal consistency. Equivalence reliability ascertained the variations of answers at one point in time among the FIs chosen. These results were compared to the same tests in its equivalent of measurements from the primary data collected. Respondents were requested to evaluate the questions for clarity, completeness, relevance, meaning and comprehension. Further to the response generated by the pretest study, the questions in the research instrument were adjusted before delivery to the actual respondents.

Cronbach's alpha test of internal consistency was used after the collection of data to test the findings from the gathered data. Cronbach's alpha indicates the extent to which a set of items can be treated as using a single latent variable. The recommended value of 0.5 and more was used as a cut-off point. The values less than 0.5, therefore, implied the internal consistency among items was weak (Cooper & Schindler, 2011). The study used content validity, criterion validity as well as construct validity. These were applied in a standard questionnaire which aimed to measure the influence of CSR and OE in the relationship between FCs and performance of FIs in Kenya.

The variables, which are criterion related to the intervening variable and the moderating variable was correlated using interval scale and the ratio scale for performance. To evaluate the construct validity, the theory in the literature review and the questionnaire was considered. The degree to which the scores on the literature review correlate with the scores on the questionnaire to assess the same construct was ascertained.

As a diagnostic test, reliability ensures that the measuring instrument returns consistent results (Mugenda & Mugenda, 2003). A Cronbach coefficient was used to access internal consistency. Sekaran (2003) and Davis (1964) observed that Cronbach's alpha value above 0.5 is acceptable. This study, therefore, adopted to use 0.5 upwards as the value representing internal consistency of the variables. Table 4.2 presents the alpha values of the variables and the decision.

Table 4.2: Reliability Test

Variable	Number of Items	Cronbach's alpha	Decision
Firm characteristics	8	0.733	Reliable
Corporate social responsibility	4	0.529	Reliable
Operating environment	5	0.613	Reliable
Firm performance	4	0.796	Reliable
Overall reliability	21	0.922	Reliable

Source: Research (2015)

The results in Table 4.2 show that reliability ranged from 0.529 being the lowest to the highest 0.796 on the individual variables. In addition, the overall reliability of the 21 variables was 0.922, which is high. The result of the reliability was in conformity with suggestions by Sekeran (2003) and it can, therefore, be deduced that the measurement scale in this study had high consistency.

The variables, which are criterion related to the intervening variable and the moderating variable and performance were correlated using interval scale. To evaluate the construct validity, the theory in the literature review and the questionnaire was considered. The degree to which the scores on the literature review correlated with the scores on the questionnaire to assess the same construct was ascertained. The Cronbach alpha of the various constructs of the study was considered to indicate a sufficient level of construct validity and reliability.

The study constructs were not highly correlated to each other as shown in the correlation matrix in Table 4.3. The use of correlation coefficient matrix was to measure the linear dependencies between two variables of the study. The values used in Table 4.3 are ST = strategy, SC = structure, SY = systems, SF = staff, SK =skills, CU = culture, IR = internal resources, EC = economic, LG = legal, ET = ethical, PL = philanthropic, CM = customer, CR = creditors, SU = suppliers, LM = labor market, TU = trade union, CP = customer focus, IP = internal business processes, LG = learning and growth, FPE = financial performance.

The results in Table 4.3 show a weak correlation between customer and staff, supplier and customer, labour market and staff, customer focus and customer, customer focus and trade union, learning and growth and skills, learning and growth and customer, financial performance and strategy, financial performance and internal resources, financial performance and learning and growth. Table 4.3 shows the relationships of the listed variables were weak but significant. All the significant values were less than 0.05. In addition, it was noted that all except learning and growth and skills had positive relations.

Table 4.3: Correlation Matrix of Study Variables

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
		ST	**SC**	**SY**	**SF**	**SK**	**SL**	**CU**	**IR**	**EC**	**LG**	**ET**	**PL**	**CM**	**CR**	**SU**	**LM**	**TU**	**C P**	**I P**	**L&G**	**FPE**
1	Strategy	1																				
2	Structure	.456**	1																			
3	Systems	.420**	.654**	1																		
4	Staff	.257**	.288**	.576**	1																	
5	Skills	0.034	-.239**	-0.15	0.098	1																
6	Style	.517**	.678**	.579**	0.162	-.233**	1															
7	Culture	.390**	0.019	0.113	.265**	0.154	-0.037	1														
8	Internal resources	.884**	.386**	.323**	0.149	0.068	.526**	0.066	1													
9	Economic	.492**	.729**	.521**	0.159	-.254**	.708**	0.038	.327**	1												
10	Legal	.380**	0.032	0.108	.466**	.260**	-0.116	.741**	0.071	-0.053	1											
11	Ethical	.466**	.310**	.466**	.498**	.458**	.322**	.282**	.403**	.240**	.361**	1										
12	Philanthropic	.421**	.797**	.615**	.371**	0.036	.677**	0.092	.355**	.575**	0.041	.245**	1									
13	Customer	.900**	.610**	.465**	.168*	-0.043	.657**	0.1	.886**	.682**	0.054	.426**	.506**	1								
14	Creditors	.455**	.944**	.801**	.383**	-.267**	.705**	0.025	.381**	.695**	0.007	.307**	.830**	.572**	1							
15	Suppliers	.280**	.248**	.643**	.958**	0.119	0.156	.288**	0.161	0.136	.479**	.578**	.288**	.175*	.333**	1						
16	Labour market	.421**	.309**	.310**	.207*	.677**	.558**	0.104	.456**	.319**	0.134	.634**	.543**	.460**	.305**	.219**	1					
17	Trade union	.390**	0.019	0.113	.265**	0.154	-0.037	1.000**	0.066	0.038	.741**	.282**	0.092	0.1	0.025	.288**	0.104	1				
18	Customer focus	.823**	.793**	.769**	.461**	-0.1	.714**	.174*	.758**	.702**	0.147	.561**	.707**	.882**	.819**	.473**	.456**	.174*	1			
19	Internal business processes	.847**	.488**	.523**	.513**	.321**	.580**	.432**	.794**	.395**	.443**	.639**	.572**	.762**	.510**	.512**	.713**	.432**	.794**	1		
20	Learning and growth	.529**	.847**	.878**	.611**	-.200*	.636**	.167*	.363**	.747**	0.16	.501**	.740**	.608**	.898**	.613**	.310**	.167*	.876**	.573**	1	
21	Financial performance	.202*	0.109	.231**	.560**	.818**	0.013	.220**	.189*	-0.044	.452**	.563**	.340**	0.127	0.121	.534**	.708**	.220**	.222**	.592**	.199*	1
		139	139	139	139	139	139	139	139	139	139	139	139	139	139	139	139	139	139	139	139	139

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Research (2015)

Nachmias and Nachmias (1996) observed that researchers are not usually very certain with the measuring instrument appropriateness (whether the instrument will capture what it is designed to capture). As such, it is the prerogative of the researcher to defend the validity of the measurements. Validity is the degree to which a measuring instrument measures what it is intended to measure.

There are notably a number of validity types, which include content validity, empirical validity and construct validity. Content validity relates to whether the instrument provides adequate coverage for what is being investigated. Content validity can manifest in two scenarios; face validity, and sampling validity. Face validity ensures that the instrument is appropriate to measure the variable of choice. Sampling validity relates to whether the list of questions captured in the instrument as statements adequately represent the property being measured (Nachmias & Nachmias, 1996). Empirical validity is concerned with the validity of the measuring instrument and the outcome. Construct validity is achieved by relating the outcome of the measuring instrument to theoretical framework.

As applied by Ongeti (2014) and Kinuu (2014), this study used expert judgment. The questionnaire used was pilot tested by administering it to a few FIs to establish whether the respondents could answer the questions with ease. In addition, the proposal presentations conducted at departmental, open forum and doctoral stages of the proposal stages helped refine the research instruments. Through this process, ambiguity, double-edged as well as overly sensitive questions were refined, sorted or ultimately dropped completely from the questionnaire.

4.4 Tests of Regression Assumptions

There are various statistical assumptions related to the variables used in the analysis. Whenever these assumptions are observed and met, the outcome of the studies is considered valid (Osborne & Waters, 2002). The assumptions made about variables during statistical tests aims at ensuring that the findings can be relied on for decision-making. The lack of adherence to these assumptions leads to two types of errors (Type I and Type II). Type I error is the error of rejecting a null hypothesis when it is actually true and Type II error is the error of not rejecting a null hypothesis when the alternative hypothesis is the true state of nature. Consequently, testing for these assumptions is beneficial since it ensures the analysis done meets the associated assumptions.

4.4.1 Normality Test

Modeling of data around the center ensures that data is normally distributed. Whenever data is not normally distributed, distortions in significant tests as well as in establishing relationships occur. In addition, statistical inferences are therefore not accurate. Validity and reliability of the results rest on the need to have data, which is normally distributed.

Ghasemi and Zahediasl, (2012) noted that most statistical procedures such as correlation, t-test, regression among others assume that data is normally distributed. Normality can be tested using various measures such as Shapiro-Wilk, Kolmogorov-Smirnov, Lilliefors and Anderson Darling. Razali and Wah (2011) noted that Shapiro-Wilk is the most powerful normality test and as such, this study adopted it. Shapiro-Wilk method of testing for normality compares the scores in a sample to a normally distributed set of scores with the same mean and standard deviation. If the values of the statistical values are near zero, then the dataset is not normally distributed. The findings of the tests were presented in Table 4.4.

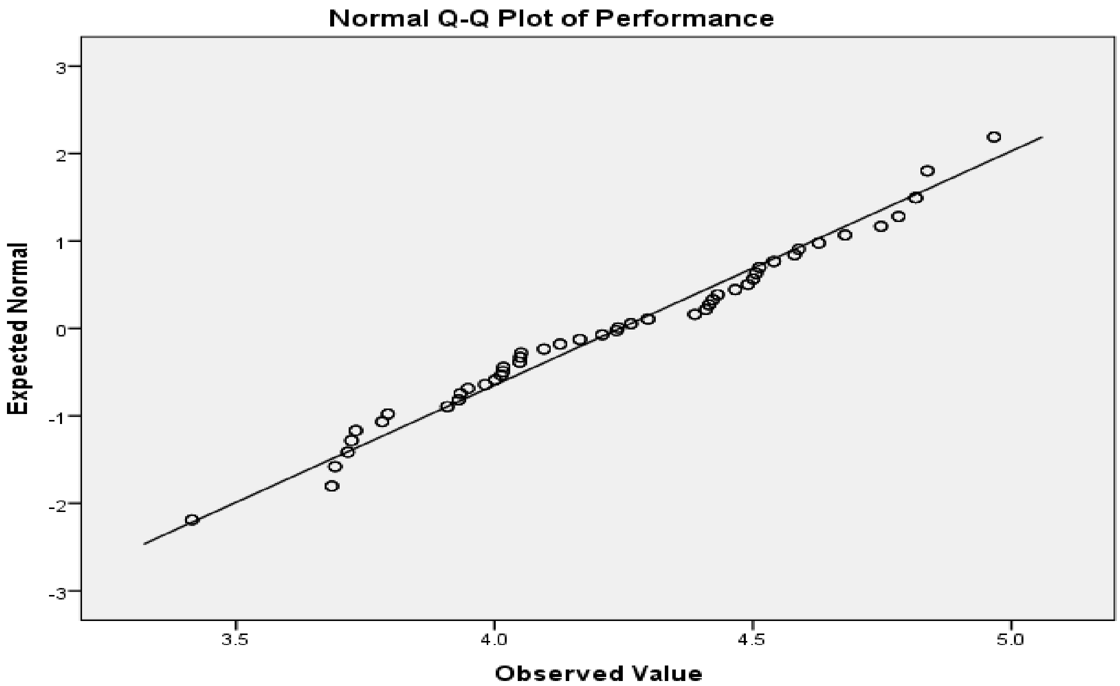
Table 4.4: Shapiro-Wilk Test of Normality

Variable	Shapiro-Wilk		
	Statistic	Df	Sig.
Firm characteristics	0.968	139	0.002
Firm performance	0.972	139	0.005
Corporate social responsibility	0.960	139	0.000
Operating environment	0.962	139	0.001

Source: Research (2015)

Table 4.4 shows the results of the Shapiro-Wilk test of normality. The statistic column represents large values (0.960 to 0.972), which were all significant as they had significance values less than 0.05 (alpha). Table 4.4 shows that all the variables for the study were normal. Hence the other statistical tests could be carried out since normality was observed. A graphical representation of observed values against expected normal values of the study variables were plotted on a normal Q-Q plot of performance as shown in Figure 4.1. The study found that observed values coalesce along the line of best fit. This implies that the data was normally distributed.

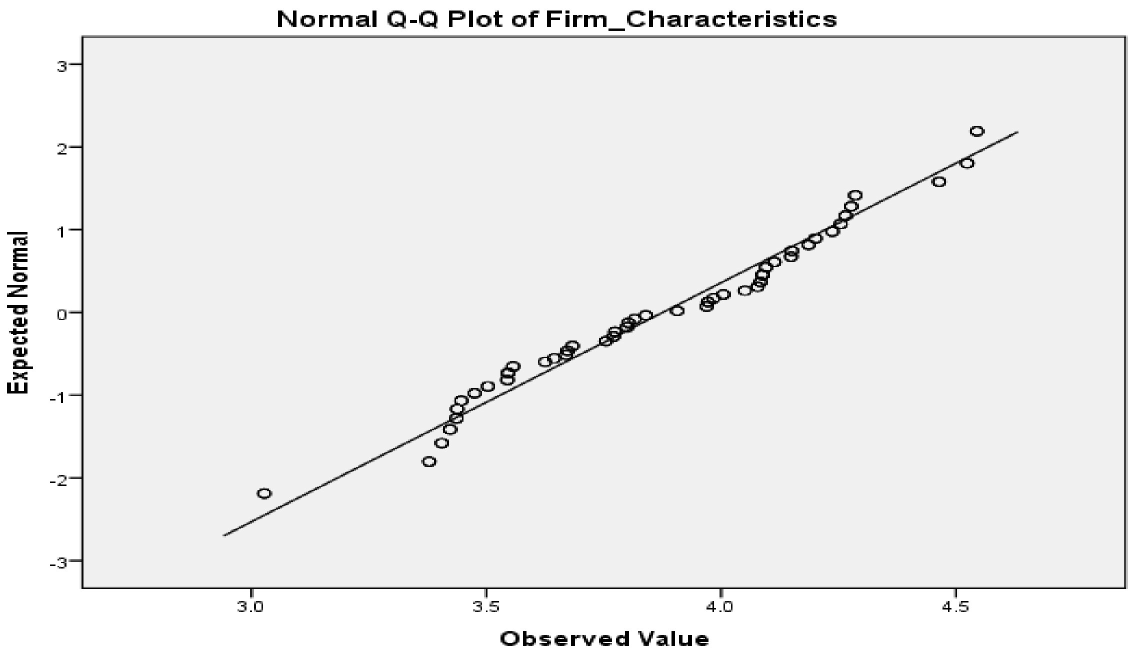
Figure 4.1: Normal Q-Q Plot of Performance



Source: Research (2015)

Figure 4.1 showing the normal Q-Q plot of performance and it shows that performance was normally distributed within FIs in Kenya. The figure shows performance values coalescing along the line of best fit indicating a normal distribution.

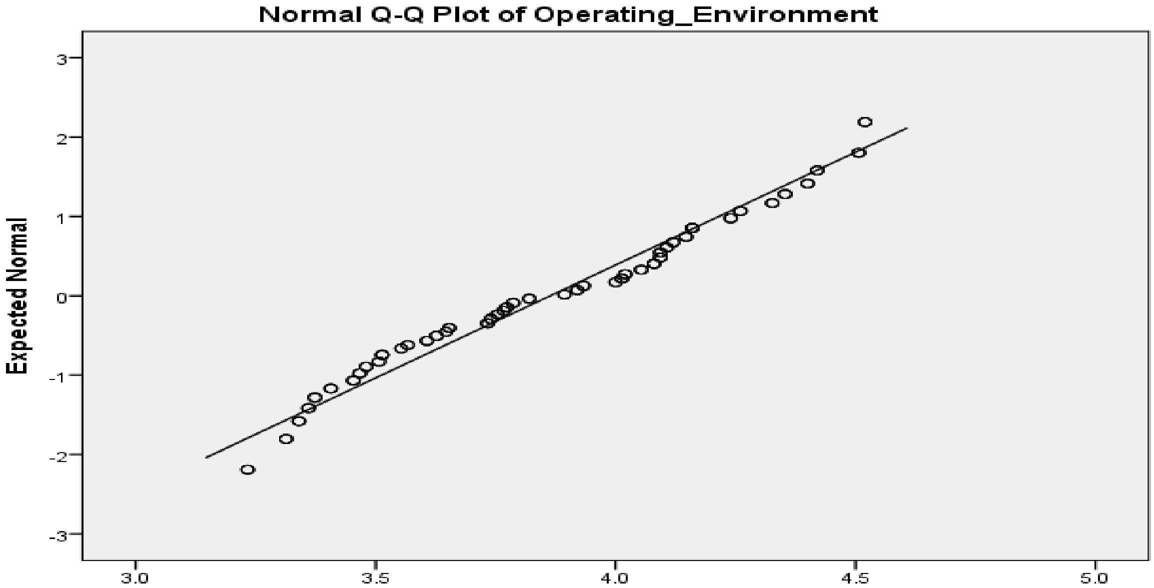
Figure 4.2: Normal Q-Q Plot of Firm Characteristics



Source: Research (2015)

Figure 4.2 showing the normal Q-Q plot of FCs and it shows that FCs was normally distributed within FIs in Kenya. The figure shows FCs values coalesce along the line of best fit indicating a normal distribution.

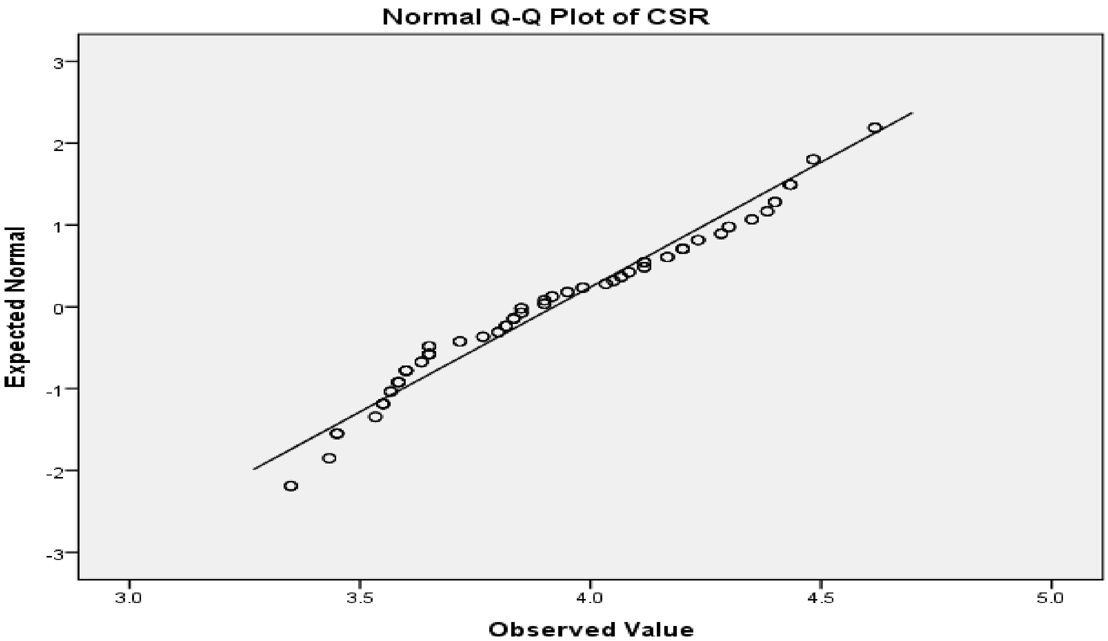
Figure 4.3: Normal Q-Q Plot of Operating Environment



Source: Research (2015)

Figure 4.3 showing the normal Q-Q plot of OE. The figure demonstrates that the OE was normally distributed within FIs in Kenya. The normal distribution was a precondition for carrying out further tests. The means across the OE samples are therefore assuming a line of best fit.

Figure 4.4: Normal Q-Q Plot of Corporate Social Responsibility



Source: Research (2015)

Figure 4.4 showing the normal Q-Q plot of CSR. It shows that CSR was normally distributed within FIs in Kenya. The normal distribution of CSR allows this study to progress with further tests since normality is a prerequisite for hierarchical regression testing. The implication of the normality shows that the values of CSR assume a line of best fit as shown in Figure 4.4.

4.4.2 Multicollinearity Test

Multicollinearity is a statistical phenomenon for cross-sectional data where independent variables in a multiple regression model are highly related (linear dependency). Multicollinearity is undesired since when there is a relationship between predictor variables, the standard error of the coefficients increase. It typically occurs when a large number of independent variables are introduced into a regression model. This may make the coefficients of some of these predictor variables turn out not to be significant since they measure the same concepts or phenomenon (Martz, 2013; Greene, 2000). Hansen, (2013) noted that parameter coefficients depend on each other and that multicollinearity decreases the precision of the parameter coefficient hence influencing the overall conclusion. In this case, the predictors are said not to be orthogonal to each other.

Table 4.5: Multicollinearity Coefficients

Coefficients			
Model		Collinearity Statistics	
		Tolerance	Variance Inflation Factor
1	Economic	0.085	9.716
	Philanthropic	0.097	9.318
	Suppliers	0.009	9.040
	Structure	0.021	8.117
	Internal resources	0.036	7.552
	Creditors	0.008	7.287
	Staff	0.014	7.190
	Style	0.161	6.215
	Ethical	0.179	5.593
	Skills	0.206	4.848
	Systems	0.024	4.543
	Customers	0.023	4.481
	Legal	0.286	3.491
	Culture	0.353	2.832
	Labour market	0.385	2.536
	Trade unions	0.412	1.856
a. Dependent Variable: strategy			

Source: Research (2015)

Multicollinearity was tested using Variance Inflation Factors (VIF), which measures how much of the variance of the estimated coefficient is increased over the case of no correlation among the variables. According to Hansen (2013), when the predictor variables are orthogonal to one another (they are not correlated). Newbert (2008) observed that VIF of above 10 is indicative of a harmful collinearity. Despite showing that there is no theoretical way to say the threshold to judge the correct VIF or tolerance, Greene (2000) posited that tolerance values which are less than 0.1 may indicate some element of multicollinearity. Consequently, Greene (2000) noted that there is no clear theory guiding researchers on what they should do when multicollinearity is found.

Table 4.5 shows the values generated by the test of multicollinearity. The variable with the highest VIF was economic (VIF =9.716) while the lowest VIF was trade unions (VIF = 1.856). Since all VIF values were below 10, multicollinearity was therefore minimized in this study. In addition, almost half of the tolerance values for the study were found to be above 0.1 meaning that multicollinearity was minimized. The study, therefore, noted that there was nonexistence of multicollinearity in the study variables going by the recommendations by Newbert (2008) and Greene (2000).

4.4.3 Homogeneity Test

Parametric statistical tests require that data used should have homogeneity of variance. The term homogeneity means that the spread of the scores (variance) in each condition should be roughly similar thus, the variances of means are equal. This study tested homogeneity using Levene test. A p-value of less than or equal to 0.05 was taken to mean that the data is not homogeneous. Therefore, the results were statistically significant if the p-value was greater than or equal to 0.05, which means that the data shows homogeneity of variance.

Whenever the error terms have no constant variance, the situation is said to be heteroscedastic. Field (2009) noted that heteroscedasticity occurs when there is a variance of the error term (where error term differs with each independent variable). Heteroscedasticity occurs when the residuals do not uniformly align along the horizontal line. It may weaken analysis and lead to Type I error. Homoscedasticity implies a situation in which the variance of the dependent variable is the same for all the data.

Table 4.6: Levene Test of Homogeneity of Variance

Variable	Levene Statistic	df1	df2	Sig.
Firm Performance	0.960	9	129	0.6960
Operating environment	0.972	9	129	0.5872
Corporate social responsibility	0.964	9	129	0.5434
Firm characteristics	0.963	9	129	0.5331

Source: Research (2015)

The study used the Levene test for homogeneity. Levene helps researchers find out if the samples have equal variance. The set value for homogeneity was p – value of more than 0.05. All the variables were found to have p - value greater than 0.05 thereby making the variables to have homogeneity (the variability of conditions was determined to be about the same) as shown in Table 4.6. Since all Levene statistical p - values were more than 0.05 the assumption of homogeneity of variances was not violated. Therefore, the variances across the variables were found to be equal.

4.5 Respondents' Demographic Profiles

The study sought to establish the respondents' characteristics in terms of job title, the length of service in the company. The respondents of the study were one senior manager per financial institution. These included the chief executive officers (CEO) or managing directors (MDs), directors or heads of strategy, marketing, human resource, finance or their representatives.

Table 4.7: Job Title of Respondents

Job Title	Frequency	Percent
Manager	107	77.00
Officer	15	10.80
Director/CEO	9	6.40
Head of Department	8	5.80
Total	139	100

Source: Research (2015)

The study asked questions related to job titles of the respondents to establish whether the respondents met the expectations of the study as set forth in the methodology. The study expected response to come from senior management within financial institutions. The results of Table 4.7 indicates that majority of respondents are managers at 77 percent. The study, however, accepted questionnaires completed by staffs who were assigned by the senior management to complete the questionnaires on their behalf. This was attributed to the reluctance or busy schedule of some Chief Executive Officers (CEO) to do this work themselves, which would have led to lower response rate.

Table 4.8: Length of Service in the Firm

Years in Service	Frequency	Percent
Below 5 years	52	37.4
Above 5 years	87	62.6
Total	139	100

Source: Research (2015)

The experience of staff within a firm is depicted by the length of service these staff work in the firm. A more reliable response will come from staff who have stayed in the firm longer than new staff. Table 4.8 shows the length of service of respondents in FIs in Kenya. It was noted that a great number of respondents had stayed in their firms for over five years (63 percent). This meant that they had experience in their institutions and hence making their responses more reliable. The results could also mean that there was job security in the financial institution and that job turnover was low. The fact that 37 percent of the respondents were new on their jobs demonstrated that there was a good number of staff in FIs who were content with their current jobs.

4.5.1 Response by Financial Institutions

The study analysed the response of financial institutions so as to identify the weight of financial institutions included in the study. The spread on response per financial institutions was to enable the research to establish the constituents of the financial institutions and their contribution to the study. Table 4.9 below shows the nature of response received from the FIs. The graph indicates that there was adequate response across the entire FIs. The table also shows the population targeted. It is clear that SACCOs and Forex bureaus had the highest population as well as response rate.

Table 4.9: Response by Financial Institutions

Sector	Total Number	Response Frequency	Response (Percent)
Post office savings banks	1	1	100
Housing finance corporations	1	1	100
Insurance companies	47	22	67
Forex bureaus	86	54	63
Deposit taking microfinance	10	6	60
Commercial banks	43	19	44
Stock brokers	10	4	40
Investment banks	13	5	38
Unit trusts	12	2	20
Fund managers	24	4	17
Savings and credit cooperatives	135	21	15
Total	382	139	36.38

Source: Research (2015)

4.6 Firm Characteristics of Financial Institutions

The FCs constituted the independent variables for this study. It has been observed by various scholars that FCs influence performance of organizations (Machuki et al., 2012; Chandler, 1962; Pearce & Robinson, 2012). In this study, FCs was operationalized using McKinsey 7S as well as internal resources (Ayyagari, et al., 2005; Peters & Waterman, 1982; Machuki, 2012) as depicted in chapter three of this study. McKinsey 7S framework formed a good constituent of FCs and the study, therefore operationalized FCs using strategy, structure, systems, style, skills, staff, shared values and internal resources; the study hypothesized that FCs affect FP.

To gather data on all FCs, statements were developed on a five point Likert scale. Respondents were requested to indicate the extent to which the statements applied to their firms. The responses were, therefore analysed in line with the operationalization. The findings of FCs are presented as below.

4.6.1 Manifestation of Strategy

The strategy of a firm relates to the choice of the market that the firm chooses to operate in as well as how it will tap the opportunities within that market. The study came up with five questions aimed at showing to what extent FIs in Kenya make use of strategy to drive their business. Table 4.10 shows the results.

Table 4.10: Descriptive Statistics on Strategy

Item Description	Mean	Standard Deviation	t-value	Sig (2-tailed)	Coefficient of Variation (Percent)
Firm deploys strategies	3.47	1.052	38.951	0.000	30.32
Firm makes choice of strategies at corporate level	4.3	0.677	74.886	0.000	15.74
Firm makes choice of strategies which supports its operational requirements	4.19	0.676	72.982	0.000	16.13
Firm deploys strategies at business level	4.15	0.962	50.851	0.000	23.18
Average score	4.03	0.842	59.41	0.000	21.34

Source: Research (2015)

Results in Table 4.10 shows that FIs made choice of strategies at corporate level with the highest mean of 4.3 and standard deviation (SD = 0.677). This was followed by the choice of strategies which support operational requirements of the firms (mean = 4.19, and SD =0.676). Majority of the FIs embraced strategy (average mean = 4.03 and SD = 0.842). The statement with highest variability was that FIs deployed strategies (CV 30.32 percent). The t-values were large and the p values were very small meaning that the results were statistically significant. This demonstrated that FIs make use of strategies to drive their business.

4.6.2 Manifestation of Structure

The structure of an organization relates to how the firm aligns its employees to serve it better. It entails how activities are coordinated in a firm and how workers efforts are directed towards a certain goal. The study came up with four questions in an attempt to determine the structural orientation for FIs in Kenya; Table 4.11 below shows the results.

Table 4.11: Descriptive Statistics on Structure

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm has clearly defined reporting relationships.	4.33	0.544	93.934	0.000	12.56
Decision making in the firm follow a well laid down hierarchy	4.09	0.838	57.474	0.000	20.49
Firm has clear procedures which are well articulated and adhered to by all employees	4.20	0.949	52.180	0.000	22.60
Appropriate tasks have been well outlined for each job	4.10	0.735	65.761	0.000	17.93
Average score	4.18	0.7665	67.337	0.000	18.395

Source (Fieldwork, 2015)

The results in Table 4.11 shows high ranking on structure as a component of FCs. The results demonstrate that FIs had clearly reporting lines (mean =4.33 and SD = 0.544). The question on decision making which following a well laid down hierarchy had the least ranking (mean = 4.09 and SD = 0.838). The question with the highest variability was that on firms which had clear procedures, which were well articulated and adhered to by staff (CV=22.60 percent). The t-values were large and p-values =0.00 indicating statistical significance.

4.6.3 Manifestation of Systems

Systems relate to the specified way in which things are done or activities are carried out within the firm. Style relate to best ways in, which activities are carried out in a firm. These activities can be captured in procedure manuals for posterity and reference. Systems give the firm more value since they provide continuity in the organization. This study came up with three questions while attempting to capture perception of systems in financial institutions. Table 4.12 shows the response from the FIs.

Table 4.12: Descriptive Statistics on System

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
ICT platform of the firm supports the activities of the firm	4.03	1.014	46.844	0.000	25.16
Firm's system automation provides it with the required market intelligence	4.44	0.682	76.709	0.000	15.36
Firm has deployed the state of the art technology to support its activities	2.85	0.779	43.096	0.000	27.33
Average score	3.773	0.825	55.550	0.000	22.617

Source: Research (2015)

Results in Table 4.12 shows the response on systems received from respondents. It shows that system automation within firms provide the required market intelligence (mean =4.44 and SD 0.682). The question on deployment of state of the art technology had the highest variability (CV = 27.33 percent). All the questions had high t-values and small p-values hence, they were statistically significant. The results supported that need of financial institutions to automate in a bid to gain required market intelligence.

4.6.4 Human Resources

Staff relates to the human resources working in the organization. To be able to fulfill organizational goals, firms are expected to hire adequate and competent staff. The human resources require up-to-date training with relevant competencies. Four questions were generated to capture perception of respondents in line with staffing issues within FIs and Table 4.13 below shows FIs response to the questions.

Table 4.13: Descriptive Statistics on Staff

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Staff at the firm possess relevant competencies	3.22	1.123	33.83	0.00	34.88
Firm employs competent staff to join its work force	4.15	0.741	66.02	0.00	17.86
Firm regularly conduct staff development programs which equip the staff for their roles	4.08	1.022	47.05	0.00	25.05
Firm has adequate staff numbers to support its operations	4.53	0.685	77.94	0.00	15.12
Average score	4.00	0.89275	56.21	0.00	23.2275

Source: Research (2015)

Table 4.13 shows the response of staff from the perspective of FIs. The perception of respondents demonstrated that the adequacy of staff numbers to support firm operations (mean = 4.53 and SD = 0.685). In addition, the results indicate that staff of the firm who possess relevant competencies had the highest variability (CV = 34.88). The large t-values and small p-values mean that the results were statistically significant.

4.6.5 Skill Gaps

As FIs grow, there is need to keep replenishing the skill gap existing as well as replacing the existing staff. The change in technology in the recent past has shown that there is need to keep the skill gap narrow by ensuring that employees are regularly taken through training and placed within their knowledge skills. The study came up with three questions, which addressed the skills within the financial institutions.

Table 4.14: Descriptive Statistics on Skills

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm has employees with adequate knowledge	3.08	0.956	37.972	0.000	31.04
Firm finds it easy to replace exit staff	3.29	1.164	33.38	0.000	35.38
Firm regularly conduct job rotation	4.12	0.723	67.094	0.000	17.55
Average score	3.497	0.948	46.149	0.000	27.990

Source: Research (2015)

The results in Table 4.14 shows that the question on conducting regular job rotation had the high mean (4.12) and SD (0.723). The question on the difficulty to replace exit staff had the highest variability at CV of 35.38. With t-values being large and p-values = 0.00, the results were statistically significant.

4.6.6 Management Style

Management style is associated with the informal rules and conduct existing within a firm. The acceptable ways in which things are done in a firm affect the way the organization operates. The goals of an organization are achieved through a particular management style. Style of management was manifested by three questions in the study as shown in Table 4.15 below.

The results in Table 4.15 demonstrate that FIs implement a top-down approach in decision making (mean = 4.42 and SD = 0.68). Conversely, decision making which follows a bottom-up approach had the least scores (mean = 2.84 and SD = 0.754). The highest spread was found in bottom-up participatory style of decision making with a CV of 26.55 percent. The study also noted that FIs make use of participatory management style (mean of 4.05). All the questions had large t-values and p-values of 0.00 meaning they were statistically significant.

Table 4.15: Descriptive Statistics on Style

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm employs participatory management style	4.05	1.002	47.641	0.000	24.74
Firm implements a top down approach in decision making	4.42	0.680	76.594	0.000	15.38
Decision making at the firm assume a bottom up approach	2.84	0.754	44.417	0.000	26.55
Average score	3.770	0.812	56.217	0.000	22.223

Source: Research (2015)

4.6.7 Shared Values

Shared values (culture) are patterns of behaviour, which shape the way the organization addresses its values and belief system. The way in which the employees in a firm guard their belief system determine the success or failure of such organization. As a system of shared assumptions, and beliefs, culture assists organizations to model the behaviour of their employees (Barney, 1986). To address culture, the study came up with three questions as shown in Table 4.16.

Table 4.16: Descriptive Statistics on Culture

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm's values are well understood by employees	3.22	1.108	34.208	0.000	34.41
Firm's employees live the values of the firm	3.47	1.052	38.951	0.000	30.32
Firm belief systems are well guarded by the staff	4.30	0.677	74.886	0.000	15.74
Average score	3.663	0.946	49.348	0.000	26.823

Source: Research (2015)

According to the results shown in Table 4.16, the response on the question on belief systems being well guarded by staff had the highest rating (mean = 4.30 and SD = 0.677). This was followed by the question on whether employees live the values of the firm (mean = 3.47 and SD = 1.052). The question on firm values being well understood by employees had the highest variability (CV = 34.41 percent). The t-values being very large and p-values very small means that the results are statistically significant.

4.6.8 Internal Resources

As a competitive asset, a firm's resources and capabilities are a good source of success for an organization (Thompson et al., 2012). Internal resources within a firm are a catalyst for competitive advantage if used well. Making better use of internal resources is enough to assist a firm gain competitive advantage in the market. This study looked at the perceptions of internal resources within FIs and the results were as shown in Table 4.17.

Table 4.17: Descriptive Statistics on Internal Resources

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm has adequate physical resources to support its operations	4.19	0.676	72.982	0.000	16.13
Firm possesses adequate financial resources to support its activities	4.12	0.996	48.792	0.000	24.17
Firm easily accesses financial resources	3.96	0.977	47.746	0.000	24.67
Firm has adequate specialized resources in most areas	4.22	0.993	50.138	0.000	23.53
Average Score	4.123	0.911	54.915	0.000	22.125

Source: Research (2015)

Results in Table 4.17 demonstrate high response on FIs having adequate specialized resources in most areas (mean = 4.22 and SD = 0.993). A high response on internal resources (average mean of 4.123 and SD = 0.911) was reported. Possession of adequate financial resources had the highest variability (CV= 24.67 percent) while adequacy in physical resources had the least spread (CV = 16.13 percent). The t-values being large and p-values very small means that the results were statistically significant.

4.6.9 Summary of Descriptive Statistics of Firm Characteristics

Firm characteristics manifested in this study using McKinsey 7S framework as well as internal resources. The study came up with adequate questions to generate enough response for analysis. Table 4.20 shows how the respondent's feedback on each of the variables.

Table 4.18 indicates that the mean of most responses related to FCs was above 3.5, large t-values and p-values of 0.000. This demonstrated the statistical significance of the results. Internal resources, strategy, staff, and structure accounted for the highest means of above 4, indicating that most of FIs were very keen on ensuring they align their strategy, structure and internal resources to better their performance. This observation is supported by Porter (1981); Chandler, (1962); Rumelt (1974) and Peters and Waterman (1982). The highest variability is observed in internal resources, which had CV of 18.35 with strategy having the lowest variability (CV = 13.38).

Table 4.18: Descriptive Statistics on Firm Characteristics

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Strategy	4.00	0.536	22.143	0.000	13.383
Structure	4.18	0.592	23.494	0.000	14.165
Systems	3.77	0.511	17.822	0.000	13.541
Staff	4.00	0.542	21.630	0.000	13.572
Skills	3.50	0.572	10.227	0.000	16.367
Style	3.77	0.507	17.888	0.000	13.458
Culture	3.66	0.634	12.356	0.000	17.298
Internal resources	4.12	0.756	17.497	0.000	18.345
Average score	3.88	0.581	17.882	0.000	15.016

Source: Research (2015)

Strautmanis (2007) observed that CSR is part of the organization culture and as such can improve performance. Internal resources are likely to boost the CSR activities of the firm hence improving performance. Grant (1991) supported that internal resources affect the strategy a firm implements. This study confirms that FCs affect firm performance. Peters and Waterman (1982) supported the need to find a good mix of McKinsey 7S to be able to craft the right strategy.

4.7 Corporate Social Responsibility of Financial Institutions

The CSR of FIs was operationalized as economic, legal, ethical and philanthropic. A total of 21 questions were formulated to assist in capturing respondents' perception on how their firms observe CSR.

4.7.1 Economic Perspective

The main drive for firms is to deliver on the economic agenda for its shareholders (Friedman, 1970). In most cases, for-profit organizations push the economic objective more than other initiatives since this is the primary reason for existence. Carroll (1991) contends that provision of financial return for shareholders is the most important goal of the firm. This study came up with four questions to address the perceptions related to the economic aspect of CSR in FIs in Kenya. Table 4.19 shows how respondents gave their response on the economic parameter of CSR.

Table 4.19: Descriptive Statistics on Economic

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm has over the last five years witnessed economic growth	3.78	1.048	42.577	0.000	27.72
Firm has seen growth in sales in the last five years	4.33	0.544	93.934	0.000	12.56
Firm offers excellent products which meet customer expectations	4.44	0.682	76.709	0.000	15.36
Firm gives adequate return on investments to shareholders	4.42	0.680	76.594	0.000	15.38
Average score	4.24	0.739	72.454	0.000	17.755

Source: Research (2015)

Results in Table 4.19 shows the response gathered in relation to economic aspects of CSR. Firms that offer excellent products which met customer expectations had the highest mean of 4.44 and SD of 0.682. Firms which had witnessed growth had the least mean of 3.78 with SD of 1.048. The highest variability was also demonstrated by the question on firms which have witnessed economic growth (CV = 27.72). The high t-values and small p-value show statistical significance on all the response related to economic aspect of CSR.

4.7.2 Legal Perspective

The legal responsibility of a firm is anchored on the need to obey the law and be good to the society. Legal responsibility is a compulsory responsibility since it goes with consequences if not observed. Carroll (1991) noted that the legal responsibility is codified ethics since there are legislative consequences if the legal responsibilities are not observed. The study came up with three questions to address the legal responsibilities of FIs. Table 4.20 shows the various responses generated from the respondents.

Results in Table 4.20 shows that the overall legal responsibility was high with average mean being 3.987. Firms with environmental activities which were in compliance with the environmental management and coordination act had the highest score (mean = 4.30 and SD = 0.677). Firms which promptly pay their due taxes as required by law had the least mean score of 3.47. Firm that promptly pay taxes as required by law had the highest variability (CV of 30.32 percent). With large t-values and small p-values, the response were statistically significant.

Table 4.20: Descriptive Statistics on Legal

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm promptly pays its due taxes as required by law	3.47	1.052	38.951	0.000	30.32
Firm's environmental activities are in compliance with the environmental management and coordination act	4.30	0.677	74.886	0.000	15.74
Firm procurement procedures are compliant with the requirements of the law	4.19	0.676	72.982	0.000	16.13
Average score	3.987	0.802	62.273	0.000	20.730

Source: Research (2015)

4.7.3 Ethical Perspective

Ethical responsibility entails the norms, expectations and standards demanded by the stakeholders from the firm. Ethical responsibilities are voluntary in nature and rely heavily on the culture existing within the firm. The study generated ten questions to address the ethical aspects of CSR. Table 4.21 shows the response received from FIs.

Table 4.21: Descriptive Statistics on Ethical

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Disability mainstreaming has been an area where my firm has fared on very well	3.29	1.164	33.38	0.000	35.38
Firm reports CSR actions annually	3.22	1.123	33.832	0.000	34.88
Firm is a good steward of the environment	3.22	1.108	34.208	0.000	34.41
Firm espouses responsible corporate citizenship	2.85	0.779	43.096	0.000	27.33
Firm is an equal opportunity employer	2.84	0.754	44.417	0.000	26.55
Employees at the firm participate actively in CSR activities	4.03	1.014	46.844	0.000	25.16
Image of the firm is very positive	4.09	0.838	57.474	0.000	20.49
Firm engages in health and safety measures	4.10	0.735	65.761	0.000	17.93
Firm engages in sustainable CSR activities	4.15	0.741	66.023	0.000	17.86
Green energy drive in the firm has increased in the last five years	4.12	0.723	67.094	0.000	17.55
Average score	3.591	0.898	49.213	0.000	25.754

Source: Research (2015)

Results in Table 4.21 shows that the overall ethical responsibility was above average (mean of 3.591). Firms that engage in sustainable CSR had the highest score (mean = 4.15 and SD = 0.741). Disability mainstreaming received the highest spread (CV of 35.38 percent). Most FIs did not support green energy drive since CV of this question returned 17.55 percent. Respondents did not feel that their firms do enough of good citizenship and that their organizations were not equal opportunity employer (mean of 2.85 and 2.84, respectively). With large t-values and small p-values, all responses had statistically significant results.

4.7.4 Philanthropic Perspective

Philanthropic actions are those activities that a firm does to be perceived to be good (Dam, 2008). Philanthropy relates to actions, which are not backed by law but increase the goodwill a company receives as well as the reputation of the firm. The aim of philanthropy is not purely to throw funds at events and activities within the firm's surrounding but to appeal to pity and elicit a following. Five selected questions were used to capture perceptions on philanthropic activities of FIs in Kenya. Table 4.22 shows how respondents responded on how FIs in Kenya perceive philanthropic responsibility.

Table 4.22: Descriptive Statistics on Philanthropic

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm has established or is planning to establish a foundation to promote CSR activities	3.08	0.956	37.972	0.000	31.04
Firm considers itself as part and parcel of society	4.08	1.022	47.059	0.000	25.05
Firm supports education of the underprivileged in society.	4.05	1.002	47.641	0.000	24.74
Firm engages in philanthropic activities	4.20	0.949	52.180	0.000	22.60
Public is aware of the activities the firm engages in	4.53	0.685	77.940	0.000	15.12
Average score	3.988	0.923	52.558	0.000	23.71

Source: Research (2015)

Results in Table 4.22 demonstrates that there was a high response on philanthropic responsibility in FIs (overall mean of 3.988). Public awareness of the activities the firm engages in had the highest score (mean = 4.53 and SD 0.685). Foundation establishment as a philanthropic measure had the highest CV of 31.04 percent. The awareness of activities FIs engage in had the lowest spread (CV of 15.12 percent). With large t-values and small p-values, all the responses were significant (p- value less than 0.05). The results are in tandem with (Dam, 2008) which purport that employee perception of philanthropic activities of a firm influence the choice staff make when considering employment in such firms.

4.7.5 Summary of Descriptive Statistics on Corporate Social Responsibility

In support of stakeholders theory, CSR has demonstrated that firms have various groups with differing interests. These groups require different treatment to benefit the entire firm. Responsible businesses must demonstrate corporate citizenship to be in a position to fulfill the economic, legal, ethical and philanthropic responsibilities of financial institutions. Table 4.23 shows how responses from FIs on the aspects of CSR were manifested by the respondents.

Table 4.23: Descriptive Statistics on Corporate Social Responsibility

Item Description	Mean	Standard Deviation	t-value	Sig. (2 tailed)	Coefficient of Variation (Percent)
Philanthropic	3.935	0.5709	17.562	0.000	14.508
Economic	4.178	0.5492	25.277	0.000	13.145
Legal	4.101	0.5334	17.565	0.000	13.007
Ethical	3.469	0.3528	13.872	0.000	10.17
Average score	3.921	0.502	18.569	0.000	12.708

Source: Research (2015)

Results in Table 4.23 shows that philanthropic, economic, and legal aspects of CSR were highly embraced in FIs in Kenya (means 3.94, 4.18, and 4.1 and SD = 0.57, 0.54, and 0.53 respectively). Philanthropic aspect of CSR had the highest variability (CV = 14.5). It was also observed that ethical ventures are least adhered to in FIs in Kenya (mean = 3.469 and SD = 0.35). The t-values were large and p-values small showing statistical significance. This demonstrated the high value that management of FIs in Kenya place on CSR.

Philanthropic had the highest standard deviation and CV with ethical having the lowest standard deviation. This demonstrated that visible CSR ventures such as philanthropic actions had highest variability while ethical aspects of CSR had the lowest variability in FIs in Kenya. Economic and philanthropic aspects of CSR had the highest CV, an attestation that some CSR investments have a higher impact on financial performance than others (Barnett & Salomon, 2006). The economic aspect of CSR having the highest mean is in support of Friedman (1970) which called for firms to concentrate on activities which add shareholders economic value.

4.8 Operating Environment of Financial Institutions

Pearce and Robinson (2011) contend that operating environment relates to factors within the competitive situation, which dictate the firm's success in acquiring resources. It is noted that FIs have very little control on operating environment. Understanding the competitive environment makes it possible for FIs to approach the challenges posed by the environment proactively. This study looked at customer, creditors, suppliers and trade unions as the items, which operationalize operating environment.

4.8.1 Customers of the Financial Institutions

Current, as well as, future customer requirements, are essential aspects required in developing customer profile. Understanding customer profile empowers the organization to put strategic measures to tackle both existing as well as plan for prospective customers. The most important component of OE is always the customer. It is the customer who organizations aim to please and as such most strategies are created to ensure that the customer supports the products and services on offer by the firm. Marketers devote their time to ensure that the customer likes their products and services. Research and development teams go out of their way to ensure that the products and services put on offer by the firm have the 'buy in' of the customers. The customer has been described as 'king' meaning that they have to get their way or else, the firm is in ruins. In attempting to capture perceptions related to customer profile, this study came up with three questions as shown in Table 4.24.

Table 4.24: Descriptive Statistics on Customer

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm understands the purchase behaviour of its customers	3.78	1.048	42.577	0.000	27.72
Firm has classified customers segments	3.96	0.977	47.746	0.000	24.67
Firm understands customer needs	4.12	0.996	48.792	0.000	24.17
Average score	3.953	1.007	46.372	0.000	25.52

Source: Research (2015)

Results in Table 4.24 demonstrates that FIs that understand their customer needs had the highest mean score (mean = 4.12 and SD = 0.996). There was a high overall as well as specific mean for customer. With high t-values and small p-values, the results were statistically significant. The spread on the question that firms understand their purchase behaviours of their customers had the highest variability (CV = 27.72). This demonstrated the FIs understanding of customer purchasing. In support of these findings, Atkinson (2014) acknowledge that understanding customer purchasing behavior helps the firm to come up with disruptive innovative products which add value to the firm in the long term.

4.8.2 Creditors of the Financial Institutions

For a financial institution to meet its financial obligations, it is necessary for the firm to be credit worthy. Liquidity management is a key aspect of credit worthiness as it enables a firm to be in control of its cash flow as well as be in a position to attract loans from partner firms. Atkinson (2014) emphasize that cash is king and that cash is the beating heart of the organization which be handled with care. The emphasis is more on liquidity management to remain afloat and support business cash needs. The need to forecast resources and take advantage of existing resources is required to sustain the competitive advantage of a firm. Firm capital is a necessary resource to facilitate production and as such, credit worthiness of FIs will guarantee this capital injection. To be able to adequately capture responses related to creditors, this study came up with five questions as shown in Table 4.25.

Table 4.25: Descriptive Statistics on Creditors

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm finds it easy to access credit facilities	4.03	1.014	46.844	0.000	25.16
Firm possesses a strong working capital	4.09	0.838	57.474	0.000	20.49
Firm is very credit worthy	4.10	0.735	65.761	0.000	17.93
Firm's creditors are supportive in our quest for credit line.	4.44	0.682	76.709	0.000	15.36
Firm manages its forecasts well in line with the market trends	4.33	0.544	93.934	0.000	12.56
Average score	4.198	0.763	68.144	0.000	18.3

Source: Research (2015)

Results in Table 4.25 reveal that there was a high response on the firm's creditors being supportive (mean = 4.44 and SD = 0.682). The study established that most firms within FIs found it easy to access credit facilities (CV of 25.16 percent and mean of 4.03). Management of forecast in line with market trends returned the lowest spread (CV of 12.56 percent).Generally, all the questions received a high response (mean above 4.0). With large t-value and small p-value, the results were all statistically significant.

4.8.3 Suppliers of the Financial Institutions

Relationship management between supplier-firm precincts is a necessary requirement if not a mandatory expectation. As a key stakeholder in the firm business, suppliers are seen as the source of input into the firm without which, no productions can proceed. In order to meet customer demands, the firm requires suppliers to support their raw material, equipment as well as service requirements. The price tag that suppliers levy on raw input needs to be reasonable for the firm to make meaningful profits. To address supplier's role in operating environment, this study came up with seven key questions as shown on Table 4.26.

Table 4.26: Descriptive Statistics on Suppliers

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm's suppliers give us favourable terms	3.22	1.123	33.832	0.000	34.88
Firm's suppliers are very reliable	2.85	0.779	43.096	0.000	27.33
My firm is the key relationship of our suppliers	4.08	1.022	47.059	0.000	25.05
Firm manages relationships	4.22	0.993	50.138	0.000	23.53
There is a cordial relationship between the firm and suppliers	4.20	0.949	52.180	0.000	22.60
Firm's suppliers offer reasonable quantity discounts	4.15	0.741	66.023	0.000	17.86
We get preferential treatment from our suppliers	4.53	0.685	77.940	0.000	15.12
Average score	3.893	0.899	52.895	0.000	23.767

Source: Research (2015)

Results in Table 4.26 shows that the overall mean and CV are high (mean of 3.893 and CV of 23.767 percent). Response on suppliers giving favourable terms attracted the highest spread (CV of 34.88 percent). On the contrary, the statement about the suppliers giving preferential treatment to FIs attracted the highest mean but with the lowest variability (mean of 4.53 and CV of 15.12 percent). All the questions had large t-values and small p-values hence statistically significant.

4.8.4 Labour Market of the Financial Institutions

Attraction and retention of competent employees is a dream any ambitious firm would want to achieve. Pearce and Robinson (2011) noted that a firm's ability to attract and retain competent employees is driven by the firm's reputation, the local employment rate, the skill availability as well as the relationship of the firm with the labour union. To address the labor market response in this study, Table 4.27 displays seven questions with the response received.

Results in Table 4.27 shows that FIs attracted valuable employees (mean = 4.42 and SD = 0.68). Conversely, FIs did not retain valuable employees (mean = 2.84 and SD = 0.75). This is attributed to the nature of the FIs which has very high turnover due to high competition and competitive remuneration. The question on labour market being adequately supplied with training institutions had the highest variability (CV = 35.38 percent). The response on the firm's ability to attract valuable employees attracted the lowest spread (CV of 15.38 percent). With t-value being high and p-value small, the results were statistically significant.

Table 4.27: Descriptive Statistics on Labour Market

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Labour market is adequately supplied with training institutions	3.29	1.164	33.380	0.000	35.380
Labour market is adequately supplied with skilled resources	3.08	0.956	37.972	0.000	31.040
Firm's relationship with employees is cordial	3.47	1.052	38.951	0.000	30.320
Firm retains valuable employees	2.84	0.754	44.417	0.000	26.550
Staff skills are readily available locally	4.05	1.002	47.641	0.000	24.740
Firm is perceived to be very reputable	4.12	0.723	67.094	0.000	17.550
Firm attracts valuable employees	4.42	0.680	76.594	0.000	15.380
Average score	3.61	0.904	49.436	0.000	25.851

Source: Research (2015)

4.8.5 Trade Unions of the Financial Institutions

Clamor for workers' rights has been rampant in Kenya especially in the financial sector. Unionisable employees rely on the umbrella body (the union) to bargain for their fair pay as well as protect the violation of their rights. Instances, where the firm does not treat workers fairly, leads to an acrimonious relationship with the trade union. For the firm to successfully manage the situation, it is always necessary to get a compromise with the union. The following two questions were raised to address trade unions of FIs.

Table 4.28: Descriptive Statistics on Trade Union

Item Description	Mean	Standard Deviation	t-value	Sig (2 tailed)	Coefficient of Variation (Percent)
Firm has good relationships with trade unions	3.22	1.108	34.208	0.000	34.41
Firm amicably reach a compromise in collective bargains	4.30	0.677	74.886	0.000	15.74
Average score	3.760	0.893	54.547	0.000	25.075

Source: Research (2015)

Results in Table 4.28 shows that the overall mean for the response was high (3.760). The ability of the firm to reach an amicable compromise in collective bargains had the highest values (mean = 4.3 and SD = 0.68). Apart from the results being significant (large t-values and small p-value = 0.00), FIs indicated that they had good relationships with labour unions (CV of 34.41 percent).

4.8.6 Summary of Descriptive Statistics of Operating Environment

The operating environment are factors which are not within the control of the firm and as such have serious impact on the strategies a firm may create to achieve their goal. To achieve their objectives, firms must deliberately understand the OE so as to appreciate how they will adopt to avoid the negative consequences of the OE as well as take advantage of the positive consequences. Table 4.29 demonstrates how the respondents gave their response to their perception of FIs in relation to the operating environment.

Table 4.29: Descriptive Statistics on Operating Environment

Item Description	Mean	Standard Deviation	t-value	Sig. (2 tailed)	Coefficient of Variation (Percent)
Customer	4.084	0.634	25.277	0.000	15.519
Creditors	4.171	0.632	14.235	0.000	15.158
Suppliers	3.766	0.510	17.71	0.000	13.531
Labour market	3.633	0.335	22.264	0.000	9.228
Trade unions	3.664	0.634	12.356	0.000	17.300
Average score	3.864	0.549	18.368	0.000	14.147

Source: Research (2015)

Results in Table 4.29 shows that customer is the most important component of the OE (mean = 4.08 and SD = 0.63). Labor market had the least variability (Mean =3.63, SD = 0.34 and CV = 9.23). The results show that there is high regard for customers and creditors in FIs in Kenya. Apparently, the trade union returned very high spread (CV of 17.3 percent). All the response were significant (large t-values and p-value = 0.000). As demonstrated by Ansoff and McDonnell (1990), the environmental (operating) turbulence in FIs revolves around the customer this being a service industry. It is, therefore, imperative to FIs to ensure they understand the requirements of the customer (which are ever changing) and adjust their product/service offerings to address the specific customer needs.

4.9 Firm Performance of Financial Institutions

The firm performance was broken down and operationalized into four categories for ease of analysis and interpretation. The study operationalized performance under learning and growth, customer focus, internal business processes, and financial performance. Table 4.30 shows response associated with performance measures of FIs.

Table 4.30: Descriptive Statistics on Firm Performance

Item Description	Mean	Standard Deviation	t-value	Sig. (2 tailed)	Coefficient of Variation (Percent)
Learning and growth	4.355	0.51056	31.288	0.000	11.724
Customer	3.964	0.46351	24.521	0.000	11.693
Financial	4.773	0.54664	38.248	0.000	11.452
Internal	3.877	0.35335	29.27	0.000	9.114
Average score	4.242	0.469	30.832	0.000	10.996

Source: Research (2015)

The results in Table 4.30 shows that financial institutions concentrated more on financial performance (mean = 4.78 and SD = 0.55), followed by learning and growth (mean = 4.36 and SD = 0.51). In terms of the spread, learning and growth had the highest variability (CV = 11.72) while internal business processes had the lowest spread (CV = 9.11 percent). It, therefore, calls for FIs to lay more emphasis on the two parameters whenever they want to achieve higher performance. Learning and growth had the highest CV meaning that it is mostly spread around the average hence possessing the highest variability in FIs in Kenya.

Kaplan and Norton (2001) observed that learning and growth are the black hole in performance. The introduction of BSC is, therefore, aimed at addressing performance improvement area of learning and growth. Huselid and Becker (1998) observed that human capital is a source of sustainable competitive advantage, which is an excellent addition in strategy. Human resources can lead to improved financial performance (Huselid, 1995). The results demonstrated that FIs should give more emphasis to learning and growth as well as financial performance of BSC to be able to improve performance.

4.10 Chapter Summary

The chapter has presented findings regarding the respondents and the demographics of the firm. It also presented the findings of descriptive statistics of the study variables. Descriptive findings were discussed based on the mean scores, standard deviations, coefficient of variation, t-tests and significance levels (p-value). The discussion of results included excerpts picked from the response provided by respondents. The results indicated that financial institutions emphasized more of financial performance (mean = 4.77) as opposed to the non-financial performance. Internal business processes had the lowest mean score (3.8). This indicates that there was a general feeling among respondents' that the FIs was biased towards financial performance at the expense of internal business processes. It was demonstrated that firm characteristics had the highest reliance on structure (mean = 4.18 and SD = 0.59). Conversely, skills had the lowest mean (3.5). This is a demonstration that FIs need to prioritize structural components of FCs before embarking on other parameters.

Managers of the financial institutions need to emphasize the economic aspects of corporate social responsibility to bring out the real value of CSR since the economic aspect of CSR had the highest impact (mean = 4.17). The chapter also noted that customer is king and that the FIs should embrace the customer more (mean = 4.1 and SD = 0.63). In addition, it was pointed out that creditors supply cash to the firm and are as well very critical. Managers are therefore advised to handle creditors with care so as to maintain a good relationship

CHAPTER FIVE: TESTS OF HYPOTHESES AND DISCUSSION

5.1 Introduction

This chapter deals with statistical analyses related to tests of hypotheses and discussion of the findings. The previous chapter looked at the data analysis and concentrated on findings on the descriptive statistical tests. Hypothesis tests were conducted through multiple linear regression analysis and interpretations provided on the results of the four hypotheses. The study made use of response data from the field and results interpreted using coefficient of determination (R^2) values, unstandardized βeta values (due to best practice) and F ratios at 95 percent level of significance.

This study had six objectives. The first objective was set to look at the effect of firm characteristics on firm performance. The second objective was looking at the relation of firm characteristics on corporate social responsibility. The third objective looked at the effect of corporate social responsibility on firm performance. The fourth objective aimed at looking at the effect of corporate social responsibility in the relationship between firm characteristics and firm performance. The fifth objective looked at the effect of operating environment in the relationship between firm characteristics and firm performance and lastly, objective six looked at the joint effect of firm characteristics, corporate social responsibility and operating environment on performance of financial institutions in Kenya.

To address the above objectives, four hypotheses were formulated and tested; the first hypothesis was testing the relationship between FCs and FP. Hypothesis two was testing the intervening effects of CSR in the relationship between FCs and FP while hypothesis three was testing the moderating role of OE in the relationship between FCs and FP. Hypothesis four was on the joint effect of the three independent variables (FCs, CSR and OE) on FP. The hypotheses were tested using simple linear regression, multiple linear regression, hierarchical linear regression and multivariate linear regression models. Results were interpreted using f-value, and p-values.

Hypothesis tests were done on the four hypothesis. The study tested four hypotheses despite having six objectives. It was assumed that by testing the intervening role of CSR, the relation between FCs and CSR and that of CSR and FP was established. This explains why the hypotheses were less than the set objectives. The results of the hypothesis tests conducted are presented and discussed.

5.2 Firm Characteristics and Firm Performance

The first objective of this study was to establish the effect of FCs on FP and this objective was achieved through testing the following hypothesis.

H_{01}: Firm characteristics do not affect firm performance among financial institutions in Kenya.

The FCs was measured in terms of strategy, culture, skills, staff, structure, style, systems, and internal resources. Data on FCs was collected using semi-structured questionnaire. The FP was measured through BSC whose measure was done in four perspectives (customer, internal, learning and growth and financial perspectives). In addition, a composite performance measure was computed to reflect the overall FP.

In testing for the effect of FCs on FP, various sub-hypotheses related to the operatives of FP were formulated and tested. First the study looked at the effect of FCs on the individual operatives of FP such as customer, internal, learning and growth and financial performance before analysing the effect of FCs on the overall FP. The study, therefore, carried out five hypotheses as shown below. The first sub-hypothesis (H_{01a}), firm characteristics do not affect customer focus, second sub-hypothesis (H_{01b}) firm characteristics do not affect internal business processes, third sub-hypothesis (H_{01c}) firm characteristics do not affect learning and growth, fourth sub-hypothesis (H_{01d}) firm characteristics do not affect financial performance and finally, the fifth sub-hypothesis (H_{01e}) firm characteristics do not affect overall firm performance among FIs in Kenya. The decision to go micro in attempting to test the individual perspectives (customer, internal, learning and growth and financial perspectives) was arrived at so as to establish the relationships, which had not been studied earlier. This study sought to establish specific FCs effects not only on the entire FP but the components which constitute FP. Regression analysis was done to test for the effect of FCs on FP and the results of these regressions are as follows.

5.2.1 Firm Characteristics and Customer Focus

Relationships between FCs and FP have been studied earlier (Machuki, 2012; Baron, 2001). However, that of FCs on customer focus has not received adequate research. This study looked into how FCs impacts specifically the customer focus. How the FIs can maximize customer value to the benefit of the firm is the desired outcome of this analysis. To achieve this objective, the following regression analysis was conducted.

Table 5.1: Effect of Firm Characteristics and Customer Focus

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.986[a]	.973	.971	.07877
a. Predictors: (Constant), Internal Resources, Culture, Skills, Staff, Structure, Style, Systems, Strategy.				

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig. (P-value)
1	Regression	28.842	8	3.605	581.101	0.000[b]
	Residual	.807	130	.006		
	Total	29.649	138			
a. Dependent Variable: Customer Focus						
b. Predictors: (Constant), Internal Resources, Culture, Skills, Staff, Structure, Style, Systems, Strategy						

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.086	.087		-.985	.326
	Strategy	.304	.042	.352	7.269	.000
	Structure	.257	.018	.329	14.618	.000
	Systems	.250	.022	.275	11.404	.000
	Staff	.080	.016	.093	4.886	.000
	Skills	-.003	.013	-.004	-.250	.803
	Style	.022	.021	.024	1.039	.301
	Culture	-.027	.016	-.037	-1.665	.098
	Internal resources	.127	.026	.208	4.828	.000

a. Dependent Variable: Customer Focus

Source: Research (2015)

Table 5.1 above shows the regression analysis of the relation between FCs and customer focus. The R^2 value of 0.973 indicated that 97.3 percent of the customer focus was explained by the FCs factors. This only left 2.7 percent which was explained by other factors put in place by the financial institutions. The F value was 581.101 and p-value was 0.000. The results indicated that the model was significant since p - value 0.000 < 0.05. The calculated p-value being less than 0.05, the null hypothesis was rejected. This means that FCs affect customer focus hence confirming that the model explained the relationship between FCs and customer focus.

Since the overall model was significant, the study further looked at the individual significance of the variables. From Table 5.1 strategy, structure, systems, staff, and internal resources had positive coefficients with significant p values. From Table 5.1 the estimated equation was, therefore.

Customer Focus = 0.304 ST + 0.257 SC + 0.250 SY + 0.080 SF + 0.127 IR.

Where ST is strategy, SC is structure, SY is systems, SF is staff, and IR is internal resources. The estimated equation shows that one unit change in strategy, structure, system, staff, style and internal resources will result in customer focus changing by 0.304, 0.257, 0.250, 0.080, and 0.127, respectively.

The model is in support of McKinsey 7S framework which has given more priority to strategy, structure and systems as the hard S's since they are the foundation on which the rest of the seven 'S' are built. The direction of the company and its scope is well articulated by the strategy it pursues. The inter-relation within the firm is controlled by its organization of departments, reporting lines, level of expertise and the responsibilities assigned to its staff which is achieved through structure. Procedures within the firm, which govern how the firm is managed rests on its systems (Peters & Waterman, 1982). The model espouses the three FCs to be more important than the rest hence, the need of the FIs to actively ensure it gives emphasis to strategy, structure and systems.

5.2.2 Firm Characteristics and Internal Business Processes

The FIs have shared services which in most cases work in isolation or do not achieve the desired synergy. The study looked into these shared services so as to build value chain. The study, therefore, sought to establish how FCs would yield the benefit through internal business processes. The effect of FCs on internal business processes was therefore studied as shown in Table 5.2.

Table 5.2: Effect of Firm Characteristics and Internal Business Processes

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.992[a]	.984	.983	.04656

a. Predictors: (Constant), Internal Resources, Culture, Skills, Staff, Structure, Style, Systems, Strategy

Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig. (P-value)
1	Regression	16.948	8	2.118	977.412	.000[b]
	Residual	.282	130	.002		
	Total	17.230	138			

a. Dependent Variable: Internal business processes

b. Predictors: (Constant), Internal Resources, Culture, Skills, Staff, Structure, Style, Systems, Strategy

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.011	.051		-.215	.830
	Strategy	.002	.025	.003	.078	.938
	Structure	.051	.010	.085	4.880	.000
	Systems	-.005	.013	-.007	-.379	.705
	Staff	.170	.010	.260	17.640	.000
	Skills	.185	.008	.300	24.336	.000
	Style	.196	.012	.282	15.940	.000
	Culture	.162	.010	.290	16.789	.000
	Internal resources	.250	.016	.535	16.023	.000

a. Dependent Variable: Internal business processes

Source: Research (2015)

Table 5.2 above shows the regression analysis of the relation between FCs and internal business processes. The value of R^2 being 0.984 indicated that 98.4 percent of the internal perspective was explained by FCs factors, which left 1.6 percent to be explained by other factors put in place by the strategies employed by the financial institutions. The F value was 977.412, and the p-value was 0.000 which means that the model was significant since p-value $0.000 < 0.05$. The calculated p-value being less than 0.05, the null hypothesis was rejected maintaining that FCs affects internal business processes.

Since the overall model was significant, the study further looked at the individual significance of the variables. From Table 5.2, structure, staff, skills, style, culture and internal resources had positive coefficients with significant p values. From Table 5.2 the estimated equation was, therefore.

Internal business processes = 0.051 SC + 0.170 SF + 0.185 SK + 0.196 SL + 0.162 CU + 0.250 IR where; SK is skills. The estimated equation shows that one unit change in structure, staff, skills, style, culture and internal resources will result in internal business processes to change by 0.051, 0.170, 0.185, 0.196, 0.162 and 0.250, respectively. In support of this finding, Smith (2010) emphasized that it is imperative for managers within the organization to maintain a coaching style making managers become role models to employees to improve the skill gap existing. This way, he maintained that the performance of the organization will be improved. The implication of this outcome to FIs is that they need to prioritize the skills and styles in their quest to develop strategies, which aim at improving internal business processes.

5.2.3 Firm Characteristics and Learning and Growth

To achieve sustainable competitive advantage, there is a xneed for FIs to identify and develop human capital. As an intangible asset, FIs must ensure they build a competent human resource base capable of generating innovative ideas, which can propel the firm to the next level. Doing so requires leadership, which is focused and deliberate. The leadership would be interested in building and sharing the intangible resource through a combination of FCs and learning and growth. The study, therefore, set forth to test the relationship between FCs and learning and growth as shown in Table 5.3.

Table 5.3 shows the regression of the relation between FCs and learning and growth. The value of R^2 being 0.964 shows that 96.4 percent of learning and growth was explained by the FCs factors. This left 3.6 percent to be explained by other factors put in place by the strategies employed in the FIs. The F value was 435.96 and p-value was 0.000. The results show that the model was significant since the calculated p-value was less than 0.05, the null hypothesis was rejected maintaining that FCs affect learning and growth.

The overall model being significant, the study further looked at the individual significance of the variables. From Table 5.3 strategy, structure, systems, staff, culture and internal resources had positive coefficients with significant p values. From Table 5.3 the estimated equation was, therefore learning and growth = 0.492 ST + 0.384 SC + 0.366 SY + 0.215 SF - 0.090 CU - 0.287 IR. This equation shows that a unit change in strategy, structure, system, staff, culture and internal resources will result in customer focus changing by 0.492, 0.384, 0.366, 0.215, -0.090, and - 0.287, respectively.

Table 5.3: Effect of Firm Characteristics and Learning and Growth

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.982[a]	.964	.962	.09972
a. Predictors: (Constant), Internal Resources, Culture, Skills, Staff, Structure, Style, Systems, Strategy				

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig. (P-value)
1	Regression	34.680	8	4.335	435.960	.000[b]
	Residual	1.293	130	.010		
	Total	35.972	138			
a. Dependent Variable: Learning and Growth						
b. Predictors: (Constant), Internal Resources, Culture, Skills, Staff, Structure, Style, Systems, Strategy						

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.014	.110		.125	.901
	Strategy	.492	.053	.517	9.296	.000
	Structure	.384	.022	.446	17.248	.000
	Systems	.366	.028	.366	13.199	.000
	Staff	.215	.021	.229	10.454	.000
	Skills	-.023	.016	-.026	-1.432	.154
	Style	.030	.026	.030	1.155	.250
	Culture	-.090	.021	-.112	-4.372	.000
	Internal resources	-.287	.033	-.425	-8.586	.000
a. Dependent Variable: Learning and Growth						

Source: Research (2015)

The above equation shows that improving learning and growth requires concentrating efforts on strategy, structure and systems (Peters & Waterman, 1982) while culture and internal resources will negatively affect the efforts to improve learning and growth. The results further show that culture and internal resources reduce learning and growth. The outcome contravenes the findings by Ahmad (2012), which indicated that organizational culture has a positive relationship with performance. The findings also go against that of the proponents of Resource Based Theory (RBT) who found that internal resources which are rare and non-imitable are a source of competitive advantage (Grant, 1991; Wenerfelt, 1984).

5.2.4 Firm Characteristics and Financial Performance

The most sought after performance indicator is the financial performance. A good part of time and effort of management is usually spent monitoring how the financial performance of the firm is against projections. This study looked into how FCs related to the financial performance of FIs and Table 5.4 shows the results.

Table 5.4 below shows the regression of the relation between FCs and financial performance. The value of R^2 being 0.931 shows that 93.1 percent of the financial performance was explained by FCs factors. Only 6.9 percent of financial performance was explained by other factors put in place by the strategies employed by the FIs. The F value was 219.269 and p- value was 0.000, thus the model was significant. The null hypothesis was therefore rejected maintaining that FCs affect financial performance.

Table 5.4: Effect of Firm Characteristics and Financial Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965[a]	.931	.927	.14794
a. Predictors: (Constant), Internal Resources, Culture, Skills, Staff, Structure, Style, Systems, Strategy				

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig. (P-value)
1	Regression	38.391	8	4.799	219.269	.000[b]
	Residual	2.845	130	.022		
	Total	41.237	138			
a. Dependent Variable: Financial performance						
b. Predictors: (Constant), Internal Resources, Culture, Skills, Staff, Structure, Style, Systems, Strategy						

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.354	.164		-2.165	.032
	Strategy	-.112	.079	-.110	-1.421	.158
	Structure	.175	.033	.189	5.279	.000
	Systems	-.031	.041	-.029	-.761	.448
	Staff	.453	.031	.449	14.805	.000
	Skills	.782	.024	.819	32.375	.000
	Style	.037	.039	.034	.945	.346
	Culture	.011	.031	.013	.358	.721
	Internal resources	.059	.050	.081	1.183	.239
a. Dependent Variable: Financial Performance						

Source: Research (2015)

The overall significance of the model required that we look at the individual significance from the individual coefficients. From Table 5.4, structure, staff, and skills had positive coefficients with significant p values.

From Table 5.4 the estimated equation was, therefore.

Financial Performance = -0.354 + 0.175 SC + 0.453 SF + 0.782 SK

This equation shows that one unit change in structure, staff, and skills will result in financial performance changing by 0.175, 0.453, and 0.782, respectively. It emphasizes the need of FIs to work on the structure, staff and skill components of the FCs to achieve maximum financial performance. This finding is in support of Haskel and Hawkes (2003) who found that higher qualifications (skill levels) support innovation and more sophisticated production processes and, therefore, higher quality products hence performance. This calls for the need for continuous skills development to keep the organization successful. The FIs should therefore, invest in skill development and training of the workforce to sustain their growth prospects.

5.2.5 Firm Characteristics and Overall Firm Performance

After looking at the respective perspectives of performance and their relationship with FCs, this study sought to establish the overall relationship between FCs and overall FP. Table 5.5 shows the results.

Table 5.5 below shows the regression of the relation between FCs and FP. The value of R^2 being 0.995 shows that 99.5 percent of the FP was explained by FCs factors leaving only 0.5 percent of FP to be explained by other factors put in place by the strategies employed in the FIs. The F value was 315.073 and p-value was 0.000. These results explained that the model was significant since p-value (0.000 < 0.05). Therefore, the null hypothesis was rejected maintaining that FCs affects FP.

Since the overall model was significant, the study further looked at the individual significance of the variables. From Table 5.5 strategy, structure, systems, staff, skills, style and internal resources had positive coefficients with significant p - values. From Table 5.5 the estimated equation is, therefore firm performance = -0.109 + 0.172 ST + 0.217 SC + 0.145 SY + 0.229 SF + 0.235 SK + 0.071 SL + 0.037 IR. The equation shows that one unit change in strategy, structure, system, staff, skills, style and internal resources will result in FP changing by 0.172, 0.217, 0.145, 0.229, 0.235, 0.071, and 0.037, respectively.

Table 5.5: Effect of Firm Characteristics and Overall Firm Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.997[a]	.995	.995	.02754
a. Predictors: (Constant), Internal Resources, Culture, Skills, Staff, Structure, Style, Systems, Strategy				

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig. (P-value)
1	Regression	19.158	8	2.395	3157.073	0.000[b]
	Residual	.099	130	.001		
	Total	19.257	138			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Internal Resources, Culture, Skills, Staff, Structure, Style, Systems, Strategy						

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.109	.030		-3.590	.000
	Strategy	.172	.015	.246	11.735	.000
	Structure	.217	.006	.343	35.215	.000
	Systems	.145	.008	.198	18.919	.000
	Staff	.229	.006	.333	40.292	.000
	Skills	.235	.004	.360	52.284	.000
	Style	.071	.007	.097	9.793	.000
	Culture	.014	.006	.023	2.429	.017
	Internal resources	.037	.009	.075	4.040	.000
a. Dependent Variable: Firm Performance						

Source: Research (2015)

The new model shows that all the variables were significant except culture. However, skills contained the highest coefficient meaning the model grants it more weight than the rest of the variables a demonstration that FIs should redouble their skills to better their performance. The finding implied that FIs need to dedicate their energies to staff development to sharpen the skills of the staff. Besides, FIs must ensure a good mix of strategy, structure, and skills are given more priority to achieve improved overall FP (Peters & Waterman, 1982; Dam, 2008).

Table 5.6 shows a summary of the results on the relationship between FCs and FP. The results of the analysis indicated a strong positive correlation between FCs and FP. In addition, the relationships were significant. The null hypotheses were, therefore, rejected and the study supported that FCs affect FP. This study supported the findings by Machuki (2012), which looked at the relationship between FLIs and FP and found that FLIs affect FP.

Table 5.6: Summary of Effects of Firm Characteristics and Firm Performance

Model	R^2	F-Value	Significance (P-Value)	Decision
Customer focus = f(firm characteristics)	0.973	581.101	0.000	Significant
Internal business processes = f(firm characteristics)	0.984	977.412	0.000	Significant
Learning and growth = f(firm characteristics)	0.964	435.96	0.000	Significant
Financial performance = f(firm characteristics)	0.931	219.269	0.000	Significant
Overall firm performance = f(firm characteristics)	0.995	3157.073	0.000	Significant

Source: Research (2015)

5.3 Firm Characteristics and Corporate Social Responsibility

The study further looked at the relation between FCs and CSR. A Pearson correlation was done between FCs and CSR to establish the strength of the relationship existing between the two variables. Table 5.7 below shows the correlation results between FCs and CSR.

Table 5.7: Relationship Between Firm Characteristics and Corporate Social Responsibility

Variable		Firm Characteristics	CSR
Firm Characteristics	Pearson Correlation	1	.879*
	Sig. (2-tailed)		.000
	N	139	139
CSR	Pearson Correlation	.879*	1
	Sig. (2-tailed)	.000	
	N	139	139

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Research (2015)

Table 5.7 shows the correlation coefficient between FCs and CSR and the relationship between FCs and CSR was found to be strong and positive with a correlation of 0.879. The strong correlation between FCs and CSR shows that FIs should embed CSR in the strategy of their firms. The integration of CSR in the strategy of a firm especially in its every component is ideal. It has been demonstrated that examining CSR in the context of firm strategy is both possible and necessary to developing competitive advantage in the current environment and that firms should seek to address CSR in the context of strategy formulation and implementation (Galbreath, 2009; Porter & Kramer, 2011).

Prahalad and Hamel (1990) support the need for firms to chart out their strategy before choosing CSR activity to support. They argued that once organizations choose a strategy to support, they can then embark on the right choice of CSR activities to achieve the strategy. For instance, a strategy to support green energy means that the firm will procure among other things, machinery, which do not pollute the environment, those which are environmentally friendly.

Grant (1991) perceived strategy as an enabler of CSR: the strong positive correlation between FCs and CSR was a manifestation that this study was in support of the role of FCs on CSR. The relationship between staff and CSR is reinforced by the findings by Montgomery and Ramus (2003) which noted that CSR reputation can alter a decision of a prospective staff to join a firm. The implications for this study are that the human resource (staff) recruitment and retention hinges on CSR activities a firm supports. Consequently, the relationship between FCs and CSR was found to be necessary and as such, firms are expected to nurture such relationships to better the effects that CSR would have in the relationship with FCs.

This study noted that since FCs influence the choice of CSR that a firm can support, it is necessary for managers to deliberately make a choice of CSR activities to support and do this deliberately. This way, the firm will be advancing the right FCs and attach the right CSR activities to these FCs. This decision is informed by the fact that not all CSR activities have the same effect on the desired outcome of the firm and hence the need to make a deliberate choice of CSR activities to support.

5.4 Corporate Social Responsibility and Firm Performance

The relationship between CSR and FP was tested to ascertain the strength of their relationship. A Pearson correlation analysis was done to explain the relationship between CSR and FP. Table 5.8 below shows the relationship between CSR and FP.

Table 5.8: Relationship Between Corporate Social Responsibility and Firm Performance

Variable		CSR	Performance
CSR	Pearson Correlation	1	.889*
	Sig. (2-tailed)		.000
	N	139	139
Performance	Pearson Correlation	.889*	1
	Sig. (2-tailed)	.000	
	N	139	139

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Research (2015)

Table 5.8 shows the Pearson correlation between CSR and performance: the relation between CSR and performance shows a strong and positive correlation of 0.889. This demonstrates that embracing CSR will improve the performance of FIs in Kenya. The findings demonstrate that CSR is an important consideration for driving success (Carroll, 1999). The study supports the findings by Olagunju et al. (2012), which found that CSR influence profitability and return on assets of banks.

Jansen (2002) supported the need for firms to have one goal (maximizing value and not simply pure profits). On the other hand, Margolis and Walsh (2003) contend that CSR is positively associated with FP. The strong and positive correlation between CSR and FP is a manifestation that this study supported the findings by Margolis and Walsh (2003). The study, therefore, contradicted the findings by Friedman (1970), which purported that the only responsible activity that a firm should engage in is that of wealth maximization.

Profitability of FIs can be improved through strict adherence to specific CSR activities. This way the FIs can ensure they support CSR activities, which will add value to the reputation of their firms, therefore improving sales and strengthening their brands, hence contributing to profitability. A deliberate move to align CSR to FP will result in improved performance. Olagunju et al. (2012) equally found out that CSR influence the profitability and return on assets of banks.

5.5 Firm Characteristics, Corporate Social Responsibility and Firm Performance

Hypothesis two of this study was conducted to explore the effect of CSR in the relation between FCs and FP. It was hypothesized that CSR had no influence in the relationship between FCs and FP among FIs in Kenya. A hierarchical regression analysis was conducted to test this hypothesis.

The use of hierarchical regression analysis was employed to test for the intervening effect of CSR in the relationship between FCs and FP. The first step involved regressing the independent variable (FCs) on the dependent variable (FP) and thereafter, the independent variable and the mediator variables were regressed on the dependent variables to establish whether there was an effect of CSR on this new relationship. The indirect effect of CSR on the relationship between FCs and FP measured the intervening effect of CSR on the relationship between FCs and FP.

Martin and Bridgmon (2012) observed that for mediation to occur there must as a prerequisite be a significant relationship between predictor (FCs) and mediator (CSR). Secondly, the predictor(s) must significantly be related to the dependent variable. In addition, the mediator must significantly be related to the dependent variable and consequently, the impact of the predictor on the dependent variable must be significant after controlling for mediation.

The following hypothesis was used to test this relationship. H_{02}: Corporate social responsibility has no influence in the relationship between firm characteristics and firm performance. To effectively test this hypothesis, the hypothesis was further broken down into sub-hypotheses. First, CSR has no intervening influence in the relationship between FCs and customer focus (H_{02i}). Secondly, CSR has no intervening influence in the relationship between FCs and internal business processes (H_{02ii}). Thirdly, CSR has no intervening influence in the relationship between FCs and learning and growth (H_{02iii}). Fourthly, CSR has no intervening influence in the relationship between FCs and financial performance (H_{02iv}), and lastly**,** CSR has no intervening influence in the relationship between FCs and overall performance (H_{02v}**).** A hierarchical regression analysis was performed to test these hypotheses. The FCs and FP were entered in stage one (as a block) followed by the introduction of CSR and the result are as shown below.

5.5.1 Firm Characteristics, Corporate Social Responsibility and Customer Focus

Firms are keen to address their customer requirements to enable them to meet customer needs and expectations. Peters and Waterman (1982) and Porter (1985), observed that customer is the key stakeholder whose needs must be addressed for the success of the organization to be guaranteed. This study looked at the impact of FCs, CSR on customer focus.

Table 5.9 below shows the coefficient of determination for FCs jointly with CSR. The relationship between FCs, CSR and customer focus was strong and positive. Model one shows that R^2 was 0.973. This mean that FCs accounted for 97.3 percent in the variation in customer focus. Model two shows that R^2 was 0.998 when CSR was introduced. This shows that FCs jointly with CSR accounted for 99.8 percent variation in performance of FIs in Kenya. The introduction of CSR in the model made R^2 change to be 0.025, which implied that CSR accounted for 2.5 percent variation in customer focus.

The results of Table 5.9, therefore, indicated that CSR by FIs in Kenya will lead to improvement in performance. Thus, FIs need to focus on CSR to achieve improved performance in customer focus. The results are in conformity with previous studies that found that CSR and FCs lead to performance improvement. Mallak et al. (2003) observed that culture is linked to higher performance in the health sector and Scott (2000), and Galbreath (2009) observed that CSR improves performance.

On the overall significance of model one and two, the p-values of the two models were 0.000, which was less than alpha value of 0.05, which indicates that results were, therefore, significant. The null hypothesis was rejected meaning that CSR had a significant intervening influence on the relationship between FCs and customer focus of FIs in Kenya. The overall significance led to establishing the individual significance.

Table 5.9: Effect of Corporate Social Responsibility on the Relationship Between Firm Characteristics and Customer Focus

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.986[a]	.973	.971	.07877	.973	581.101	8	130	.000
2	.999[b]	.998	.998	.02180	.025	392.759	4	126	.000

Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F-Value	Sig. (p-value)
1	Regression	28.842	8	3.605	581.101	.000[b]
	Residual	.807	130	.006		
	Total	29.649	138			
2	Regression	29.589	12	2.466	5188.101	.000[c]
	Residual	.060	126	.000		
	Total	29.649	138			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.086	.087		-.985	.326
	Strategy	.304	.042	.352	7.269	.000
	Structure	.257	.018	.329	14.618	.000
	Systems	.250	.022	.275	11.404	.000
	Staff	.080	.016	.093	4.886	.000
	Skills	-.003	.013	-.004	-.250	.803
	Style	.022	.021	.024	1.039	.301
	Culture	-.027	.016	-.037	-1.665	.098
	Internal resources	.127	.026	.208	4.828	.000
2	(Constant)	.017	.027		.653	.515
	Strategy	.050	.022	.058	2.227	.028
	Structure	.049	.011	.063	4.698	.000
	Systems	.206	.007	.227	31.073	.000
	Staff	.021	.007	.024	2.946	.004
	Skills	-.161	.008	-.199	-20.781	.000
	Style	-.202	.010	-.221	-20.799	.000
	Culture	.019	.005	.026	3.741	.000
	Internal resources	.281	.014	.458	20.772	.000
	Economic	.202	.010	.239	21.012	.000
	Legal	-.025	.010	-.028	-2.527	.013
	Ethical	.331	.012	.252	26.953	.000
	Philanthropic	.225	.011	.277	20.310	.000

a. Dependent Variable: Customer Focus

Source: Research (2015)

In checking the significance of individual variables, the study used the coefficient values of FCs, and CSR. From Table 5.9, the p-values of strategy, structure, systems, staff, skills, style, culture, internal resources, economic, legal, ethical and philanthropic were all less than 0.05, which means that they were significant and from Table 5.9 the estimated equation was, therefore customer focus = 0.05 ST + 0.049 SC + 0.206 SY + 0.021 SF - 0.161 SK - 0.202 SL + 0.019 CU + 0.281 IR + 0.202 EC - 0.025 LG + 0.331 ET + 0.225 PL where EC is economic, LG is legal, ET is ethical, and PL is philanthropic.

The estimated equation shows that a unit change in strategy, structure, systems, staff, skills, style, culture, internal resources, economic, legal, ethical and philanthropic will result in customer focus changing by 0.05, 0.049, 0.206, 0.021, - 0.161, - 0.202, 0.019, 0.281, 0.202, - 0.025, 0.331, and 0.225, respectively. These results imply that FIs should focus more on internal resources aspect of FCs and economic, ethical and philanthropic aspects of CSR. Carroll (1999) observed that CSR embodies economic, legal and discretionary categories on business performance. The finding shows that to achieve improvement in customer focus, there is need to inculcate the culture of supporting the community through philanthropic gestures.

5.5.2 Firm Characteristics, Corporate Social Responsibility and Internal Processes

Many organizations align their internal processes to satisfy their shareholders. Such firms resort to processes, which address their internal value generating components such as the ones responsible for innovation, production, and after-sales service. Kaplan and Norton (2001) advocated for firms to identify and structure efficiently the internal value-delivering processes to address the goals of the shareholders and customers. This study looked at the role of CSR in the relationship between FCs and internal business processes and Table 5.10 shows the findings.

Table 5.10 below shows a model summary for two models; the models show the coefficient of determination for FCs jointly with those of CSR. The first model shows that R^2 was 0.984, which means that FCs accounted for 98.4 percent in the variation with internal processes. Model two shows R^2 as 0.997 after CSR predictors were introduced. This indicated that FCs jointly with CSR accounted for 99.7 percent variation in internal processes of FIs in Kenya. The introduction of CSR in the model made the R^2 change to be 0.013. This implied that CSR accounted for 1.3 percent variation in internal processes.

The results, therefore, implied that CSR in FIs in Kenya will lead to improvement in internal processes. Therefore, management of these firms need to focus on CSR to improve performance. These results are in conformity with previous studies, which found that CSR and FCs led to performance improvement (Grant, 1991; O’Reilly et al., 2012; Barney, 1986).

Table 5.10: Effect of Corporate Social Responsibility on the Relationship Between Firm Characteristics and Internal Processes

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.992[a]	.984	.983	.04656	.984	977.412	8	130	.000
2	.998[b]	.997	.996	.02163	.013	119.072	4	126	.000

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig. (P-value)
1	Regression	16.948	8	2.118	977.412	.000[b]
	Residual	.282	130	.002		
	Total	17.230	138			
2	Regression	17.171	12	1.431	3058.579	.000[c]
	Residual	.059	126	.000		
	Total	17.230	138			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.011	.051		-.215	.830
	Strategy	.002	.025	.003	.078	.938
	Structure	.051	.010	.085	4.880	.000
	Systems	-.005	.013	-.007	-.379	.705
	Staff	.170	.010	.260	17.640	.000
	Skills	.185	.008	.300	24.336	.000
	Style	.196	.012	.282	15.940	.000
	Culture	.162	.010	.290	16.789	.000
	Internal resources	.250	.016	.535	16.023	.000
2	(Constant)	-.080	.026		-3.006	.003
	Strategy	.185	.022	.280	8.335	.000
	Structure	.197	.010	.330	18.857	.000
	Systems	.016	.007	.023	2.441	.016
	Staff	.239	.007	.367	34.052	.000
	Skills	.311	.008	.504	40.506	.000
	Style	.335	.010	.481	34.692	.000
	Culture	.159	.005	.286	31.264	.000
	Internal resources	.144	.013	.308	10.727	.000
	Economic	-.102	.010	-.159	-10.725	.000
	Legal	-.043	.010	-.065	-4.427	.000
	Ethical	-.247	.012	-.246	-20.224	.000
	Philanthropic	-.175	.011	-.283	-15.940	.000
a. Dependent Variable: Internal Processes						

Source: Research (2015)

Looking at the significance of individual variables for values related to FCs, and CSR, the coefficients of strategy, structure, staff, skills, style, culture, internal resources, economic, legal, ethical and philanthropic all had significant coefficients with p-values less than 0.05. From Table 5.10 the estimated equation was, therefore internal processes = -0.080 + 0.185 ST +

0.197 SC + 0.16 SY + 0.239 SF + 0.311 SK + 0.335 SL + 0.159 CU + 0.144 IR - 0.102 EC - 0.043 LG - 0.247 ET - 0.175 PL.

The results show that a unit change in strategy, structure, systems, staff, skills, style, culture, and internal resources causes an increase of 0.185, 0.197, 0.16, 0.239, 0.311, 0.335, 0.159 and 0.144, respectively on internal processes. In addition, one unit change in CSR (economic, legal, ethical and philanthropic) causes a negative change in internal business processes by 0.102, 0.043, 0.247 and 0.175, respectively. The results supported the finding by Flammer (2012) who noted that CSR is an investment with decreasing marginal returns. Friedman (1970) equally emphasized that managers should only focus on what will improve the wealth of the stakeholders and not do charity. These results imply that FIs should focus more on FCs and not on CRS to be able to improve internal perspectives of FP. The results further imply that CSR has a negative impact on internal business processes.

5.5.3 Firm Characteristics, Corporate Social Responsibility, Learning and Growth

As an underlying and important strategic factor of human resources, learning and development (growth) is vital for innovation and sustainability of the firm's success. Kaplan and Norton (2001) emphasized the need for organizations to improve staff skills through learning and development. Table 5.11 below shows the results of the relationship between FCs, CSR and learning and growth.

Table 5.11 below is a model summary for the relationship between FCs, CSR and learning and growth. Model one shows a positive and strong relation between FCs and learning and growth. The first model of Table 5.11 shows that R^2 was 0.964, which means that 96.4 percent of learning and growth were accounted for by FCs factors. This left 3.6 percent to be accounted for by other strategies employed by FIs. Model two shows R^2 as 0.994 after CSR predictors were introduced. The increase in R^2 for the second model demonstrated that 99.4 percent of learning and growth were accounted for by FCs and CSR leaving 0.6 percent to be accounted for by other strategies employed by FIs. In addition, the introduction of CSR changed R^2 by 0.030 meaning that CSR accounted for additional 3 percent of the variation in learning and growth.

Table 5.11: Effect of Corporate Social Responsibility on the Relationship Between Firm Characteristics and Learning and Growth

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.982[a]	.964	.962	.09972	.964	435.960	8	130	.000
2	.997[b]	.994	.993	.04276	.030	145.257	4	126	.000

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig. (P-value)
1	Regression	34.680	8	4.335	435.960	.000[b]
	Residual	1.293	130	.010		
	Total	35.972	138			
2	Regression	35.742	12	2.978	1629.116	.000[c]
	Residual	.230	126	.002		
	Total	35.972	138			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.014	.110		.125	.901
	Strategy	.492	.053	.517	9.296	.000
	Structure	.384	.022	.446	17.248	.000
	Systems	.366	.028	.366	13.199	.000
	Staff	.215	.021	.229	10.454	.000
	Skills	-.023	.016	-.026	-1.432	.154
	Style	.030	.026	.030	1.155	.250
	Culture	-.090	.021	-.112	-4.372	.000
	Internal resources	-.287	.033	-.425	-8.586	.000
2	(Constant)	.144	.052		2.756	.007
	Strategy	.432	.044	.453	9.857	.000
	Structure	.272	.021	.315	13.161	.000
	Systems	.295	.013	.295	22.682	.000
	Staff	.234	.014	.249	16.881	.000
	Skills	-.110	.015	-.123	-7.244	.000
	Style	-.137	.019	-.136	-7.199	.000
	Culture	-.009	.010	-.011	-.905	.367
	Internal resources	-.247	.026	-.366	-9.320	.000
	Economic	.153	.019	.164	8.095	.000
	Legal	-.172	.019	-.179	-8.962	.000
	Ethical	.257	.024	.177	10.650	.000
	Philanthropic	.108	.022	.121	4.968	.000
a. Dependent Variable: Learning and Growth						

Source: Research (2015)

Table 5.11 above also shows the overall significance of the two models; the models were significant because p-value was less than alpha (p -value being 0.000 <0.05). F-values were

435.960 and 1629.116, respectively for both models. The null hypothesis was, therefore, rejected maintaining that CSR influence the relationship between FCs and learning and growth.

Since the overall model was significant (p-value = 0.000 < 0.05), the study further looked at the individual significance of the independent variables. From Table 5.11, strategy, structure, systems, staff, skills, style, internal resources, economic, legal, ethical and philanthropic had significant coefficients with p values less than 0.05. From Table 5.11, the estimated equation was, therefore learning and growth = 0.432 ST + 0.272 SC + 0.295 SY+ 0.234 SF - 0.11 SK - 0.137 SL - 0.247 IR+ 0.153 EC - 0.172 LG + 0.257 ET + 0.108 PL.

The results implied that a unit increase in strategy, structure, systems, staff, skills, style, internal resources, economic, legal, ethical and philanthropic changes the value of learning and growth by 0.432, 0.272, 0.295, 0.234, - 0.11, - 0.137, - 0.247, 0.153, - 0.172, 0.257, and 0.108 respectively. In addition, the results show that firms should focus on CSR (economic, ethical and philanthropic) and FCs (strategy, structure, system and staff) to better performance. This outcome contravened those advanced by Friedman (1970), which did not support any CSR in a firm unless the firm is not for profit. In addition, the study supported the findings by Carroll (1999), which supported the use of CSR to improve performance.

5.5.4 Firm Characteristics, Corporate Social Responsibility and Financial Performance

Most organizations emphasize the need to achieve financial success; this drive has made most organizations to give priority to financial planning and budgeting at the expense of other performance perspectives. Other than looking at other non-financial components, this study analysed response related to financial performance with the results shown in Table 5.12.

Table 5.12 shows the model summary of the relationship between FCs, CSR, and financial performance. Model one shows a positive and strong relation between FCs and financial performance. The first model shows that R^2 was 0.931 which means that 93.1 percent of financial performance was accounted for by FCs factors. This left 6.9 percent to be accounted for by other strategies employed by FIs. Model two shows R^2 as 0.964 after CSR predictors were introduced. The increase in R^2 for the second model demonstrated that 96.4 percent of financial performance was accounted for by FCs and CSR leaving 0.6 percent to be accounted for by other strategies employed by FIs. In addition, the introduction of CSR changed R^2 by 0.033 meaning that CSR accounted for additional 3.3 percent of the variation in financial performance hence demonstrating the intervening effect of CSR in the relationship.

Table 5.12: Effect of Corporate Social Responsibility on the Relationship Between Firm Characteristics and Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.965[a]	.931	.927	.14794	.931	219.269	8	130	.000
2	.982[b]	.964	.961	.10788	.033	29.618	4	126	.000

Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.391	8	4.799	219.269	.000[b]
	Residual	2.845	130	.022		
	Total	41.237	138			
2	Regression	39.770	12	3.314	284.769	.000[c]
	Residual	1.466	126	.012		
	Total	41.237	138			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.354	.164		-2.165	.032
	Strategy	-.112	.079	-.110	-1.421	.158
	Structure	.175	.033	.189	5.279	.000
	Systems	-.031	.041	-.029	-.761	.448
	Staff	.453	.031	.449	14.805	.000
	Skills	.782	.024	.819	32.375	.000
	Style	.037	.039	.034	.945	.346
	Culture	.011	.031	.013	.358	.721
	Internal resources	.059	.050	.081	1.183	.239
2	(Constant)	-.587	.132		-4.440	.000
	Strategy	-.071	.110	-.070	-.643	.521
	Structure	.337	.052	.365	6.472	.000
	Systems	.070	.033	.066	2.137	.034
	Staff	.497	.035	.493	14.190	.000
	Skills	.970	.038	.516	25.298	.000
	Style	.241	.048	.223	4.998	.000
	Culture	-.030	.025	-.035	-1.189	.237
	Internal resources	.043	.067	.059	.637	.525
	Economic	-.096	.048	-.097	-2.020	.045
	Legal	.134	.048	.131	2.782	.006
	Ethical	-.488	.061	-.315	-8.015	.000
	Philanthropic	-.213	.055	-.222	-3.875	.000

a. Dependent Variable: Financial performance

Source: Research (2015)

In addition, Table 5.12 provides information on the overall significance of the two models. From the information in Table 5.12, the overall model was significant since p-value was small and F value was large (p - value being 0.000 <0.05) and F-values (219.269 and 284.769). The null hypothesis was, therefore, rejected indicating that CSR influence the relationship between FCs and financial performance.

Since overall model was significant (p-value =0.000 < 0.05), the study further looked at the individual significance of the independent variables. From Table 5.12, structure, systems, staff, skills, style, economic, legal, ethical and philanthropic had significant coefficients with p-values less than 0.05. From Table 5.12, the estimated equation was, therefore financial performance = -0.587 + 0.337 SC + 0.070 SY + 0.497 SF + 0.970 SK + 0.241 SL - 0.096 EC + 0.134 LG - 0.488 ET - 0.213 PL.

The results, therefore implied that a unit increase in structure, systems, staff, skills, style, economic, ethical and philanthropic changes the value of financial performance by 0.337, 0.070, 0.497, 0.970, 0.241, - 0.096, 0.134, - 0.488 and - 0.213 respectively. In addition, the results show that firms should focus on the legal aspect of CSR as well as those of staff and skills of FCs to better financial performance.

In the estimated equation above, the implication was that staff and skills having higher positive coefficients require more emphasis in order to improve financial performance. On the contrary, aspects of the CSR, which should be limited when crafting the best contribution to improving financial performance were economic, ethical, and philanthropic. Olagunju et al. (2012) observed that CSR influence the profitability and return on assets of banks but does not influence return on equity. This study observed that to achieve improved financial performance, economic, ethical and philanthropic aspects of CSR should be minimized as they have negative impact on financial performance. This is in support of Friedman (1970) who purported that the only business of the firm is wealth maximization hence no philanthropy.

5.5.5 Firm Characteristics, Corporate Social Responsibility and Overall Performance

After looking at the intervening effect of CSR in the relationship between FCs and respective performance perspectives, the study further examined the impact of CSR on the relationship between FCs and overall firm performance.

Table 5.13 below shows a model summary for the relationship between FCs, CSR and overall performance. The first model shows that R^2 was 0.995 which means that 99.5 percent of overall performance was accounted for by FCs factors leaving 0.5 to be accounted for by other strategies employed by FIs. Model two shows R^2 of 0.997 which means that 99.7 percent of overall performance was accounted for by FCs factors leaving 0.3 to be accounted for by other strategies employed by FIs. The study observed that there was a slight change in the introduction of CSR parameters in model two where it accounted for 0.2 percent (change in R^2) increase in the variation on overall performance.

In addition, Table 5.13 provides information on the overall significance of the two models. From the information in Table 5.13, the overall model was significant since p-value was small and F value was large (p - value being 0.000 <0.05) and F-values (3157.073 and 3383.942). The null hypothesis was therefore rejected indicating that the mediating effect of CSR in the relationship between FCs and overall performance was supported by the models.

Since the overall model was significant (p-value =0.000<0.05), the study further looked at the individual significance of the independent variables. From Table 5.13, strategy, structure, systems, staff, skills, style, culture, internal resources, economic, legal, and ethical had significant coefficients with p values less than 0.05. From Table 5.13, the estimated equation was, therefore overall performance = -0.126 + 0.149 ST + 0.214 SC + 0.147 SY + 0.248 SF + 0.253 SK + 0.59 SL + 0.035 CU + 0.055 IR + 0.039 EC - 0.026 LG - 0.037 ET.

The results, therefore implied that a unit increase in strategy, structure, systems, staff, skills, style, culture, internal resources, economic, legal, ethical and philanthropic changes the value of overall performance by 0.149, 0.214, 0.147, 0.248, 0.253, 0.59, 0.035, 0.055, 0.039, -0.026, and - 0.037, respectively. The results implied that FIs in Kenya should focus on CSR (economic aspect) and FCs (strategy, structure, system, staff, skills, style, culture and internal resources) to better performance. In addition, the model shows that more weight should be assigned to economic aspects of CSR for improved overall performance. This finding supported those of Friedman (1970), which noted that the only responsibility a firm should engage in is that of wealth creation.

Table 5.13: Effect of Corporate Social Responsibility on the Relationship Between Firm Characteristics and Overall Performance

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.997[a]	.995	.995	.02754	.995	3157.073	8	130	.000
2	.998[b]	.997	.997	.02174	.002	20.647	4	126	.000

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.158	8	2.395	3157.073	.000[b]
	Residual	.099	130	.001		
	Total	19.257	138			
2	Regression	19.197	12	1.600	3383.942	.000[c]
	Residual	.060	126	.000		
	Total	19.257	138			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.109	.030		-3.590	.000
	Strategy	.172	.015	.246	11.735	.000
	Structure	.217	.006	.343	35.215	.000
	Systems	.145	.008	.198	18.919	.000
	Staff	.229	.006	.333	40.292	.000
	Skills	.235	.004	.360	52.284	.000
	Style	.071	.007	.097	9.793	.000
	Culture	.014	.006	.023	2.429	.017
	Internal resources	.037	.009	.075	4.040	.000
2	(Constant)	-.126	.027		-4.736	.000
	Strategy	.149	.022	.213	6.680	.000
	Structure	.214	.011	.339	20.365	.000
	Systems	.147	.007	.201	22.198	.000
	Staff	.248	.007	.360	35.107	.000
	Skills	.253	.008	.387	32.682	.000
	Style	.059	.010	.080	6.074	.000
	Culture	.035	.005	.059	6.793	.000
	Internal resources	.055	.013	.111	4.083	.000
	Economic	.039	.010	.057	4.074	.000
	Legal	-.026	.010	-.037	-2.689	.008
	Ethical	-.037	.012	-.035	-2.979	.003
	Philanthropic	-.014	.011	-.021	-1.237	.219
a. Dependent Variable: Performance						

Source: Research (2015)

Table 5.14: Summary of Effects of Firm Characteristics, Corporate Social Responsibility, and Firm Performance

Model	R^2	F-Value	Significance (P-Value)	Decision
Customer focus = f(firm characteristics, corporate social responsibility)	0.998	5188.101	0.000	Significant
Internal business process = f(firm characteristics, corporate social responsibility)	0.996	3058.579	0.000	Significant
Learning and growth = f(firm characteristics, corporate social responsibility)	0.994	1629.116	0.000	Significant
Financial performance = f(firm characteristics, corporate social responsibility)	0.964	284.769	0.000	Significant
Overall firm performance = f(firm characteristics, corporate social responsibility)	0.997	3383.942	0.000	Significant

Source: Research (2015)

The results in Table 5.14 shows that R^2 values are high (above 99%). This means that a large percentage of performance parameters in the measure are accounted for by the respective FCs and CSR leaving less than one percent to be accounted for by other factors.

5.6 Firm Characteristics, Operating Environment and Firm Performance

The study was further designed to establish the moderating effect of OE in the relationship between FCs and performance of FIs in Kenya. To address this objective, the study came up with the following hypothesis; H_{03}: The operating environment has no influence on the relationship between firm characteristics and firm performance among FIs in Kenya.

To effectively test this hypothesis, five sub-hypotheses were formulated. These were decomposed from the main objective as; H_{03a}, operating environment has no influence in the relationship between firm characteristics and customer focus of FIs in Kenya, H_{03b}, operating environment has no influence in the relationship between firm characteristics and internal business processes of the FIs in Kenya, H_{03c}, operating environment has no influence in the relationship between firm characteristics and learning and growth of FIs in Kenya, H_{03d}, operating environment has no influence in the relationship between firm characteristics and financial performance of FIs in Kenya and finally H_{03e}, operating environment has no influence in the relationship between firm characteristics and overall firm performance of FIs in Kenya.

As depicted by the above sub-hypotheses, the moderating effect of OE was studied in light of FCs and OE being related to the various perspectives of FP (customer, internal, learning and growth, financial performance and overall firm performance). To test for these hypotheses, hierarchical regression analyses were conducted to establish whether the introduction of OE would have an effect on the relationship between FCs and FP.

Baron and Kenny (1986) posited that a moderator is a variable, which affects the direction and strength of the relationship between an independent (predictor) and dependent variable. The moderating effect in regression model captures the effect of an independent variable on a dependent variable; this happens as a function of a third variable. The dependence of the third variable in this case is the interaction effect or term. This effect is, therefore a product of the predictor and dependent variable. Moderation is supported when the interaction term remains significant when the third variable is introduced to the regression. The following are the results of the resultant relationships using hierarchical regression analysis.

5.6.1 Firm Characteristics, Operating Environment and Customer Focus

Table 5.15 below shows the relationship between FCs, OE and customer focus. The aim was to establish the moderating effect of OE in the relationship between FCs and customer focus. Table 5.15 shows the regression results of FCs on customer focus as moderated by OE. The model summary shows that the relation between FCs and customer focus was strong and positive. In model one, the relationship between FCs and customer focus had R^2 value of 0.973. This shows that FCs accounted for 97.3 percent in the variation of customer focus leaving 3.7 percent to be accounted for by other strategies employed by FIs. Introducing OE changed R^2 to 0.984 indicating that FCs and OE accounted for 98.4 percent in the variation of customer focus leaving 1.6 percent to be accounted for by other strategies put in place by FIs. The OE introduced a variation of 1.2 percent resulting change in R^2. This can be highlighted as (R^2 change = 0.012, F change = 31.362) on the relationship between FCs, OE and customer focus. The moderating effect on change in F ratio had a p-value of 0.000 (overall significance).

Table 5.15: Effect of Operating Environment on the Relationship Between Firm Characteristics and Customer Focus

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.986[a]	.973	.971	.07877	.973	581.101	8	130	.000
2	.992[b]	.984	.983	.06040	.012	31.362	3	127	.000

Analysis of Variance[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.842	8	3.605	581.101	.000[b]
	Residual	.807	130	.006		
	Total	29.649	138			
2	Regression	29.185	11	2.653	727.290	.000[c]
	Residual	.463	127	.004		
	Total	29.649	138			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.086	.087		-.985	.326
	Strategy	.304	.042	.352	7.269	.000
	Structure	.257	.018	.329	14.618	.000
	Systems	.250	.022	.275	11.404	.000
	Staff	.080	.016	.093	4.886	.000
	Skills	-.003	.013	-.004	-.250	.803
	Style	.022	.021	.024	1.039	.301
	Culture	-.027	.016	-.037	-1.665	.098
	Internal resources	.127	.026	.208	4.828	.000
2	(Constant)	.150	.077		1.939	.055
	Strategy	-.009	.046	-.011	-.206	.837
	Structure	-.087	.065	-.110	-1.327	.187
	Systems	-.052	.066	-.057	-.780	.437
	Staff	-.267	.082	-.313	-3.261	.001
	Skills	-.004	.010	-.005	-.402	.688
	Style	-.016	.017	-.017	-.935	.351
	Culture	.033	.014	.045	2.368	.019
	Internal resources	.077	.021	.125	3.654	.000
	Customer	.368	.039	.503	9.491	.000
	Creditors	.435	.093	.593	4.680	.000
	Suppliers	.477	.105	.524	4.522	.000
	Labour market	.483	.203	.545	3.625	.630
	Trade unions	.492	.315	.553	2.125	.710

a. Dependent Variable: Customer focus

Source: Research (2015)

In addition, Table 5.15 provided information on the overall significance of the two models. From the information in Table 5.15, the overall model was significant since p-value was small and F value was large (p - value 0.000 < 0.05) and F-values (581.101 and 727.290). The null hypothesis was, therefore, rejected, which implied that there was a significant change in the relationship between FCs and customer focus due to OE. The additional variable (OE), therefore had a predictive capacity on the model.

Since the overall model was significant (p-value =0.000 < 0.05), the study further looked at the individual significance of the variables. From Table 5.15, the coefficients for individual variables indicated significance for staff, culture, internal resources, customer, creditors, and suppliers. From Table 5.15, the estimated equation was, therefore customer focus = -0.267 SF + 0.033 CU + 0.077 IR + 0.368 CM + 0.435 CR + 0.477 SU.

The model shows that a unit change in staff reduces the customer focus by 0.267 while, a unit change in culture and internal resources increases customer focus by 0.033 and 0.077, respectively. At the same time, a unit increase in customer, creditors and suppliers increase customer focus by 0.368, 0.435, and 0.477, respectively. This implied that suppliers, a feature of OE had a higher contributory power in tilting the moderation on customer focus. The FIs should therefore, ensure they support initiatives, which focus on suppliers to improve customer focus. This observation is in support of Porter five forces, which emphasize the fact that suppliers can exert their power by raising prices or restricting quantities sold, hence reducing the performance of FIs (Porter, 1985).

5.6.2 Firm Characteristics, Operating Environment and Internal Business Processes

The study further established the relationship between FCs, OE and internal business processes. The motivation was to find out whether OE had a moderating effect on the relationship. Table 5.16 shows the findings. Table 5.16 below shows the regression results of FCs on internal business processes of FP moderated by OE. Model one shows that R^2 was 0.984 which means that 98.4 percent of internal business processes was accounted for by FCs factors leaving out only 1.6 percent to be accounted for by other factors put in place by strategies of FIs. Model two shows R^2 of 0.985 after OE predictors were introduced. This means that 98.5 percent of internal business processes was accounted for by FCs and OE leaving 1.5 percent to be accounted for by other strategies employed by FIs. The results show that OE had a moderating effect on the relationship between FCs and internal business processes. OE introduced a variation of 0.1 percent resulting from the value of R^2 being 0.001. This was highlighted by

(R^2 change = 0.001, F change = 4.198) in the relationship between FCs, OE and internal business processes.

Table 5.16: Effect of Operating Environment on the Relationship Between Firm Characteristics and Internal Business Processes

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.992[a]	.984	.983	.04656	.984	977.412	8	130	.000
2	.993[b]	.985	.984	.04493	.001	4.198	3	127	.007

Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.948	8	2.118	977.412	.000[b]
	Residual	.282	130	.002		
	Total	17.230	138			
2	Regression	16.973	11	1.543	764.459	.000[c]
	Residual	.256	127	.002		
	Total	17.230	138			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.011	.051		-.215	.830
	Strategy	.002	.025	.003	.078	.938
	Structure	.051	.010	.085	4.880	.000
	Systems	-.005	.013	-.007	-.379	.705
	Staff	.170	.010	.260	17.640	.000
	Skills	.185	.008	.300	24.336	.000
	Style	.196	.012	.282	15.940	.000
	Culture	.162	.010	.290	16.789	.000
	Internal resources	.250	.016	.535	16.023	.000
2	(Constant)	-.060	.057		-1.038	.301
	Strategy	.077	.034	.117	2.256	.026
	Structure	.117	.048	.196	2.406	.018
	Systems	.073	.049	.105	1.477	.142
	Staff	.284	.061	.435	4.655	.000
	Skills	.187	.007	.302	25.042	.000
	Style	.202	.012	.290	16.357	.000
	Culture	.148	.010	.266	14.246	.000
	Internal resources	.261	.016	.559	16.734	.000
	Customer	-.086	.029	-.154	-2.968	.004
	Creditors	-.090	.069	-.161	-1.301	.196
	Suppliers	-.154	.078	-.222	-1.959	.052
	Labour market	-168	.084	-.322	-2.421	.612
	Trade unions	-.212	.095	-.395	-2.532	.692

a. Dependent Variable: Internal Business Processes

Source: Research (2015)

In addition, Table 5.16 provides information on the overall significance of the two models. From the information in Table 5.16, the overall model was significant since p-values were small and F values were large (p - value being 0.000 < 0.05) and F-values (977.412 and 764.459). The null hypothesis was, therefore, rejected indicating that the moderating effect of OE in the relationship between FCs and internal business processes was supported.

Since the overall model was significant (p-value =0.000 < 0.05), the study further looked at the individual significance of the independent variables. From Table 5.16, strategy, structure, staff, skills, style, culture, internal resources, and customer had significant coefficients with p values less than 0.05. From Table 5.16, the estimated equation was, therefore internal business processes = 0.077 ST + 0.117 SC + 0.284 SF + 0.187 SK + 0.202 SL + 0.148 CU + 0.261 IR - 0.086 CM

The above-estimated equation shows that a unit increase in strategy, structure, staff, skills, style, culture and internal resources increases internal business processes by 0.077, 0.117, 0.284, 0.187, 0.202, 0.148 and 0.261, respectively. In addition, a unit increase in customer reduced internal business processes by 0.086. The outcome shows the need for FIs to lessen the emphasis on the customer while prioritizing strategy, structure, staff, skills, style, culture and internal resources. The outcome, which indicated that customer produced negative results on performance was in contravention of a study conducted by Kaplan and Norton (1997), which established that customer positively influence performance of firms. They argued that as a key stakeholder, the customer can be used by firms to innovate products and services which give relevance to the firm, therefore leading to sustainable advantage.

5.6.3 Firm Characteristics, Operating Environment and Learning and Growth

To establish the moderating effect of OE in the relationship between FCs and learning and growth, multiple linear regression was done and Table 5.17 shows the results of the findings. Table 5.17 shows a model summary for the relationship between FCs, OE and learning and growth. The first model shows that R^2 was 0.964 which means that 96.4 percent of learning and growth was accounted for by FCs factors leaving 3.6 percent to be accounted for by other strategies employed by FIs. Model two shows R^2 of 0.983 which means that 98.3 percent of learning and growth was accounted for by FCs and OE factors leaving 1.7 percent to be accounted for by other strategies employed by FIs. The change in the introduction of OE in model two accounted for 1.9 percent increase in the variation on learning and growth; this was the moderating effect of OE.

Table 5.17: Effect of Operating Environment on the Relationship Between Firm Characteristics and Learning and Growth

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.982[a]	.964	.962	.09972	.964	435.960	8	130	.000
2	.991[b]	.983	.982	.06937	.019	47.218	3	127	.000

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.680	8	4.335	435.960	.000[b]
	Residual	1.293	130	.010		
	Total	35.972	138			
2	Regression	35.361	11	3.215	668.109	.000[c]
	Residual	.611	127	.005		
	Total	35.972	138			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.014	.110		.125	.901
	Strategy	.492	.053	.517	9.296	.000
	Structure	.384	.022	.446	17.248	.000
	Systems	.366	.028	.366	13.199	.000
	Staff	.215	.021	.229	10.454	.000
	Skills	-.023	.016	-.026	-1.432	.154
	Style	.030	.026	.030	1.155	.250
	Culture	-.090	.021	-.112	-4.372	.000
	Internal resources	-.287	.033	-.425	-8.586	.000
2	(Constant)	.409	.089		4.610	.000
	Strategy	.042	.053	.045	.804	.423
	Structure	-.211	.075	-.245	-2.819	.006
	Systems	-.185	.076	-.185	-2.441	.016
	Staff	-.433	.094	-.460	-4.599	.000
	Skills	-.022	.012	-.024	-1.888	.061
	Style	-.022	.019	-.022	-1.159	.249
	Culture	-.006	.016	-.007	-.366	.715
	Internal resources	-.361	.024	-.535	-14.986	.000
	Customer	.528	.045	.656	11.852	.000
	Creditors	.791	.107	.980	7.419	.000
	Suppliers	.876	.121	.874	7.237	.000
	Labour market	.932	.127	.893	7.562	.582
	Trade unions	.948	.129	.912	8.121	.725
a. Dependent Variable: Learning and Growth						

Source: Research (2015)

In addition, Table 5.17 provides information on the overall significance of the two models; the overall model was significant since p-values were small and F values were large (p - value being 0.000 <0.05) and F-values (435.960 and 668.109). The null hypothesis was, therefore, rejected indicating that the moderating effect of OE in the relationship between FCs and learning and growth.

Since the overall model was significant (p-value =0.000 < 0.05), the study further looked at the individual significance of the independent variables. From Table 5.17, systems, staff, internal resources, customer, creditors, and suppliers had significant coefficients with p values less than 0.05 and the estimated equation was, therefore learning and growth = 0.409 - 0.185 SY - 0.433 SF – 0.361 IR + 0.528 CM + 0.791 CR + 0.876 SU. The estimated equation demonstrated that a unit change in the system, staff, internal resources, customers, creditors, and suppliers changed learning and growth by -0.185, -0.433, -0.361, 0.528, 0.791, 0.876 respectively. The implication was that FIs should concentrate on customer, creditors, and suppliers to better the learning and growth while avoiding systems, staff, and internal resources as they negatively contribute to the ultimate effect on learning and growth. This study supported the findings by Ansoff and McDonnell (1990), which established that environment influent the strategies an organization designs. Taylor et al. (2005) advocated for SWOT analysis to be conducted to establish the effect of environment on strategies that a firm wishes to employ.

5.6.4 Firm Characteristics, Operating Environment and Financial Performance

The environment has been seen in strategic studies as a lead enabler of strategy. This study sought to establish the role of OE in the relationship between FCs and financial performance. Table 5.18 below shows a model summary of the relationship between FCs, OE and financial performance. The first model shows that R^2 was 0.931 which means that 93.1 percent of financial performance was accounted for by FCs factors leaving 6.9 percent to be accounted for by other strategies employed by FIs. Model two shows R^2 of 0.942 which means that 94.2 percent of financial performance was accounted for by FCs and OE factors leaving 5.8 percent to be accounted for by other strategies employed by FIs. The study observed that there was a change in the introduction of OE parameters in model two where it accounted for 1.1 percent (change in R^2) increase in the variation on financial performance.

Table 5.18: Effect of Operating Environment on the Relationship Between Firm Characteristics and Financial Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.965[a]	.931	.927	.14794	.931	219.269	8	130	.000
2	.970[b]	.942	.937	.13739	.011	7.912	3	127	.000

Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.391	8	4.799	219.269	.000[b]
	Residual	2.845	130	.022		
	Total	41.237	138			
2	Regression	38.839	11	3.531	187.060	.000[c]
	Residual	2.397	127	.019		
	Total	41.237	138			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.354	.164		-2.165	.032
	Strategy	-.112	.079	-.110	-1.421	.158
	Structure	.175	.033	.189	5.279	.000
	Systems	-.031	.041	-.029	-.761	.448
	Staff	.453	.031	.449	14.805	.000
	Skills	.782	.024	.819	32.375	.000
	Style	.037	.039	.034	.945	.346
	Culture	.011	.031	.013	.358	.721
	Internal resources	.059	.050	.081	1.183	.239
2	(Constant)	-.672	.176		-3.825	.000
	Strategy	.182	.105	.179	1.744	.084
	Structure	.660	.148	.715	4.454	.000
	Systems	.540	.150	.504	3.590	.000
	Staff	.241	.186	.230	6.654	.000
	Skills	.783	.023	.820	34.326	.000
	Style	.058	.038	.054	1.546	.125
	Culture	-.036	.032	-.042	-1.148	.253
	Internal resources	.106	.048	.147	2.229	.028
	Customer	-.334	.088	-.387	-3.786	.000
	Creditors	-.727	.211	-.841	-3.443	.001
	Suppliers	-.036	.240	-.966	-.322	.000
	Labour market Trade	-.253	.274	-.972	-.482	.215
	unions	-.111	.344	-.995	-.514	.121
a. Dependent Variable: Financial Performance						

Source: Research (2015)

In addition, Table 5.18 provides information on the overall significance of the two models; the overall model was significant since p-values were small and F values were large (p - value being 0.000 <_0.05) and F-values (219.269 and 187.060). The null hypothesis was, therefore, rejected indicating that the moderating effect of OE in the relationship between FCs and financial performance.

Since the overall model was significant (p-value = 0.000 < 0.05), the study further looked at the individual significance of the independent variables. From Table 5.18, structure, systems, staff, skills, internal resources, customer, creditors, and suppliers had significant coefficients with p values less than 0.05 and the estimated equation was, therefore financial performance = -0.672 + 0.660 SC + 0.540 SY + 0.241 SF + 0.783 SK +0.106 IR – 0.334 CM - 0.727 CR – 0.036 SU

The model demonstrated that a unit change in customers, creditors, and suppliers negatively changed financial performance by 0.334, 0.727, and 0.036, respectively while a unit change in structure, system, staff, skills and internal resources positively changed the financial performance by 0.66, 0.54, 0.241, 0.783, and 0.106, respectively. In support of Dalton, Todor, Spendolini, Fielding, and Porter (1980), this study considered structure as the setting on which power is exercised; decisions are made and activities within the firm are carried out and as such, should be handled with care so as to support financial performance of FIs. In addition, staff was considered to be key human resources, which require support. The negative effect of OE is a manifestation that was also observed by Daft and Weick (1987), who noted that organizations are reliant on the environment and that these organizations need to look at opportunities in the environment to better their performance. Furthermore, the study supports observation by Aosa (1992) who noted that environmental turbulence brings about challenges. Consequently, the contingency theorists offer a way out for firms finding it difficult to adapt to the environment by advising that there is no best way to achieve this mission other than to devise various approaches (Lawrence & Lorsch, 1967).

5.6.5 Firm Characteristics, Operating Environment and Overall Performance

After looking at the individual effects of FCs and OE on various FP, the study further looked at the overall effect of FCs and OE on overall FP. Table 5.19 below shows a model summary for the relationship between FCs, OE and overall performance. The first model shows that R^2 was 0.995 which means that 99.5 percent of overall performance was accounted for by FCs factors leaving 0.5 percent to be accounted for by other strategies employed by FIs. Model two shows R^2 of 0.997 which means that 99.7 percent of overall performance was accounted for by

FCs and OE factors leaving 0.3 percent to be accounted for by other strategies employed by FIs. The study observed that there was a slight change due to the introduction of OE in model two where it accounted for 0.2 percent (change in R^2) increase in the variation on overall performance.

In addition, Table 5.19 provides information on the overall significance of the two models; the overall model was significant since p-values were small and F values were large (p - value being $0.000 < 0.05$) and F-values (3157.073 and 4340.427). The null hypothesis was, therefore, rejected indicating that the moderating effect of OE in the relationship between FCs and overall performance.

Since the overall model was significant (p-value = $0.000 < 0.05$), the study further looked at the individual significance of the independent variables. From Table 5.19, strategy, structure, systems, staff, skills, style, culture, internal resources, customer, and creditors had significant coefficients with p values less than 0.05. From Table 5.19, the estimated equation was, therefore overall performance = 0.073 ST + 0.120 SC + 0.094 SY + 0.206 SF + 0.236 SK + 0.056 SL + 0.035 CU + 0.021 IR + 0.119 CM + 0.102 CR. The model indicated that a unit change in strategy, structure, systems, staff, skills, style, culture, internal resources, customers, and creditors led to overall performance changing by 0.073, 0.12, 0.094, 0.206, 0.236, 0.056, 0.035, 0.021, 0.119, and 0.102 units, respectively.

Table 5.20 below shows the overall summary of effects of operating environment on the relationship between firm characteristics and firm performance. From Table 5.20, all the results were significant, that is, there was a significant change in the relationship between FCs and customer focus due to OE; the moderating effect of OE in the relationship between FCs and internal business processes was supported; the moderating effect of OE in the relationship between FCs and learning and growth was supported; the moderating effect of OE in the relationship between FCs and financial performance was supported; and the moderating effect of OE in the relationship between FCs and overall performance was equally supported.

Table 5.19: Effect of Operating Environment on the Relationship Between Firm Characteristics and Overall Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.997[a]	.995	.995	.02754	.995	3157.073	8	130	.000
2	.999[b]	.997	.997	.02006	.002	39.381	3	127	.000

Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.158	8	2.395	3157.073	.000[b]
	Residual	.099	130	.001		
	Total	19.257	138			
2	Regression	19.206	11	1.746	4340.427	.000[c]
	Residual	.051	127	.000		
	Total	19.257	138			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t value	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.109	.030		-3.590	.000
	Strategy	.172	.015	.246	11.735	.000
	Structure	.217	.006	.343	35.215	.000
	Systems	.145	.008	.198	18.919	.000
	Staff	.229	.006	.333	40.292	.000
	Skills	.235	.004	.360	52.284	.000
	Style	.071	.007	.097	9.793	.000
	Culture	.014	.006	.023	2.429	.017
	Internal resources	.037	.009	.075	4.040	.000
2	(Constant)	-.043	.026		-1.686	.094
	Strategy	.073	.015	.105	4.791	.000
	Structure	.120	.022	.190	5.539	.000
	Systems	.094	.022	.128	4.278	.000
	Staff	.206	.027	.299	7.571	.000
	Skills	.236	.003	.362	70.873	.000
	Style	.056	.006	.076	10.101	.000
	Culture	.035	.005	.059	7.479	.000
	Internal resources	.021	.007	.042	2.983	.003
	Customer	.119	.013	.202	9.247	.000
	Creditors	.102	.031	.173	3.313	.001
	Suppliers	.041	.035	.056	1.163	.247
	Labour market	.046	.041	.062	1.182	.281
	Trade unions	.051	.048	.054	1.194	.297

a. Dependent Variable: Performance

Source: Research (2015)

Table 5.20: Summary of Effects of Operating Environment on the Relationship Between Firm Characteristics and Firm Performance

Model	R^2	F-Value	Significance (P-value)	Decision
Customer focus = f(Firm characteristics, operating environment)	0. 983	727.290	0.000	Significant
Internal business processes = f(firm characteristics, operating environment)	0. 984	764.459	0.000	Significant
Learning and growth = f(firm characteristics, operating environment)	0. 983	668.109	0.000	Significant
Financial performance = f(firm characteristics, operating environment)	0. 942	187.060	0.000	Significant
Overall firm performance = f(firm characteristics, operating environment)	0.997	4340.427	0.000	Significant

Source: Research (2015)

The results in Table 5.20 shows that R^2 values are high meaning that a large percentage of performance parameters (customer focus, internal business processes, learning and growth, financial performance and overall performance) are accounted for by the respective firm characteristics and operating environment leaving a small percent to be accounted for by other strategies put in place by the financial institutions.

5.7 Firm Characteristics, Corporate Social Responsibility, Operating Environment and Firm Performance

The study further sought to establish the joint effect of CSR and OE in the relationship between FCs and performance of FIs in Kenya. To address this objective, the study came up with the following hypothesis; H_{04}: joint effect of firm characteristics, corporate social responsibility and operating environment on firm performance is not different from the sum total of the independent effects of individual variables on firm performance among FIs in Kenya. This was done in light of FCs, CSR and OE being related to various perspectives of FP (customer focus, internal business processes, learning and growth and financial performance).

To effectively address this objective, five sub-hypotheses were established as follows; there is no joint effect of FCs, CSR, and OE on customer focus (H_{04a}), there is no joint effect of FCs, CSR, OE on internal business processes (H_{04b}), there is no joint effect of FCs, CSR, and OE on learning and growth (H_{04c}), there is no joint effect of FCs, CSR, and OE on financial performance (H_{04d}), there is no joint effect of FCs, CSR, and OE on overall firm performance (H_{04e}), and lastly, the joint effect of FCs, CSR and OE on firm performance is not different from the sum total of the independent effects of individual variables on firm performance (H_{04f}).

5.7.1 Firm Characteristics, Corporate Social Responsibility, Operating Environment and Customer Focus

The study aimed at establishing the relationship between FCs, CSR, and OE on customer focus in FIs. To adequately address the joint effect of CSR and OE on the relationship between FCs and customer focus, data was analyzed using multiple linear regression and results are shown in Table 5.21 below. Table 5.21 shows R^2 as 0.999 indicating that there was a high explanatory power of changes in customer focus by FCs, CSR, and OE. The value of R^2 being 0.999 showed that 99.9 percent of the customer focus was explained by FCs, CSR, and OE factors; this left 0.1 percent unexplained. The model was significant with p value being 0.000 and F value 5637.446. Since the p-value was less than 0.05, the null hypothesis was, therefore, rejected indicating that there was a joint effect of FCs, CSR, and OE on customer focus.

Since the overall model was significant (p-value = 0.000 < 0.05), and F-value large (5637.446), the study further looked at the individual significance of the independent variables. From Table 5.21, systems, staff, skills, style, culture, internal resources, suppliers, trade union, ethical and philanthropic had significant coefficients with p values less than 0.05. From Table 5.21, the estimated equation was, therefore customer focus = 0.167 SY - 0.078 SF – 0.167 SK – 0.204 SL + 0.187 CU +0.276 IR + 0.126 SU + 0.021 TU + 0.320 ET + 0.246 PL. The model demonstrated that a unit change in systems, staff, skills, style, culture, internal resources, suppliers, trade union, ethical, and philanthropic leads to a unit change in customer focus by 0.167, -0.078, -0.167, -0.204, 0.187, 0.276, 0.126, 0.021, 0.320, and 0.246, respectively. The model shows that internal resources and ethical had the highest positive coefficients meaning, FIs should therefore, emphasize on them while reducing staff, skills, style and legal as they possess the highest negative contribution to customer focus.

Table 5.21: Firm Characteristics, Corporate Social Responsibility, Operating Environment and Customer Focus

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.999[a]	0.999	0.998	0.01871

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig. (P-value)
1	Regression	29.605	15	1.974	5637.446	0.000
	Residual	.043	123	.000		
	Total	29.649	138			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.054	.027		1.958	.053
	Strategy	.014	.025	.016	.560	.577
	Structure	.034	.027	.043	1.269	.207
	Systems	.167	.023	.184	7.123	.000
	Staff	-.078	.032	-.091	-2.443	.016
	Skills	-.167	.007	-.206	-24.869	.000
	Style	-.204	.009	-.224	-23.852	.000
	Culture	.187	.015	.238	16.758	.000
	Internal resources	.276	.013	.451	21.283	.000
	Customer	.040	.021	.055	1.950	.053
	Creditors	.017	.035	.024	.493	.623
	Suppliers	.126	.040	.138	3.183	.002
	Labour market	.082	.021	.123	.568	.521
	Trade union	.021	.004	.028	4.638	.000
	Economic	.054	.025	.051	-1.245	.387
	Legal	-.018	.010	-.020	-1.842	.068
	Ethical	.320	.011	.244	29.577	.000
	Philanthropic	.246	.010	.303	24.529	.000
a. Dependent Variable: Customer Focus						

Source: Research (2015)

5.7.2 Firm Characteristics, Corporate Social Responsibility, Operating Environment and Internal Business Processes

The next analysis conducted tested the relationship between FCs, CSR, and OE on internal business processes. The analysis sought to test the joint effect of FCs, CSR and OE on their relationship with FP and Table 5.22 below shows the results of this relationship.

Table 5.22: Firm Characteristics, Corporate Social Responsibility, Operating Environment and Internal Business Processes

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.999[a]	0.998	0.997	0.01813

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig. (P Value)
1	Regression	17.189	15	1.146	3484.470	0.000
	Residual	.040	123	.000		
	Total	17.230	138			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.029	.027		-1.077	.284
	Strategy	.128	.024	.195	5.299	.000
	Structure	.096	.026	.160	3.708	.000
	Systems	-.047	.023	-.067	-2.052	.042
	Culture	.198	.158	-.052	-1.536	.021
	Staff	.205	.031	.314	6.598	.000
	Skills	.317	.007	.514	48.752	.000
	Style	.341	.008	.490	41.117	.000
	Internal resources	.122	.013	.262	9.727	.000
	Customer	.083	.020	.149	4.160	.000
	Creditors	.140	.034	.251	4.123	.000
	Suppliers	.044	.038	.063	1.139	.257
	Labour market	.122	.051	.073	1.568	.324
	Trade union	.162	.004	.290	37.408	.000
	Economic	-.125	.010	-.194	-12.392	.000
	Legal	-.022	.009	-.034	-2.401	.018
	Ethical	-.249	.011	-.249	-23.724	.000
	Philanthropic	-.192	.010	-.310	-19.747	.000
a. Dependent Variable: Internal Business Processes						

Source: Research (2015)

Table 5.22 shows a high explanatory power (R^2 = 0.998). This means that 99.8 percent of internal business processes was explained by FCs, CSR and OE leaving 0.2 percent unexplained. The F value was large (3484.470) and (p-value = 0.000 < 0.05), means that the model was significant. The null hypothesis was, therefore, rejected meaning that there was a joint effect of FCs, CSR, and OE on internal business processes. Since the overall model was significant, the study further looked at the individual significance of the independent variables. From Table 5.22, strategy, structure, systems, culture, staff, skills, style, internal resources, customer, creditors, trade union, economic, legal, ethical and philanthropic had significant coefficients with p values less than 0.05. From Table 5.22, the estimated equation was, therefore internal business processes = 0.128 ST + 0.096 SC - 0.047 SY + 0.198 CU + 0.205 SF + 0.317 SK + 0.341 SL+ 0.122 IR + 0.083 CM + 0.140 CR + 0.162 TU - 0.125 EC - 0.022 LG - 0.249 ET -0.192 PL. The results indicated that a unit change in strategy, structure, systems, culture, staff, skills, style, internal resources, customer, creditors, trade union, economic, legal, ethical, and philanthropic changes the value of internal business processes by 0.128, 0.096, - 0.047, 0.198, 0.205, 0.317, 0.341, 0.122, 0.083, 0.140, 0.162, - 0.125, - 0.022, - 0.249, and -0.192, respectively.

A notable observation in this model was that style had the highest coefficient of 0.341. It was also noted that CSR (trade union, economic, legal, ethical and philanthropic) had a negative effect in the relationship between FCs, CSR, and internal business processes. The observation resonates with that of Friedman (1970), which emphasized that CSR has no place in a firm whose mandate is wealth creation unless CSR venture is carried out in a, not for profit organizations.

5.7.3 Firm Characteristics, Corporate Social Responsibility, Operating Environment and Learning and Growth

The study further tested the joint effect of FCs, CSR, and OE on learning and growth. The aim was to establish the effect of FCs, CSR, and OE on learning and growth of FIs in Kenya. Table 5.23 below indicated a high explanatory power of learning and growth by FCs, CSR, and OE (R^2 = 0.994), which indicated that 99.4 percent of learning and growth was explained by FCs, CSR, and OE leaving 0.6 percent unexplained. In addition, the model was significant since F value was large (1469.245) and p - value was small ($0.000 \leq 0.05$). The null hypothesis was, therefore, rejected indicating that there was a joint effect of FCs, CSR, and OE on learning and growth.

Since the overall model was significant, the study further looked at the individual significance of the independent variables. From Table 5.23 strategy, structure, systems, skills, style, internal resources, creditors, suppliers, economic, legal, ethical and philanthropic had significant coefficients with p values less than 0.05. From Table 5.23, the estimated equation was, therefore learning and growth = 0.227 + 0.343 ST + 0.139 SC + 0.142 SY - 0.115 SK - 0.147 SL + 0.236 IR + 0.186 CR + 0.319 SU + 0.162 EC - 0.149 LG + 0.239 ET + 0.134 PL.

Table 5.23: Firm Characteristics, Corporate Social Responsibility, Operating Environment and Learning and Growth

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.997[a]	0.994	0.994	.04029

Analysis of Variance						
Model		Sum of Squares	Df	Mean Square	F	Sig. (P Value)
1	Regression	35.773	15	2.385	1469.245	0.000
	Residual	.200	123	.002		
	Total	35.972	138			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.227	.059		3.849	.000
	Strategy	.343	.054	.360	6.371	.000
	Structure	.139	.057	.162	2.431	.017
	Systems	.142	.051	.142	2.817	.006
	Staff	-.019	.069	-.020	-.279	.781
	Skills	-.115	.014	-.129	-7.964	.000
	Style	-.147	.018	-.146	-7.988	.000
	Culture	-.153	.024	-.158	-8.215	.006
	Internal resources	-.236	.028	-.350	-8.450	.000
	Customer	.064	.044	.080	1.451	.149
	Creditors	.186	.076	.230	2.464	.015
	Suppliers	.319	.085	.318	3.750	.000
	Labour market	.025	.072	-.053	2.128	.225
	Trade union	-.005	.010	-.007	-.548	.585
	Economic	.162	.022	.174	7.256	.000
	Legal	-.149	.021	-.156	-7.176	.000
	Ethical	.239	.023	.165	10.244	.000
	Philanthropic	.134	.022	.150	6.211	.000
a. Dependent Variable: Learning and Growth						

Source: Research (2015)

The results indicates that a unit change in strategy, structure, system, skills, style, internal resources, creditors, suppliers, economic, legal, ethical and philanthropic would lead to a change in learning and growth by 0.343, 0.139, 0.142, - 0.115, - 0.147, 0.236, 0.186, 0.319, 0.162, - 0.149, 0.239, and 0.134, respectively. It further shows that strategy had the highest weight at a beta coefficient of 0.343 supporting findings by Peters and Waterman (1982) which observed that there are hard and soft components of McKinsey 7S and strategy being a hard

‘S’ shows that strategy was the key driver of change in organizations upon, which all the other McKinsey factors should support.

5.7.4 Firm Characteristics, Corporate Social Responsibility, Operating Environment and Financial Performance

The next analysis aimed at establishing the effect of FCs, CSR, and OE on financial performance and tested the effects of FCs, CSR, and OE on financial performance. Table 5.24 below shows the results of the relationship between FCs, CSR, OE and financial performance to be strong and positive (R=0.970) indicating that 97 percent of financial performance was explained by FCs, CSR and OE leaving only 3 percent to be explained by other strategies employed by FIs. The F value was large (266.553) and p-value being 0.000 < 0.05, meant that the model was significant. The null hypothesis was, therefore, rejected meaning that there was a joint effect of FCs, CSR, and OE on financial performance.

Since the overall model was significant, the study further looked at the individual significance of the independent variables. From Table 5.24 staff, culture, skills, style, customer, economic, legal, ethical and philanthropic had significant coefficients with p values less than 0.05. From Table 5.24, the estimated equation was, therefore financial performance = -0.452 + 0.607 SF+ 0.701 CU + 0.986 SK + 0.282 SL+ 0.318 CM - 0.226 EC + 0.188 LG -0.493 ET - 0.270 PL.

The equation above shows that a unit change in staff, culture, skills, style, customer, economic, legal, ethical and philanthropic means a change in financial performance by 0.607, 0.701, 0.986, 0.282, 0.318, - 0.226, 0.188, -0.493, and - 0.270, respectively. As a source of competitive advantage, RBT proponents called for nurturing internal resources, which are rare and inimitable, skills being part of such internal resources (Grant, 1991). Therefore, FIs should concentrate more on skills to improve financial performance. The findings are also in support of O’Reilly (2012) who noted that culture is a source of competitive advantage. It was observed from the model that economic aspect of CSR had a negative relationship with financial performance. This observation contravenes Friedman (1970) who emphasized the need to support initiatives, which improve wealth creation for stakeholders.

Table 5.24: Firm Characteristics, Corporate Social Responsibility, Operating Environment and Financial Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.985[a]	0.970	0.967	0.10003

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig. (P Value)
1	Regression	40.006	15	2.667	266.553	0.000
	Residual	1.231	123	.010		
	Total	41.237	138			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.452	.147		-3.079	.003
	Strategy	-.213	.134	-.209	-1.591	.114
	Structure	.179	.142	.194	1.258	.211
	Systems	.036	.125	.034	.289	.773
	Staff	.607	.171	.602	3.552	.001
	Culture	.701	.183	.705	4.125	.002
	Skills	.986	.036	.032	27.453	.000
	Style	.282	.046	.262	6.168	.000
	Internal resources	-.081	.069	-.112	-1.166	.246
	Customer	.318	.110	.368	2.887	.005
	Creditors	.198	.188	.229	1.056	.293
	Suppliers	-.135	.211	-.126	-.638	.525
	Labour market	-.029	.032	-.016	-.527	.352
	Trade union	-.023	.024	-.027	-.972	.333
	Economic	-.226	.055	-.227	-4.078	.000
	Legal	.188	.052	.184	3.643	.000
	Ethical	-.493	.058	-.318	-8.507	.000
	Philanthropic	-.270	.054	-.282	-5.037	.000
a. Dependent Variable: Financial Performance						

Source: Research (2015)

5.7.5 Firm Characteristics, Corporate Social Responsibility, Operating Environment and Overall Performance

The last test was on the effect of FCs, CSR, and OE on overall performance in order to establish the effect of FCs, CSR, and OE on overall financial performance. Table 5.25 below shows the relation between FCs, CSR, OE and explanatory power, which was high ($R^2 = 0.998$) indicating that 99.8 percent of the changes in overall financial performance was explained by FCs, CSR and OE leaving 0.2 percent of the variation unexplained. The analysis of variance had F value of 3619.612 and p-value being 0.000 < 0.05 indicating that the relationship was statistically significant. The null hypothesis was therefore rejected indicating that there was a joint effect of FCs, CSR, and OE on overall performance.

Table 5.25: Firm Characteristics, Corporate Social Responsibility, Operating Environment and Overall Performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.999[a]	0.998	0.997	0.01881

Analysis of Variance						
Model		Sum of Squares	df	Mean Square	F	Sig. (P Value)
1	Regression	19.213	15	1.281	3619.612	0.000
	Residual	.044	123	.000		
	Total	19.257	138			
a. Dependent Variable: Performance						

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.050	.028		-1.805	.074
	Strategy	.068	.025	.098	2.713	.008
	Structure	.112	.027	.178	4.183	.000
	Systems	.075	.024	.102	3.169	.002
	Staff	.179	.032	.259	5.555	.000
	Culture	.801	.038	.325	8.223	.007
	Skills	.255	.007	.391	37.796	.000
	Style	.068	.009	.092	7.900	.000
	Internal resources	.020	.013	.041	1.562	.121
	Customer	.126	.021	.214	6.103	.000
	Creditors	.135	.035	.229	3.840	.000
	Suppliers	.088	.040	.121	2.226	.028
	Labour market	.042	.003	-.071	3.152	.701
	Trade union	.039	.004	.065	8.583	.000
	Economic	.002	.010	.003	.175	.862
	Legal	.000	.010	-.001	-.037	.971
	Ethical	-.046	.011	-.043	-4.186	.000
	Philanthropic	-.020	.010	-.031	-2.030	.045
a. Dependent Variable: Performance						

Source: Research (2015)

Since the overall model was significant, the study further looked at the individual significance of the independent variables. From Table 5.25 strategy, structure, systems, staff, skills, style, customer, creditors, suppliers, trade union, ethical and philanthropic had significant coefficients with the p-values less than 0.05. From Table 5.25, the estimated equation was, therefore overall financial performance = 0.068 ST+ 0.112 SC + 0.075 SY + 0.179 SF + 0.255 SK + 0.068 SL + 0.126 CU + 0.135 CR + 0.088 SU + 0.039 TU – 0.046 ET -0.020 PL.

The model shows that a unit change in strategy, structure, systems, staff, skills, style, customer, creditors, suppliers, trade union, ethical and philanthropic leads to a change in values of overall financial performance by 0.068, 0.112, 0.075, 0.179, 0.255, 0.068, 0.126, 0.135, 0.088, 0.039, - 0.046, and - 0.020, respectively. The FIs should therefore, reduce their obsession with ethical and philanthropic aspects of CSR while putting more emphasis on skills and staff. Peter and Waterman (1982) support this finding by emphasizing the need for organizations to maintain adequate skilled staff who are well trained and rewarded so that they improve their output.

Table 5.26: Summary of Effects of Firm Characteristics, Corporate Social Responsibility, Operating Environment on Firm Performance

Model	R^2	F-Value	Significance (P-Value)	Decision
Customer focus = f(firm characteristics, corporate social responsibility, and operating environment)	0.999	5637.446	0.000	Significant
Internal business processes = f(firm characteristics, corporate social responsibility, and operating environment)	0.998	3484.470	0.000	Significant
Learning and growth = f(firm characteristics, corporate social responsibility, and operating environment)	0.994	1469.245	0.000	Significant
Financial performance = f(firm characteristics, corporate social responsibility, and operating environment)	0.970	266.553	0.000	Significant
Overall firm performance = f(firm characteristics, corporate social responsibility, and operating environment)	0.998	3619.612	0.000	Significant

Source: Research (2015)

The results in Table 5.26 shows that R^2 values for each test being high meaning that a high percent of performance parameters (customer focus, internal business processes, learning and growth, financial performance and overall firm performance) are accounted for by the respective firm characteristics, corporate social responsibility, and operating environment.

5.7.6 Joint Effect of Firm Characteristics, Corporate Social Responsibility and Operating Environment on Firm Performance

The study further interrogated the relationship resulting from the joint effect of FCs, CSR, and OE and FP. The aim was to check if these relationships were different from the independent effect of individual variables with FP as outlined in the objective. Table 5.27 shows the summary of the independent effect of the independent variables with FP, which was generated from prior relationships.

Table 5.27: Summary of Independent Variables and Firm Performance

Model	R	R^2	F-value	Significance (P-value)	Decision
Firm performance = f(firm characteristics)	0.9970	0.9950	3157.73	0.000	Significant
Firm performance = f(corporate social responsibility)	0.9980	0.9970	3383.942	0.000	Significant
Firm performance = f(operating environment)	0.9990	0.9970	4340.427	0.000	Significant
Total	2.9940	2.989	10882.099	0.000	Significant
Firm performance = f(firm characteristics, corporate social responsibility, and operating environment)	0.999	0.998	3619.6120	0.000	Significant

Source: Research (2015)

The results of Table 5.27 shows that there was a statistically significant relationship between FCs and FP, FP and CSR, and between FP and OE. In addition, the explanatory power of the independent variables was high. The null hypothesis was rejected, and the study concluded that the joint influence of FCs, OE, CSR and FP was different from the sum total of the independent effects of individual variables on the performance of FIs in Kenya.

The finding of this analysis implies that FIs need to focus on multiple strategies to address the performance challenge facing them. The joint effort in delivering various targeted strategies to address problems facing FIs will result in sustainable improved performance. The findings are in line with works of Hulscher, Wensing, and Grol (2013) which indicated that multifaceted strategies are plausible and as such contribute to the effectiveness of the firm. They observed that these strategies must be weighed against their cost since they could escalate the cost of supporting them.

5.8 Discussion of Findings

After analyzing the hypotheses of the study, the discussion of findings of the hypotheses was conducted. This was aimed at critically interrogating the results as well as seeking conformance with literature as well as establishing deviation from theory. Below is a discussion of the findings of this study.

5.8.1 Firm Characteristics and Firm Performance

The first objective of this study set out to establish the effect of FCs on the performance of FIs in Kenya. To achieve this objective, respondents were asked to state the extent to which their FP was affected by these variables (FCs). The study found that FIs to a large extent had FCs which were in support of their FP. The performance was operationalized on the strength of BSC parameters (customer focus, internal business processes, learning and growth, and financial performance). The findings of the study were consistent with that of Grant (1991) who established that resources and firm capabilities contribute to strategy formulation and are therefore a source of firm profitability.

The study hypothesized that there was no statistically significant relationship between FCs and performance of FIs in Kenya. This was premised on the empirical grounding which theorized that strategy, culture, structure, systems, and internal resources were key ingredients, which support performance (Machuki, 2012; Barney, 1999; Chandler, 1962). The finding had an overriding support that FCs affected the performance of FIs in Kenya, which contradicted the set hypothesis. Empirical evidence supported institutional theory as the grounding theory, which acted like glue holding together the activities within the firm. North (1991) noted that institutions create order, and reduce uncertainty. The institutions provide structures which shape the strategy an organization crafts to remain competitive in the market (Chandler, 1962). Institutions must evolve in their resource use, skill base and structure to be able to adapt to the ever-changing environment. The performance of FIs relies heavily on the deployment of the right strategy, adoption of the right culture, employment of the best skills in the market, maximization of internal resources utilization, and deployment of the right systems.

This study demonstrated that strategy, structure, skills and internal resources contribute to performance of FIs in Kenya. This calls for firms to invest heavily in these areas to improve their performance. The study contradicted the findings by O'Reilly (2012) as well as Bieker and Waxenberger (2002), which supported the use of culture for performance improvement. In this study, culture had a negative effect on customer, and learning and growth. This finding contradicts empirical literature, which has always supported the use of culture for sustainable competitive advantage. However, culture was seen to be supporting internal business processes of performance even though it did not contribute positively to learning and growth.

Bieker and Waxenberger (2002) noted that skills and competencies (internal resource) contribute to improved performance. This study noted that skills positively contribute to internal business processes. As observed by Grant (1991), internal resources and skills are central to the formulation of strategy, which contributes to the firm profitability. This study identified a strong linkage between internal resources and strategy towards achieving FP.

The relationship between FCs and FP was found to be strong and positive. In line with Machuki (2011), this study emphasized the need for firms to embed McKinsey 7S model and internal resources to support performance. The relationship between strategy and structure on learning and growth was found to be the strongest. Cognizant to the well-referred observation by Chandler (1962) which demonstrated that structure follows strategy, this study supports the findings by Chandler (1962). In addition, Kaplan and Norton (1996) BSC received a remarkable support in this study as the performance parameters related to BSC were all confirmed to be significant when specific FCs variables were regressed on performance.

5.8.2 Firm Characteristics, Corporate Social Responsibility and Firm Performance

The fourth objective of the study was to establish the effect of CSR in the relationship between FCs and FP. The intervening role of CSR in this relationship was hypothesized after confirming that there was a positive and statistically significant relationship between FCs and FP. Hypothetically, the study was based on the proposition that CSR does not significantly affect the relationship between FCs and FP. Empirical studies supported the findings of a positive relationship between FCs and FP (Machuki, 2012; Ogollah, 2012).

While the overall effect of CSR on the performance of FIs remained significant and positive, the study had mixed findings on the sub-hypotheses and the models, which were generated thereafter. Just as Orlitzky et al. (2003) and Olagunju et al. (2012) found that CSR, is associated with superior financial performance, this study too found out that the overall effect of CSR on FP was positive and significant. However, the study noted that most of the CSR components in the relationship between FCs, CSR and financial performance were negatively impacting the relationship.

Just as established by Dam (2008) that a tradeoff exists between CSR and FP, this study emphasized the need to have a balance since CSR is costly and over emphasizing in CSR will lead to increased cost which takes away the benefit for which CSR addresses. In addition, CSR can be used to improve stakeholder relationship. As supported by stakeholders theory, CSR ensures that all the players in the firm get their rights observed. Friedman (1985) established that CSR as a liability management measure can assist the firm to avoid consumer boycotts. This is consistent with the finding of this study, which demonstrated that CSR plays a major role in enhancing customer focus.

It has been demonstrated that FP hinges on the formulation of right strategy and a methodical implementation of the chosen strategy. The success of the strategy heavily relies on the culture of the organization, and the alignment of the internal structures to the strategy (Chandler, 1962). This study established that the effect of CSR in improving the performance of FIs in Kenya was strong, significant but negative in most performance perspectives except customer and learning and growth. Thus, FIs should prioritize use of CSR in improving the two areas.

The relationship between FCs and FP was strong and significant. However, introducing CSR in this relationship changed the relationship. This, therefore, could be related to the strong effects of CSR in the relationship between FCs and FP. As observed in this study, the intervening influence of CSR is what changed FCs impact on FP. This shows that FIs can use CSR to better their performance in the specific performance perspective. The influence of CSR can be used to achieve vertical product differentiation where alteration of products can be achieved by CSR, therefore, making the product more attractive. Bjørner et al. (2004) noted that consumers are willing to pay more if the products and/or services are produced in an environmentally friendly way. The notion that CSR is counterproductive due to its costliness is reinforced in the mediation effect advanced by CSR (Friedman, 1970). It was observed in this study that CSR increases the cost of doing business. This is contrary to some empirical literature which found that CSR lowers the cost of capital since investors are willing to pay more or accept a lower rate of return as long as the firm deals in a socially responsible manner (Mattingly & Berman, 2006).

5.8.3 Firm Characteristics, Operating Environment and Firm Performance

The fifth objective of this study was to establish the effect of OE in the relationship between FCs and performance of FIs in Kenya. To address this objective, the study hypothesized that OE had no influence in the relationship between FCs and performance of FIs in Kenya. To address this hypothesis, four additional sub-hypotheses were developed. The findings of the study were not in support of these hypotheses. It was observed that the overall impact of the OE (R^2 = 99.7 percent) in the relationship between FCs and FP was greater than those of the respective sub-hypotheses (where R^2 = 98.3 percent, 98.4 percent, 98.3 percent and 94.2 percent on customer focus, internal business processes, learning and growth and that of financial perspective, respectively).

Various studies have demonstrated that FCs affect FP and O'Reilly et al. (2012) noted culture as a source of competitive advantage. Peters and Waterman (1982) observed that McKinsey 7S are constituent of elements, which when well-aligned result into improved performance. Porter, (1981) emphasized how strategy is dictated by the environment in which a firm operates. The environment forces the firm to make choices related to its goals and part of these goals relate to social obligations and how to remunerate employees as well as take care of the environment on which the firm operates.

Studies on the role played by the environment in influencing performance abound; for example, Aosa, (1992) contended that the environment is volatile and that firms must adjust their operations to remain competitive. Changes in the environment reinforce the need to strategize in line with contingency theory to remain competitive. Uncertainty is brought about by the inability of the firm to control the external factors (Lawrence & Lorsch, 1967). If FIs in Kenya are to survive and prosper, new external environments require new strategies (Markides, 1998). This study demonstrated how OE affects how FCs (such as strategy, internal resources, structure among others) transforms the performance of FIs.

The congruence between environment and organization structures cannot be over emphasized (Longton, 1984). The adaptation of the organization to the environment is a good case of aligning FCs to FP. This study found that OE, however, turbulent must be aligned to the organization to support the performance of the firm (Grant, 2003). North, (1991) observed that institutions must pattern culture to support their strategies so as to achieve success. This study contradicts this finding, as the role of culture does not seem to gain a widespread support in the regressions done between FCs, OE and FP. Instead, it was noted that culture was positive in the relationship between FCs and FP. Conversely, the impact of culture was insignificant when OE was introduced. In addition, the study found that OE had a moderating negative impact in the relationship between FCs and FP.

5.8.4 Firm Characteristics, Corporate Social Responsibility, Operating Environment and Firm Performance

The sixth and final objective of this study was to establish the joint effect of FCs, CSR, and OE on the performance of FIs in Kenya. To study this objective, the hypothesis was conceptualized on whether a combination (summation) of all the variables would be different from that of the independent variables on performance of FIs in Kenya.

The results indicated that the sum total of the independent effects of the variables on performance was greater than the joint effect of FCs, CSR, and OE on FP. The findings demonstrated that FP is derived from a combination of various factors in FCs, OE and CSR. The outcome is consistent with other findings (Murgor, 2014; Ongeti, 2014).

The findings of the study show that a combined effect of all the variables had multiplicity effect on performance, hence greater effect than that of each of the individual factors on the performance. The study, therefore, confirmed that firms have to strive to build on the multiple effects of factors within their precincts to achieve a higher outcome. It is, therefore, an attestation that combined effects of independent variables can result in better performance. Contingency theory supports this as it advocates for a synergistic effort by deriving advantage from various options (Lawrence & Lorsch, 1967). Therefore, adopting different strategic actions to better the performance of FIs in Kenya is achieved by the combined efforts of all the independent variables on FP.

The study emphasized the need to pursue a joint effort when faced with challenges as an organization. Challenges facing FIs in Kenya are diverse and mainly related to competition and competition is higher in the banking sector. The exposure to technology as well as the speed, at which innovation in the telecommunication industry is taking place, has revolutionized the entire FIs. These innovations have worsened the competitive space, thereby putting managers in a more challenging situation – trying to keep with the pace of change. Regulations are also a source of pressure as FIs are expected to obey the laws. Coupled with the ever-growing demand from stakeholders, practitioners in FIs find it tough to cope. This pressure calls for managers not to leave anything to chance, but to ensure their institutions remain competitive.

Aldrich (1979) noted that firms must take control of the environment by devising measures and means of responding to the demands of the environment without which no success can be achieved. Embracing the stakeholders approach as advanced by Freeman (1984) and perfected by Porter and Van der Linde (1995), this study found that CSR was a significant contributor to performance, which should be embraced by FIs in Kenya. In addition, as observed by Machuki (2011), the study noted that OE influence strategic decision making since strategy is the cornerstone of any success. The knowledge of managers to incorporate various aspects of FCs, CSR and OE to improved performance is essential for FIs in Kenya. Open systems theory calls for firms to be more open to ideas from the environment so as to tame the environment (Bastedo, 2004). The environmental dynamic as it may seem requires that managers understand how best to respond to fresh demands from OE.

5.9 Summary of Hypotheses

Table 5.28 shows a summary of the hypotheses of FCs, CSR, OE and FP of FIs in Kenya together with the empirical evidence. The table displays the hypothesis and states whether the hypothesis was supported or not.

Table 5.28: Summary of Hypotheses

Hypothesis	Decision
Firm characteristics do not affect customer focus	Not supported
Firm characteristics do not affect internal business processes	Not supported
Firm characteristics do not affect learning and growth	Not supported
Firm characteristics do not affect financial performance	Not supported
Firm characteristics do not affect overall firm performance	Not supported
Corporate social responsibility has no influence in the relationship between firm characteristics and customer focus	Not supported
Corporate social responsibility has no influence in the relationship between firm characteristics and internal business process	Not supported
Corporate social responsibility has no influence in the relationship between firm characteristics and learning and growth	Not supported

Table 5.28 Cont..

Corporate social responsibility has no influence in the relationship between firm characteristics and financial performance	Not supported
Corporate social responsibility has no influence in the relationship between firm characteristics and overall firm performance	Not supported
Operating environment has no influence in the relationship between firm characteristics and customer focus	Not supported
Operating environment has no influence in the relationship between firm characteristics and internal business processes	Not supported
Operating environment has no influence in the relationship between firm characteristics and learning and growth	Not supported
Operating environment has no influence in the relationship between firm characteristics and financial performance	Not supported
Operating environment has no influence in the relationship between firm characteristics and overall firm performance	Not supported
There is no joint effect of firm characteristics, corporate social responsibility, operating environment on customer focus	Not supported
There is no joint effect of firm characteristics, corporate social responsibility, operating environment on internal business processes	Not supported
There is no joint effect of firm characteristics, corporate social responsibility, operating environment on learning and growth	Not supported
There is no joint effect of firm characteristics, corporate social responsibility, operating environment on financial performance	Not supported
There is no joint effect of firm characteristics, corporate social responsibility, operating environment on overall firm performance	Not supported
Joint effect of firm characteristics, corporate social responsibility and operating environment on firm performance is not different from the sum total of the independent effects of individual variables on firm performance.	Not supported

Source: Research (2015)

5.10 Chapter Summary

This chapter presented the tests of hypotheses and discussion of findings as a result of the various tests carried out on the respective hypotheses. Empirical and theoretical support or non-support was done for all the findings so as to relate the findings to previous studies. The study results indicated that hypothesis one was rejected with respect to both financial and non-financial performance indicators. Hypothesis two was rejected confirming the intervening role of CSR in the relationship between firm characteristics and firm performance. Hypothesis three was rejected with respect to both financial and non-financial performance parameters. This confirmed the moderating role of operating environment in the relationship between firm characteristics and firm performance. Lastly, hypothesis four was rejected confirming that a joint effect of firm characteristics, corporate social responsibility and operating environment on firm performance is different from the sum total of the independent effects of individual variables on firm performance. The effect of the independent variables on firm performance was less than that of joint effect of all the variables.

The chapter further presented discussion of results from hypothesis testing. The specific areas of conformance or disagreements were highlighted on each hypothesis tested. The results imply that managers of financial institutions should lay emphasis on the economic aspect of corporate social responsibility and embed corporate social responsibility initiatives to strategy. In addition, it was found that operating environment influence the performance of the financial institution and that manager's need to deliberately adjust their firms to adapt to the environment for improved performance. Ultimately, the chapter noted that a joint effect of the independent variables was greater than the independent effects of each variables on performance meaning that the financial institutions need to concentrate on combined efforts as opposed single variables. The next chapter presents the summary of findings, conclusion, and recommendations of this study.

CHAPTER SIX: SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter begins by looking at the summary of the findings of the objectives as set out in chapter one. It further looks at the hypotheses generated to address these objectives. Secondly, the chapter presents the conclusion, limitations of the study and recommendations for further research. Implications of the study were discussed in three critical perspectives of theory, policy and practice. Lastly, the chapter culminates with a discussion of the contribution of this research to the body of knowledge.

6.2 Summary of findings

This section presents a summary of the findings of this study. Guided by the theoretical and empirical investigation, this study made some far-reaching observations. The study found that FIs in Kenya were still young with 34.41 percent of the entire FIs being between 25 and 50 years old. The significance of the financial sector could not have been underscored. The majority of FIs in Kenya were medium sized with 71.2 percent of the workforce employing less than 300 staff. This sector was composed of depository, contractual and investment institutions. To emphasize the credibility of the response from this study, it was noted that 63 percent of respondents had been in their firms for over five years.

Descriptive statistics demonstrated the strength of strategy, internal resources, culture, skills and structures as components of FCs in FIs. The study further demonstrated the need to advance philanthropic measures of CSR to help FIs improve their performance. In addition, OE was found to have positive and remarkable contributions in the improvement of the performance of FIs in Kenya. Important features of OE were trade unions, customers, and creditors, which were key for FIs towards shaping their strategic direction. Ultimately, the results demonstrated the role of FIs in improving performance.

The study had six objectives which were tested using four hypotheses. The first objective was to establish the effect of firm characteristics on firm performance among financial institutions in Kenya. Hypothesis one was used to test this objective. The research findings established that FCs had a significant influence on firm performance. Strategy, structure, staff and internal resources were found to support performance of financial institutions. The second objective was to establish the relation of firm characteristics on CSR among FIs in Kenya. A Pearson coefficient analysis was done on this objective. The findings of the study were that there is a strong and positive correlation between FCs and CSR demonstrating that FCs is a champion of CSR success. The third objective was to establish the effect of CSR on firm performance among financial institutions in Kenya. A Pearson coefficient correlation was conducted which found out that the relationship is strong and positive demonstrating that financial institutions should embrace CSR to improve performance.

The fourth objective was to establish the intervening effect of CSR in the relationship between FCs and FP among FIs in Kenya. Hypothesis two was used to test this objective. The research findings established that there is a statistically significant influence of CSR on the relationship between FCs and FP among financial institutions in Kenya. The study found that the overall effect of CSR in the relationship between FCs and FP was positive. However, it was noted that most CSR components returned negative impact in the relationship between FCs and FP. The study noted that economic, ethical and philanthropic dimensions of CSR contributed negatively to the financial performance contrary to expectations.

The fifth objective was to establish the moderating role of operating environment in the relationship between FCs and FP among FIs in Kenya. Hypothesis three was used to test this objective. Using hierarchical linear regression, it was established that the role of operating environment in the relationship between FCs and FP was statistically significant. The findings demonstrated the need for a congruence between environment and organization structure and the need to pattern culture to support the strategy of the organization. The findings demonstrated the need to align the environment to the organization despite the turbulence posed by the environment. As a moderating variable, it was noted that FIs had very limited control over OE due to the fact that it is external to the organization, and therefore, management has limited control over it too.

The last objective was to establish the joint effect of firm characteristics, corporate social responsibility and operating environment on the performance of financial institutions in Kenya. This was tested under hypothesis four. Using multivariate linear regression analysis, the findings established that there exists a statistically significant relationship between all the variables and that the joint influence of FCs, CSR, OE, and FP was different from the sum total of the independent effects of individual variables on the performance of FIs in Kenya.

6.3 Conclusion

This study sought to establish the influence of CSR and OE on the relationship between FCs and performance of FIs in Kenya. The results of the study were compared to extant literature, therefore, exposing their theoretical, conceptual and empirical relationships. Several conclusions were drawn from this study; generally, the significant relationship between FCs and performance of FIs was confirmed. Results of this study suggested that the issue was not whether FCs affect the performance of FIs, but rather under what conditions would FCs enhance the performance of FIs in Kenya. This means that FIs must ensure they use FCs to drive the performance of the FIs in Kenya. The study found out that 99.5 percent of changes in FP was explained by FCs factors leaving only 0.5 percent of FP to be explained by other factors meaning that FCs affect FP, therefore, requiring FIs to vary the FCs variables to achieve the desired FP.

The study found that CSR played a mediating role in the relationship between FCs and FP. The regression of FCs on FP increased when CSR was introduced and R^2 value changed from 99.5 percent to 99.7 percent, which demonstrated that the introduction of CSR increased the R^2 value hence the mediating effect. The study concluded that CSR played an important role in improving performance. It was, however, noted that CSR weakens the financial performance and this was attributed to the fact that CSR activities, which require financial support were in competition with the other resources at play within the firm whose aim was to minimize financial expenditure, hence the negative contribution. The study noted that it is necessary for FIs to employ the use of CSR with care since not all CSR support FP of FIs in Kenya. In addition, the intervening role of CSR was found to be negative in the relationship between FCs, CSR and FP (internal business processes) meaning that emphasis on CSR when attempting to improve internal business processes should be discouraged.

The moderating influence of OE in the relationship between FCs and performance of FIs was equally supported. Using hierarchical linear regression analysis, the study noted that before moderation the predictive capacity of FCs on FP was 99.5 percent and on the introduction of OE, R^2 increased to 99.7 percent thereby increasing the predictive capacity of OE. The study confirmed the significance of the joint effect of the relationship between FCs, CSR, and OE on FP. In addition, it was confirmed that the joint effect of FCs, CSR and OE on FP is different from the sum total of the independent effects of individual variables on FP. This emphasized the need to advance multiple approach or strategies toward improving performance of FIs. The study noted that CSR is very key in customer perception of the firm. In addition, it was observed that CSR is good but expensive hence the need for firms to find means by which CSR is supported (financed) for it to remain sustainable. The best means of funding such CSR activities would be to use internal resources and build that behaviour through culture. On the other hand, OE as a key determinant of strategies a firm pursues must be supportive of the strategies the firm designs. Environmental turbulence must be observed and strategies adjusted by firms to align to the larger goal in congruence with contingency theory. In conclusion, the study found that performance of FIs in Kenya is contingent on FCs, supported by right CSR and OE chosen as the joint effect of all the independent variables on FP was found to be stronger than the independent effects of the variables on FP, which calls for FIs in Kenya to craft solutions which would deliver desired FP by employing the right ingredients of FCs, CSR, and OE.

6.4 Implications of the Study

This study espoused impact in four key areas; theoretical, methodological, policy and practice. The contribution of the study in support of theory was manifested by the study supporting various theories as discussed in chapter two while the methodological contribution of the study was manifested in multiple ways. In addition, the study demonstrated how it could be used to assist managers in practice as well as in guiding policy.

6.4.1 Theoretical Implication

Extant literature has supported the role of strategy, structure, culture towards improving performance; this study went further to expand this observation by looking at multiple FCs against performance. In support of contingency theory, this study confirmed that multiple efforts or strategies are necessary to achieve improved performance. The study observed that performance can be enhanced by FCs and the long-accepted notion that culture and internal resources support strategy, which lead to improved performance received more insights. The study demonstrated that concentrating efforts on improving culture and internal resources are counter-productive when a firm wants to achieve financial success. Further, culture and internal resources as constituents of FCs were shown to lack the capacity to deliver the much sought after financial success.

The results of this study contribute to enhancing the existing body of literature by confirming empirically that FCs affect the performance of FIs in Kenya. The direct role played by CSR as intervening and that of OE as moderating strengthens further the theoretical grounding. Contributing to strategic management theory, this study shows how specific variables affect FP. In establishing the moderating effect and intervening influence of OE as well as that of CSR respectively, the study demonstrated that FP can be enhanced.

6.4.2 Implications on Policy

Findings of this study inform policy especially for FIs in Kenya; FIs will gain from the outcome of the findings as well as the government which can strengthen policy issues surrounding FIs. For instance, managers should note that not all components of CSR yield better results and instead they should seek to get a combination of features, which can better the performance. The CBK will formulate policy related to the financial sector especially on issues surrounding financial performance as a result of this study.

Borrowing from this study, the economic pillar of vision 2030 can as well be informed by the findings of this study. In essence, this study can enable the country to improve its gross domestic product which will ultimately improve the cost of living for many Kenyans. The study can immensely benefit the financial sector if stakeholders within the industry formulate requisite policies to guide their operations. CBK and other financial regulators can, for instance, formulate policies related to non-performing loans to safeguard banking as well as other lending institutions in operation in Kenya from collapse. This will ensure that the many cases of the collapse of financial institutions become a thing of the past.

6.4.3 Implications on Practice

Implementing the findings of this study will mean that FIs will perform better, for instance, the challenge of competition in the financial sector will be mitigated. The challenge of non-performing loans in the banking sectors will be addressed if the right measures are adhered to as brought out in this study. The insurance firms will grow beyond current low penetration numbers, the forex bureaus will establish branches across the country. If put to practice, the findings in this study can turn around most struggling FIs in Kenya. In addition, FIs will be obliged to innovate new businesses such as agency banking, banccassurance, electronic banking, mobile banking, Facebook banking, kiosks, and many other digital driven solutions within the FIs space which are dictated by the environment as opposed to concentrating on activities, which has largely kept FIs struggling and not able to keep their performance at peak.

The government and key regulators, such as CBK, RBA, CMA and IRA have developed regulations, which support and enhance the growth of FIs. Despite the regulations, FIs still face various challenges; this study has demonstrated that CSR has the capacity to enforce self-regulation something which if FIs adopt will reduce the need for government intervention. The government through CBK can devise policies related to anti-money laundering, terrorism acts and many other challenges in the FIs posed by the environmental challenges. This way, the FIs will not surprise the stakeholders by going into receivership as has been witnessed recently.

This study demonstrates that CSR and OE play a very vital role in enhancing the relationship between FCs and FP. The study emphasized that managers need to make concerted efforts to try out various strategies to ensure the environment does not limited the success of their firms. The joint effect of FCs, CSR, OE on FP has been shown to have the power of catapulting the performance of FIs. In addition, since this study has demonstrated how firms can remain competitive, the pressure that managers find themselves in when carrying out their roles will be lowered if they adopt and implement some of the findings of this study.

6.5 Contributions to Knowledge

There are contributions, which this study has advanced to knowledge in the field of strategic management. First, it has provided insight into dealing with the problems associated with performance measurement. The study has demonstrated that using BSC, it is possible to address both financial and non-financial parameters which has brought out the need for reducing the over-reliance on financial performance. In addition, the study has introduced the mediating as well as moderating effects of CSR and that of OE, respectively in the relationship between FCs and performance of FIs. The contribution of the intervening and moderating effect of both CSR and OE has been confirmed to better firm performance.

Further, this study has provided insights on performance measurement framework, which had over concentrated on financial measures by using BSC framework. This study has demonstrated that various concerted efforts or measures put together can yield good results. By showing that the joint effect of various independent variables led to improved performance, the study has challenged both scholars and practitioners to embrace inclusivity and that various concerted efforts can result in progress. In general, this study goes a long way to strengthening the stakeholders theory, open systems theory, contingency theory as well as institutional theory all of which have been the backbone of this study. Above all, the study has emphasized that various strategies have to be put in place to achieve desired goal as supported by contingency theory.

6.6 Limitations of the Study

The study targeted 382 FIs out of which, only 139 responses were received and this was perceived to be small. In addition, the study targeted responses from senior management team comprising of CEO or managing directors and heads of departments. However, majority of the response came from managers (77 percent) most of whom were delegated by the CEO or their seniors. The study observed that only 12.3 percent (6.5 percent of CEOs and 5.8 percent of the head of departments) response came from senior management, which went contrary to earlier envisaged plan which may alter expected outcomes.

Response from this study was received from 139 financial institutions. It was designed that only one response per institution was to be accepted. This study considers this a limitation in that there is need to consider designing future studies around team-level analysis as opposed to one individual per institution. It would be necessary to recommend that more than one response be sought per firm to assist in inclusivity and aid in corroborating responses. Future studies should be carried out to help practitioners to establish how much of CSR is adequate or optimal noting that at some point, there has to be some diminishing return on any investment; this will assist reduce over investments in CSR.

The use of primary data has its own limitations and this study suggests that both primary and secondary data be used side by side to give more credence to the study. The questionnaires would have introduced systematic measurement errors as pointed out by Powell (2003). At the same time, this study employed a cross-sectional approach, however, a longitudinal approach would have provided for a longer time of study to observe relationships among the variables.

6.7 Suggestions for Further Research

This study made suggestions for further research around methodological and contextual perspectives. Methodologically, the study used cross-sectional approach, but there are limitations around this approach and therefore this study recommends the use of alternative approach (longitudinal or otherwise) in future research.

The study used various variables to conduct this study; CSR was used as a mediating variable, OE as a moderating variable with FCs as independent variable while FP as the dependent variable. In future, new variables can be introduced in the relationships as well as consider other moderating and intervening factors to corroborate the findings.

At any one time, research is dependent on the contextual choice employed and the findings of a study may not be consistent whenever change in the context is made. The study, therefore, recommends the change in context from FIs to any other so as to compare whether the findings would be consistent with this study. More important would be to change the context to non-financial institutions. In addition, this study recommends the use of both primary and secondary data, especially on FP. The use of secondary data may be considered so as to give more credence to the performance measures. Finally, other than the use of BSC, the use of other performance measures is welcome, for example, return on assets, return on investment, earning per share, and Profit Before Tax (PBT) among others could be used to measure performance.

6.8 Chapter Summary

This chapter is a summary of the entire study; it brought out the summary, conclusion, limitations of the study and suggestions for further research. The chapter drew various conclusions; first, the study concluded that FCs have a significant influence on the performance of FIs. The mediating effect of CSR and the moderating effect of OE were shown to be important and significant to the performance of FIs in Kenya.

The chapter consequently outlined key implications of the study on theory, policy, knowledge, and managerial practice. The limitations of the study on methodology and data collection were equally brought out. The limitations of the study, which revolve around methodological and contextual parameters provide suggestions for further research. The study noted that the policy makers can benefit a great deal from this study. Sound policies can be set up to inform the financial institutions. Managers as well can benefit from the findings by understanding how to put in place better performance improvement mechanisms. In addition, scholars will benefit from the study through the implications this study. In conclusion, the study found out that corporate social responsibility and operating environment play a significant role in influencing the relationship between firm characteristics and firm performance and that financial institutions must ensure they employ the right mix of CSR and OE as they attempt to vary FCs in improving their performance.

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APPENDICES

Appendix 1: Research Letter of Introduction

UNIVERSITY OF NAIROBI

School of Business

Telephone: +254-2-318262

Telegrams: "Varsity", Nairobi

Telex: 22095 Varsity

Samwel Nyaoke

P.O. Box 10234 00100

Nairobi, Kenya

Dear Sir/Madam,

RE: REQUEST FOR ACADEMIC RESEARCH DATA

The bearer of this letter is a Postgraduate student undertaking a PhD. degree study at the School of Business, University of Nairobi. The topic of his research thesis is **"firm characteristics, corporate social responsibility, operating environment and performance of financial institutions in Kenya."** He is expected to collect data to fulfill his thesis requirements to enable him graduate.

Kindly spare a few minutes and assist him by completing the attached questionnaire as honestly as possible. We assure you that the information provided is purely for academic purpose and will be treated with utmost confidentiality. The target respondents are senior managers in charge of strategy in your organization.

Your participation and cooperation will be highly appreciated.

Yours faithfully,

Samwel Nyaoke

PhD Candidate

Email - snyaoke@yahoo.com

Tel 0722808198

Dr. Vincent N. Machuki

Lead Supervisor,

machuki.vincent@gmail.com

or mnvincent@uonbi.ac.ke

Appendix 2: Questionnaire

<u>Research Questionnaire</u>

Dear Respondent,

This questionnaire is for a PhD research study in the field of Strategic Management. The study aims at collecting information on the influence of corporate social responsibility and operating environment on the relationship between firm characteristics (e.g. strategy, structure, system, style, skills, staff, shared values, financial, human capital, unique skills, & internal resources) and performance of financial institutions in Kenya.

Your participation in the study will enable me draw conclusions to the benefit of scholars, practitioners as well as policy makers. In appreciation, I would be glad to offer you a summary of the key findings on completion of the study. I urge you to simply enclose a business card and I shall contact you later with the finding(s). In addition, I request that you stamp and sign your completed copy to help in confirming the authenticity of any data gathered from this study (a requirement by the university to ensure real data is gathered).

Thank you for participating.

Yours Faithfully,

Samwel Nyaoke
P.O. Box 10234 -00100
snyaoke@yahoo.com
Cell Phone No. +254 722 808 198
University of Nairobi, School of Business, Kenya

SECTION 1: GENERAL INFORMATION

1.) Name of organization (optional) ___________________________________

2.) Job title of respondent ____

3.) Year of establishment of your organization__________________________

4.) How long have you worked in this organization?

i. □ Below 5years ii. □ Above 5 years

5.) What category of financial institution does your organization belong?

i. □ Commercial Banking	iv. □ SACCO	vii. □ Insurance Company
ii. □ Mortgage Finance	v. □Unit Trust	viii. □ Deposit Taking Micro Finance
iii. □ Forex bureau	vi. □ Other, please specify	

6.) What is the number of employees in your organization?

1. □ Under 300 2. □ 301 to 600 3. □ 601 to 900 4. □ 901 to 1,200

5. □ Above 1201.

SECTION 2: FIRM CHARACTERISTICS (FCs)

7. Please indicate to what extent each of the following affect your firm.

Key:

Using a 5 = very large extent, 4 = large extent, 3 = moderate extent, 2 = small extent and 1= no extent.

	Firm Characteristics	1	2	3	4	5
i.	The firm deploys strategies					
ii.	The firm makes choice of strategies at corporate level.					
iii.	The firm makes choice of strategies which supports its operational requirements.					
iv.	The firm deploys strategies at business level.					
v.	The firm deploys strategies at functional level.					
vi.	The firm develops strategies that better position it in the industry.					
vii.	The firm deploys competitive strategies					
viii.	The firm has clearly defined reporting relationships.					
ix.	Decision making in the firm follow a well laid down hierarchy.					
x.	The firm has clear procedures which are well articulated and adhered to by all employees					
xi.	Appropriate tasks have been well outlined for each job.					
xii.	The ICT platform of the firm supports the activities of the firm.					
xiii.	The firm’s system automation provides it with the required market intelligence.					
xiv.	The firm has deployed the state of the art technology to support its activities.					
xv.	The staff at the firm possess relevant competencies					
xvi.	The firm employs competent staff to join its work force					
xvii.	The firm regularly conduct staff development programs which equip the staff for their roles					
xviii.	The firm has adequate staff numbers to support its operations					
xix.	The firm has employees with adequate knowledge					
xx.	The firm finds it easy to replace exit staff					
xxi.	The firm regularly conduct job rotation					
xxii.	The firm employs participatory management style					
xxiii.	The firm implements a top down approach in decision making					
xxiv.	Decision making at the firm assume a bottom up approach					
xxv.	The firm’s values are well understood by employees					
xxvi.	The firm’s employees live the values of the firm					
xxvii.	The firm belief systems are well guarded by the staff					
xxviii.	The firm has adequate physical resources to support its operations					
xxix.	The firm possesses adequate financial resources to support its activities					
xxx.	The firm easily accesses financial resources					
xxxi.	The firm has adequate specialized resources in most areas					

SECTION 3: CORPORATE SOCIAL RESPONSIBILITY (CSR)

1.) The following statements describe corporate social responsibility. Please indicate how they apply to your firm.

Key:

Using a 5 = very large extent, 4 = large extent, 3 = moderate extent, 2 = small extent and 1= no extent.

	CSR Engagements	1	2	3	4	5
i.	The firm has over the last five years witnessed economic growth					
ii.	The firm has seen growth in sales in the last five years					
iii.	The image of the firm is very positive					
iv.	The firm engages in philanthropic activities					
v.	The firm engages in health and safety measures					
vi.	Employees at the firm participate actively in CSR activities					
vii.	The firm offers excellent products which meet customer expectations					
viii.	The firm espouses responsible corporate citizenship					
ix.	The firm reports CSR actions annually.					
x.	The firm engages in sustainable CSR activities					
xi.	The firm considers itself as part and parcel of society					
xii.	The public is aware of the activities the firm engages in					
xiii.	The firm has established or is planning to establish a foundation to promote CSR activities					
xiv.	Disability mainstreaming has been an area where my firm has fared on very well					
xv.	Green energy drive in the firm has increased in the last five years					
xvi.	The firm supports education of the underprivileged in society.					
xvii.	The firm gives adequate return on investments to shareholders					
xviii.	The firm is an equal opportunity employer					
xix.	The firm is a good steward of the environment					
xx.	The firm promptly pays its due taxes as required by law.					
xxi.	The firm's environmental activities are in compliance with the Environmental Management and Coordination Act					
xxii.	The firm procurement procedures are compliant with the requirements of the law.					

SECTION 4: OPERATING ENVIRONMENT (OE)

1. Please indicate to what extent each of the following factors in the operating environment has affected your firm.

Key:

Using a 5 = very large extent, 4 = large extent, 3 = moderate extent, 2 = small extent and 1= no extent.

	Operating Environment	1	2	3	4	5
i.	The firm understands customer needs					
ii.	The firm has classified customers segments					
iii.	The firm manages relationships					
iv.	The firm understands the purchase behaviour of its customers					
v.	The firm manages its forecasts well in line with the market trends					
vi.	The firm possesses a strong working capital					
vii.	There is a cordial relationship between the firm and suppliers					
viii.	The firm is very credit worthy					
ix.	The firm finds it easy to access credit facilities					
x.	The firm's creditors are supportive in our quest for credit line					
xi.	The firm's suppliers are very reliable					
xii.	The firm's suppliers give us favourable terms					
xiii.	The firm's suppliers offer reasonable quantity discounts					
xiv.	My firm is the key relationship of our suppliers					
xv.	We get preferential treatment from our suppliers					
xvi.	The labor market is adequately supplied with skilled resources					
xvii.	The labor market is adequately supplied with training institutions					
xviii.	The firm is perceived to be very reputable					
xix.	Staff skills are readily available locally					
xx.	The firm attracts valuable employees					
xxi.	The firm retains valuable employees					
xxii.	The firm has good relationships with trade unions					
xxiii.	The firm's relationship with employees is cordial					
xxiv.	The firm amicable reach a compromise in collective bargains					

SECTION 5: FIRM PERFORMANCE

1.) The following statements relate to firm performance. Please indicate to what extent they apply to your firm.

Key:

Using a 5 = very large extent, 4 = large extent, 3 = moderate extent, 2 = small extent and 1= no extent.

	Firm Performance	1	2	3	4	5
i.	The firm responds to customer complaints within 24 hours					
ii.	Customer satisfactions with the firm services has improved					
iii.	Time the firm receives orders to the time it delivers product or service to customer has significantly reduced					
iv.	Customer complaints have reduced considerably this year					
v.	Our accuracy for delivery forecasts has improved					
vi.	Our products /services create value for our customers					
vii.	We offer exceptional service to our customers					
viii.	We pursue product leadership in the market					
ix.	The firm has a range of customized services for its customers					
x.	The firm has a robust customer loyalty scheme					
xi.	We deliver differentiated value proposition to our customers					
xii.	The firm has entered new markets					
xiii.	The firm has a good structure to support customer relationship management (CRM)					
xiv.	The firm's internal processes have improved considerably in the past five years					
xv.	The firm's premiums have grown faster in the last five years					
xvi.	The firm has gained market share through quality improvements					
xvii.	The firm conducts client satisfaction surveys and receives positive feedback					
xviii.	The firm processes are standardized through procedure manuals					
xix.	We regularly identify and measure our firm's core competencies					
xx.	The firm has improved its customer care by use of technology and process automation					
xxi.	We use technology to measure our market leadership					
xxii.	The firms market share improvements can be attributed to new product development					
xxiii.	We achieve operational excellence by improving supply chain management					
xxiv.	Our internal processes help us improve operational excellence					
xxv.	We establish effective leadership by supporting external stakeholders					
xxvi.	We increase customer value by expanding and deepening our relationships with existing customers					
xxvii.	We improve our internal processes regularly					
xxviii.	We achieve operational excellence through the improvement of asset utilization					
xxix.	We improve operational excellence by improving our resource management capacity					
xxx.	Employees have the knowledge required to satisfy customer needs					

Section 5: Cont..

	Firm Performance	1	2	3	4	5
xxxi.	The firm’s activities are customer centric					
xxii.	The firm engages in environmentally friendly activities					
xxiii.	The firm complies with environmental laws					
xxiv.	The firm continually improves its services as compared to competition					
xxv.	Our firm looks into employees health and safety needs					
xxvi.	Our managers are keen when defining employee technical infrastructure					
xvii.	We define employee capabilities and skills					
xviii.	The work climate in my firm is conducive to support strategy					
xxix.	The firm’s sales revenues have increased steadily over the past five years					
xxx	The firm’s profits have increased in the last five years					
xxxi	The firm’s investments and growth has increased in the last five years					
xxxii	The firm’s sales revenue has improved in the last five years					
xxxiii	The firm has improved its asset utilization in the last five years					
xxxiv	The firm uses cost control systems in monitoring performance.					

2. Kindly put down any other comment with respect to the subject of this study.____

____

____

____

____

____

THANK YOU FOR YOUR PARTICIPATION

Appendix 3: List of Commercial Banks in Kenya by 2014

1	African Banking Corporation, Nairobi
2	Bank of Africa Kenya, Nairobi
3	Bank of Baroda, Nairobi
4	Bank of India, Nairobi
5	Barclays Bank of Kenya, Nairobi
6	CFC Stanbic Bank, Nairobi
7	Chase Bank Ltd, Nairobi
8	Citibank, Nairobi
9	City Finance Bank, Nairobi
10	Co-operative Bank of Kenya, Nairobi
11	Commercial Bank of Africa, Nairobi
12	Consolidated Bank of Kenya Ltd, Nairobi
13	EcoBank Ltd, Nairobi
14	Development Bank of Kenya, Nairobi
15	Diamond Trust Bank, Nairobi
16	Dubai Bank Kenya Ltd, Nairobi
17	Equatorial Commercial Bank Ltd, Nairobi
18	Equity Bank, Nairobi
19	Family Bank, Nairobi
20	Fidelity (Commercial) Bank Ltd, Nairobi
21	GT Bank Ltd, Nairobi
22	First Community Bank Ltd, Nairobi
23	Giro Commercial Bank Ltd, Nairobi
24	Guardian Bank, Nairobi
25	Gulf African Bank Ltd, Nairobi
26	Habib Bank A.G. Zurich, Nairobi
27	Habib Bank Ltd, Nairobi
28	Charterhouse Bank, Nairobi
29	Imperial Bank, Nairobi
30	I&M Bank Ltd , Nairobi
31	K-Rep Bank Ltd, Nairobi
32	Kenya Commercial Bank Ltd, Nairobi
33	Middle East Bank, Nairobi
34	National Bank of Kenya, Nairobi
35	NIC Bank, Nairobi
36	Oriental Commercial Bank Ltd, Nairobi
37	Paramount Universal Bank Ltd, Nairobi
38	Prime Bank Ltd, Nairobi
39	Credit Bank , Nairobi
40	Standard Chartered Bank , Nairobi
41	Trans-National Bank Ltd, Nairobi
42	UBA Kenya Bank Ltd., Nairobi
43	Victoria Commercial Bank Ltd, Nairobi

Source (CBK, 2014)

Appendix 4: List of Insurance Companies in Kenya by 2014

1	AAR Insurance Kenya Limited General P. O Box 41766 – 00100, Nairobi
2	APA Insurance Limited General P. O Box 30065 – 00100, Nairobi
3	Africa Merchant Assurance Company Limited General P. O Box 61599 – 00200, Nairobi
4	Apollo Life Assurance Limited Life P.O Box 30389 – 00100, Nairobi
5	AIG Kenya Insurance Company Limited General P.O. Box 49460 – 00100, Nairobi
6	British-American Insurance Company (Kenya) Limited P. O Box 30375 – 00100, Nairobi
7	Cannon Assurance Limited Composite P. O. Box 30216-00100, Nairobi
8	Capex Life Assurance Company Limited Life P. O. Box 12043 – 00400, Nairobi
9	CFC Life Assurance Limited Life P.O. Box 30364 – 00100, Nairobi
10	CIC General Insurance Limited General P.O. Box 59485 – 00200, Nairobi
11	Continental Reinsurance Limited Composite P.O. Box 76326-00508, Nairobi
12	Corporate Insurance Company Limited Composite P.O. Box 34172 – 00100, Nairobi
13	Directline Assurance Company Limited General P.O. Box 40863 – 00100, Nairobi
14	East Africa Reinsurance Company Limited Composite P.O. Box 20196 – 00200, Nairobi
15	Fidelity Shield Insurance Company Limited General P. O. Box 47435 – 00100, Nairobi
16	First Assurance Company Limited Composite P.O. Box 30064 – 00100, Nairobi
17	G A Insurance Limited General P.O. Box 42166 – 00100, Nairobi
18	Gateway Insurance Company Limited General P.O. Box 60656 – 00200, Nairobi
19	Geminia Insurance Company Limited Composite P.O. Box 61316 – 00200, Nairobi
20	ICEA LION General Insurance Company Ltd P.O. Box 30190 – 00100, Nairobi
21	Intra Africa Assurance Company Limited General P.O. Box 43241 – 00100, Nairobi
22	Invesco Assurance Company Limited General P.O. Box 52964-00200, Nairobi
23	Kenindia Assurance Company Limited Composite P.O. Box 44372 – 00100, Nairobi
24	Kenya Orient Insurance Limited General P.O. Box 34530-00100, Nairobi
25	Kenya Reinsurance Corporation Limited Composite P.O. Box 30271 – 00100, Nairobi
26	Madison Insurance Company Kenya Limited Composite P.O. Box 47382 - 00100, Nairobi
27	Mayfair Insurance Company Limited General P.O. Box 45161 – 00100, Nairobi
28	Mercantile Insurance Company Limited Composite P.O. Box 20680 – 00200, Nairobi
29	Metropolitan Life Insurance Kenya Limited Life P.O. Box 46783 – 00100, Nairobi
30	Occidental Insurance Company Limited General P.O. Box 39459 – 00623, Nairobi
31	Old Mutual Life Assurance Company Limited Life P.O. Box 30059 – 00100, Nairobi
32	Pacis Insurance Company Limited General P.O. Box 1870 – 00200, Nairobi
33	Pan Africa Life Assurance Limited Life P.O. Box 44041 – 00100, Nairobi
34	Phoenix of East Africa Assurance Company Ltd P.O. Box 30129 – 00100, Nairobi
35	Pioneer Assurance Company Limited Life P.O. Box 20333 - 00200, Nairobi
36	Real Insurance Company Limited General P.O. Box 40001 - 00100, Nairobi
37	Resolution Insurance Company Limited General P. O Box 4469 – 00100, Nairobi
38	Shield Assurance Company Limited Life P.O. Box 25093 - 00100, Nairobi
39	Takaful Insurance of Africa Limited General P. O Box 1811 – 00100, Nairobi
40	Tausi Assurance Company Limited General P.O. Box 28889 - 00200, Nairobi
41	The Heritage Insurance Company Limited General P. O. Box 30390 - 00100, Nairobi.
42	The Jubilee Insurance Company of Kenya Ltd P.O. Box 30376 - 00100, Nairobi
43	The Kenyan Alliance Insurance Company P.O Box 30170 – 00100, Nairobi
44	The Monarch Insurance Company Limited Composite P.O. Box 44003 – 00100, Nairobi
45	Trident Insurance Company Limited General P.O. Box 55651 – 00200, Nairobi
46	UAP Insurance Company Limited General P.O. Box 43013 - 00100, Nairobi
47	Xplico Insurance Company Limited General P.O Box 38106 – 00623, Nairobi

Source IRA (2014)

Appendix 5: List of Unit Trusts in Kenya by 2014

1	African Alliance Fund
2	Old Mutual Money Market Fund
3	British American Money Market Fund
4	Stanlib Money Market Fund
5	CBA Money Market Fund
6	CIC Money Market Fund
7	Zimele Money Market Fund
8	Amana Shilling Fund
9	Madison Asset Money Market Fund
10	GenCap Hela
11	UAP Money Market Fund
12	Pan Africa Pesa Fund

Source: CMA (2014)

Appendix 6: List of Deposit Taking Microfinance in Kenya by 2014

1	Faulu Microfinance Bank Ltd
2	Kenya Women Microfinance Bank Ltd
3	SMEP Microfinance Bank Ltd
4	Remu Microfinance Bank Ltd
5	Rafiki Microfinance Bank Ltd
6	Uwezo Microfinance Bank Ltd
7	Century Microfinance Bank Ltd
8	Sumac Microfinance Bank Ltd
9	U&I Microfinance Bank Ltd
10	Daraja Microfinance Bank Ltd

Source : CBK (2015)

Appendix 7: List of Licensed Investment Institutions in Kenya by 2014

CAPITAL
MARKETS AUTHORITY

LIST OF LICENSEES AND APPROVED INSTITUTIONS

Investment Banks

	NAME	ADDRESS	LICENSE NUMBER
1	African Alliance Kenya Investment Bank Limited	P.O. Box 27639, Nairobi	001
2	Barclays Financial Services Limited	P.O. Box 30120-00100, Nairobi	002
3	CBA Capital Limited	P.O. Box 30437-00100, Nairobi	003
4	Dyer and Blair Investment Bank Limited	P.O. Box 45396-00100, Nairobi	004
5	Equity Investment Bank Limited	P.O. Box 74454-00200, Nairobi	005
6	Faida Investment Bank Limited	P.O. Box 45236-00100, Nairobi	006
7	Genghis Capital Limited	P.O. Box 9959-00100, Nairobi	007
8	KCB Capital Limited	P.O. Box 48400-00101, Nairobi	008
9	NIC Capital Limited	P.O. Box 44599-00100, Nairobi	009
10	Renaissance Capital (Kenya) Limited	P.O. Box 40560-00100, Nairobi	010
11	SBG Securities Limited	P.O. Box 47198-00100, Nairobi	011
12	Standard Investment Bank Limited	P.O. Box 13714-00800, Nairobi	012
13	EBI Investment Corporation Kenya Limited	P.O Box 49584 – 00100 Nairobi	086

Stockbrokers

1	ABC Capital Limited	P.O. Box 34137-00100, Nairobi	013
2	AIB Capital Limited	P.O. Box 11019-00100, Nairobi	014
3	Apex Africa Capital Limited	P.O. Box 43676-00100, Nairobi	015
4	Francis Drummond & Company Limited	P.O. Box 45465-00100, Nairobi	016
5	Kestrel Capital (East Africa) Limited	P.O. Box 40005-00100, Nairobi	017
6	Kingdom Securities Limited	P.O. Box 48231-00100, Nairobi	018
7	NIC Securities Limited	P.O. Box 63046-00200, Nairobi	019
8	Old Mutual Securities Limited	P.O. Box 50338-00200 , Nairobi	020
9	Sterling Capital Limited	P.O. Box 45080-00100, Nairobi	021
10	Suntra Investments Limited	P.O. Box 74016-00200, Nairobi	022

Fund Managers

1	Alpha Africa Asset Managers	P.O. Box 34530-00100, Nairobi	023
2	Amana Capital Limited	P.O. Box 9480-00100, Nairobi	024
3	Apollo Asset Management Company Limited	P.O. Box 30389, Nairobi	025
4	Aureos Kenya Managers Limited	P.O. Box 43233-00100, Nairobi	026
5	British American Asset Managers Limited	P.O. Box 30375-00100, Nairobi	027
6	Canon Asset Managers Limited	P.O. Box 30216-00100, Nairobi	028
7	Centum Asset Managers Limited	P.O. Box 10518-0100, Nairobi	029

8	CIC Asset Management Limited	P.O. Box 59485-00200, Nairobi	030
9	Co-Op Trust Investment Services Limited	P.O. Box 48231-00100, Nairobi	031
10	Dry Associates Limited	P.O. Box 684-00606, Nairobi	032
11	FCB Capital Limited	P.O. Box 26219-00100, Nairobi	033
12	Fusion Investment Management Limited	P.O. Box 47538-00100, Nairobi	034
13	Genesis (K) Investment Management Limited	P.O. Box 79217-00200, Nairobi	035
14	ICEA Lion Asset Management Limited	P.O. Box 46143-00100, Nairobi	036
15	Madison Asset Management Services Limited	P.O. Box 20092-00100, Nairobi	037
16	Old Mutual Investment Group Limited	P.O. Box 11589-00400, Nairobi	038
17	Old Mutual Investment Services (K) Limited	P.O. Box 30059-00100, Nairobi	039
18	Pinebridge Investments East Africa Limited	P.O. Box 67262-00200, Nairobi	040
19	Sanlam Investment Management Kenya Limited	P.O. Box 7848-00100, Nairobi	041
20	Standard Chartered Investment Services Limited	P.O. Box 30003-00100, Nairobi	042
21	Stanlib Kenya Limited	P.O. Box 30550-00100, Nairobi	043
22	UAP Investments Limited	P.O. Box 46143-00100, Nairobi	044
23	Zimele Asset Management Company Limited	P.O. Box 76528-00508, Nairobi	045
24	Natbank Trustee and Investment Services Limited	P.O Box 72866 – 00200 Nairobi	087

Source: CMA (2014)

Appendix 8: List of Deposit Taking Savings and Credit Cooperatives in Kenya by 2014

THE SACCO SOCIETIES REGULATORY AUTHORITY

(SASRA)

DEPOSIT-TAKING SACCO SOCIETIES LICENSED BY THE SACCO SOCIETIES REGULATORY AUTHORITY

PURSUANT to Section 28 of the Sacco Societies Act, 2008, the Sacco Societies Regulatory Authority (SASRA) notifies the general public of the Sacco Societies that have been duly licensed to carry out deposit-taking Sacco business in Kenya for the financial year ending on 31st December, 2014;-

NO.	*NAME OF SOCIETY*	*POSTAL ADDRESS*
1.	AFYA SACCO SOCIETY LTD	P.O.BOX 11607 – 00400, NAIROBI.
2.	AIRPORTS SACCO SOCIETY LTD	P.O.BOX 19001 – 00501, NAIROBI.
3.	ASILI SACCO SOCIETY LTD	P.O.BOX 49064 – 00100, NAIROBI.
4.	BANDARI SACCO SOCIETY LTD	P.O.BOX 95011 – 80104, MOMBASA.
5.	BARAKA SACCO SOCIETY LTD	P.O.BOX 1548 – 10101, KARATINA.
6.	BIASHARA SACCO SOCIETY LTD	P.O.BOX 1895 – 10100, NYERI.
7.	BINGWA SACCO SOCIETY LTD	P.O.BOX 434 – 10300, KERUGOYA.
8.	BORESHA SACCO SOCIETY LTD	P.O.BOX 80 – 20103, ELDAMA RAVINE.
9.	BURETI SACCO SOCIETY LTD	P.O.BOX 601 – 20210, LITEIN.
10.	BUSIA TESO TEACHERS SACCO SOCIETY LTD	P.O.BOX 448 – 50400, BUSIA.
11.	CAPITAL SACCO SOCIETY LTD	P.O BOX 1479-60200, MERU.
12.	CENTENARY SACCO SOCIETY LTD	P.O.BOX 1207 – 60200, MERU.
13.	CHAI SACCO SOCIETY LTD	P.O.BOX 278 – 00200, NAIROBI.
14.	CHEMELIL SACCO SOCIETY LTD	P.O.BOX 14 – 40112, AWASI.
15.	CHEPSOL SACCO SOCIETY LTD	P.O.BOX 81 – 20225, KIMULOT.
16.	CHUNA SACCO SOCIETY LTD	P.O.BOX 30197 – 00100, NAIROBI.
17.	COMOCO SACCO SOCIETY LTD	P.O.BOX 30135 – 00100, NAIROBI.
18.	COSMOPOLITAN SACCO SOCIETY LTD	P.O.BOX 1931 – 20100, NAKURU.
19.	COUNTY SACCO SOCIETY LTD	P.O.BOX 21 – 60103, RUNYENJES.
20.	DAIMA SACCO SOCIETY LTD	P.O.BOX 2032 – 60100, EMBU
21.	DHABITI SACCO SOCIETY LTD	P.O.BOX 353 – 60600, MAUA.
22.	DIMKES SACCO SOCIETY LTD	P.O.BOX 886 – 00900, KIAMBU.
23.	EGERTON UNIVERSITY SACCO SOCIETY LTD	P.O.BOX 178 – 20115, EGERTON.

Appendix 8: Cont..

24.	ENEA SACCO SOCIETY LTD	P.O.BOX 1836 – 10101, KARATINA.
25.	FARIJI SACCO SOCIETY LTD	P.O.BOX 589 – 00216, GITHUNGURI.
26.	FORTUNE SACCO SOCIETY LTD	P.O.BOX 559 – 10300, KERUGOYA.
27.	FUNDILIMA SACCO SOCIETY LTD	P.O.BOX 62000 – 00200, NAIROBI.
28.	GITHUNGURI DAIRY & COMMUNITY SACCO SOCIETY LTD	P.O.BOX 896 – 00216, GUTHUNGURI.
29.	GUSII MWALIMU SACCO SOCIETY LTD	P.O.BOX 1335 – 40200, KISII.
30.	HARAMBEE SACCO SOCIETY LTD	P.O.BOX 47815 – 00100, NAIROBI.
31.	HAZINA SACCO SOCIETY LTD	P.O.BOX 59877 – 00200, NAIROBI.
32.	IMARIKA SACCO SOCIETY LTD	P.O.BOX 712 – 80108, KILIFI.
33.	IMARISHA SACCO SOCIETY LTD	P.O.BOX 682 – 20200, KERICHO.
34.	IMENTI SACCO SOCIETY LTD	P.O.BOX 3192 – 60200, MERU.
35.	ISIOLO TEACHERS SACCO SOCIETY LTD	P.O BOX 105-60300, ISIOLO.
36.	JAMII SACCO SOCIETY LTD	P.O.BOX 57929 – 00200, NAIROBI.
37.	JIJENGE SACCO SOCIETY LTD	P.O.BOX 6222 – 01000, THIKA.
38.	KAKAMEGA TEACHERS SACCO SOCIETY LTD	P.O.BOX 1150 – 50100, KAKAMEGA.
39.	KEIYO TEACHERS SACCO SOCIETY LTD	P.O.BOX 512 – 30700, ITEN.
40.	KENPIPE SACCO SOCIETY LTD	P.O.BOX 314 – 00507, NAIROBI.
41.	KENVERSITY SACCO SOCIETY LTD	P.O.BOX 10263 – 00100, NAIROBI.
42.	KENYA ACHIEVAS SACCO SOCIETY LTD	P.O BOX 3080-40200, KISII.
43.	KENYA BANKERS SACCO SOCIETY LTD	P.O.BOX 73236 – 00200, NAIROBI.
44.	KENYA CANNERS SACCO SOCIETY LTD	P.O.BOX 1124 – 01000, THIKA.
45.	KENYA HIGHLANDS SACCO SOCIETY LTD	P.O.BOX 2085 – 002000, KERICHO.
46.	KENYA MIDLAND SACCO SOCIETY LTD	P.O BOX 287, BOMET.
47.	KENYA POLICE STAFF SACCO SOCIETY LTD	P.O.BOX 51042 – 00200, NAIROBI.
48.	KIAMBAA DAIRY RURAL SACCO SOCIETY LTD	P.O.BOX 669 – 00219, KARURI.
49.	KINGDOM SACCO SOCIETY LTD	P.O.BOX 8017 – 00300, NAIROBI.
50.	KIPSIGIS EDIS SACCO SOCIETY LTD	P.O BOX 228, BOMET.
51.	KITE SACCO SOCIETY LTD	P.O.BOX 2073 – 40100, KISUMU.
52.	KITUI TEACHERS SACCO SOCIETY LTD	P.O.BOX 254 – 90200, KITUI.
53.	KMFRI SACCO SOCIETY LTD	P.O.BOX 80862, MOMBASA.
54.	KONOIN SACCO SOCIETY LTD	P.O.BOX 83 – 20403, MOGOGOSIEK.
55.	K-UNITY SACCO SOCIETY LTD	P.O.BOX 268 – 00900, KIAMBU.
56.	LAIKIPIA TEACHERS SACCO SOCIETY LTD	P.O BOX 414-10400, NANYUKI.

Appendix 8: Cont..

57.	LENGO SACCO SOCIETY LTD	P.O.BOX 371 – 80200, MALINDI.
58.	MAGADI SACCO SOCIETY LTD	P.O.BOX 13 – 00205, MAGADI.
59.	MAGEREZA SACCO SOCIETY LTD	P.O.BOX 53131 – 00200, NAIROBI.
60.	MAISHA BORA SACCO SOCIETY LTD	P.O.BOX 30062 – 00100, NAIROBI.
61.	MARAKWET TEACHERS SACCO SOCIETY LTD	P.O.BOX 118 – 30705, KAPSOWAR.
62.	MARSABIT TEACHERS SACCO SOCIETY LTD	P.O.BOX 90 – 60500, MARSABIT.
63.	MENTOR SACCO SOCIETY LTD	P.O.BOX 789 – 10200, MURANG'A.
64.	MERU SOUTH FARMERS SACCO SOCIETY LTD	P.O.BOX 514 – 60400, CHUKA.
65.	METROPOLITAN SACCO SOCIETY LTD	P.O.BOX 871 – 00900, KIAMBU.
66.	MILIKI SACCO SOCIETY LTD	P.O.BOX 43582-00100, NAIROBI
67.	MMH SACCO SOCIETY LTD	P.O.BOX 469 – 60600, MAUA.
68.	MOMBASA PORT SACCO SOCIETY LTD	P.O.BOX 95372 – 80104, MOMBASA.
69.	MOMBASA TEACHERS SACCO SOCIETY LTD	P.O.BOX 86515 – 80100, MOMBASA.
70.	MUDETE TEA GROWERS SACCO SOCIETY LTD	P.O.BOX 221 – 50104, KAKAMEGA.
71.	MUHIGIA SACCO SOCIETY LTD	P.O.BOX 83 – 10300, KERUGOYA.
72.	MURATA SACCO SOCIETY LTD	P.O.BOX 816 – 10200, MURANG'A.
73.	MWALIMU NATIONAL SACCO SOCIETY LTD	P.O.BOX 62641 – 00200, NAIROBI.
74.	MWITO SACCO SOCIETY LTD	P.O.BOX 56763 – 00200, NAIROBI.
75.	NACICO SACCO SOCIETY LTD	P.O.BOX 34525 – 00100, NAIROBI.
76.	NAFAKA SACCO SOCIETY LTD	P.O.BOX 30586 – 00100, NAIROBI.
77.	NAKU SACCO SOCIETY LTD	P.O.BOX 78355 – 00507, NAIROBI.
78.	NANDI HEKIMA SACCO SOCIETY LTD	P.O.BOX 211 – 30300, KAPSABET.
79.	NAROK TEACHERS SACCO SOCIETY LTD	P.O.BOX 158 – 20500, NAROK.
80.	NASSEFU SACCO SOCIETY LTD	P.O.BOX 43338 – 00100, NAROBI.
81.	NATION SACCO SOCIETY LTD	P.O.BOX 22022 – 00400, NAIROBI.
82.	NAWIRI SACCO SOCIETY LTD	P.O BOX 400-16100, EMBU.
83.	NDEGE CHAI SACCO SOCIETY LTD	P.O.BOX 857 – 20200, KERICHO.
84.	NDOSHA SACCO SOCIETY LTD	P.O.BOX 532– 60401, CHOGORIA – MAARA.
85.	NG'ARISHA SACCO SOCIETY LTD	P.O.BOX 1199 – 50200, BUNGOMA.
86.	NITUNZE SACCO SOCIETY LTD	P.O.BOX 295 – 50102, MUMIAS.
87.	NRS SACCO SOCIETY LTD	P. O BOX 575-00902, KIKUYU.
88.	NTIMINYAKIRU SACCO SOCIETY LTD	P.O.BOX 3213-60200, MERU
89.	NYAHURURU UMOJA SACCO SOCIETY LTD	P.O BOX 2183-20300, NYAHURURU.

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90.	NYALA VISION SACCO SOCIETY LTD	P.O BOX 27-20306, NDARAGWA.
91.	NYAMBENE ARIMI SACCO SOCIETY LTD	P.O.BOX 493 – 60600, MAUA.
92.	NYAMIRA TEA FARMERS SACCO SOCIETY LTD	P.O.BOX 633 – 40500, NYAMIRA.
93.	NYERI TEACHERS SACCO SOCIETY LTD	P.O.BOX 1939 – 10100, NYERI.
94.	ORIENT SACCO SOCIETY LTD	P.O.BOX 1842 – 01000, THIKA.
95.	PUAN SACCO SOCIETY LTD	P.O BOX 404-20500, NAROK.
96.	SAFARICOM SACCO SOCIETY LTD	P.O.BOX 66827 – 00800, NAIROBI.
97.	SHERIA SACCO SOCIETY LTD	P.O.BOX 34390 – 00100, NAIROBI.
98.	SIMBA CHAI SACCO SOCIETY LTD	P.O.BOX 977 – 20200, KERICHO.
99.	SIRAJI SACCO SOCIETY LTD	P.O.BOX PRIVATE BAG, TIMAU.
100.	SKYLINE SACCO SOCIETY LTD	P.O.BOX 660 – 20103, ELDAMA RAVINE.
101.	SOLUTION SACCO SOCIETY LTD	P.O.BOX 1694 – 60200, MERU.
102.	SOT TEA GROWERS SACCO SOCIETY LTD	P.O.BOX 251 – 20400, BOMET.
103.	SOTICO SACCO SOCIETY LTD	P.O.BOX 959 – 20406, SOTIK.
104.	STAKE KENYA SACCO SOCIETY LTD	P.O.BOX 208 – 40413, KEHANCHA.
105.	STIMA SACCO SOCIETY LTD	P.O.BOX 75629 – 00100, NAIROBI.
106.	SUKARI SACCO SOCIETY LTD	P.O.BOX 841-50102, MUMIAS
107.	SUPA SACCO SOCIETY LTD	P.O.BOX 271 – 20600, MARALAL.
108.	TAI SACCO SOCIETY LTD	P.O.BOX 718 – 00216, GITHUNGURI.
109.	TAIFA SACCO SOCIETY LTD	P.O.BOX 1649 – 10100, NYERI.
110.	TAITA TAVETA TEACHERS SACCO SOCIETY LTD	P.O.BOX 1186 – 80304, WUNDANYI.
111.	TARAJI SACCO SOCIETY LTD	P.O.BOX 605 – 40600, SIAYA.
112.	TEMBO SACCO SOCIETY LTD	P.O.BOX 91 – 00618, RUARAKA.
113.	TENHOS SACCO SOCIETY LTD	P.O.BOX 391 – 20400, BOMET.
114.	THAMANI SACCO SOCIETY LTD	P.O.BOX 467 – 60400, CHUKA.
115.	THARAKA NITHI TEACHERS SACCO SOCIETY LTD	P.O.BOX 15 – 60400, CHUKA.
116.	TIMES U SACCO SOCIETY LTD	P.O.BOX 310 – 60202, NKUBU.
117.	TOWER SACCO SOCIETY LTD	P.O.BOX 259 – 20303, OL'KALOU.
118.	TRANS-NATIONAL TIMES SACCO SOCIETY LTD	P.O.BOX 2274 – 30200, KITALE.
119.	UFANISI SACCO SOCIETY LTD	P.O BOX 2973-00200, NAIROBI.
120.	UKRISTO NA UFANISI SACCO SOCIETY LTD	P.O BOX 872-00605, NAIROBI.
121.	UKULIMA SACCO SOCIETY LTD	P.O.BOX 44071 – 00100, NAIROBI.
122.	UNAITAS SACCO SOCIETY LTD	P.O.BOX 1145 – 10200, MURANG'A.

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123.	UNITED NATIONS SACCO SOCIETY LTD	P.O.BOX 30552 – 00100, NAIROBI.
124.	UNIVERSAL TRADERS SACCO SOCIETY LTD	P.O.BOX 2119 – 90100, MACHAKOS.
125.	VISION POINT SACCO SOCIETY LTD	P.O.BOX 42 – 40502, NYANSIONGO.
126.	WAKENYA PAMOJA SACCO SOCIETY LTD	P.O.BOX 829 – 40200, KISII.
127.	WAKULIMA COMMERCIAL SACCO SOCIETY LTD	P.O.BOX 232 – 10103, NYERI.
128.	WANAANGA SACCO SOCIETY LTD	P.O.BOX 34680 – 00501, NAIROBI.
129.	WANANCHI SACCO SOCIETY LTD	P.O.BOX 910 – 10106, OTHAYA.
130.	WANANDEGE SACCO SOCIETY LTD	P.O.BOX 19074 -00501, NAIROBI.
131.	WARENG TEACHERS SACCO SOCIETY LTD	P.O.BOX 3466 – 30100, ELDORET.
132.	WASHA SACCO SOCIETY LTD	P.O.BOX 83256 – 80100, MOMBASA.
133.	WAUMINI SACCO SOCIETY LTD	P.O.BOX 66121 – 00800, NAIROBI.
134.	WINAS SACCO SOCIETY LTD	P.O.BOX 696 – 60100, EMBU.
135.	YETU SACCO SOCIETY LTD	P.O.BOX 511 – 60202, NKUBU.

Source: SASRA (2014)

Appendix 9: List of Forex Bureaus in Kenya by 2014

No	Name of Bureau	Location	E-mail Address & Fax
1	Alpha Forex Bureau Ltd	Pamstech House Woodvale Grove Westlands	Alpha-forex@yahoo.com
	P. O. Box 476 – 00606		Fax: 254-2-4451436
	Nairobi		
	Tel: 4451435/7		
2	Arcade Forex Bureau Ltd	Adams Arcade	Fax: 254-2-571924
	P. O. Box 21646 – 00505	Ngong Road	
	Nairobi		
	Tel: 3871946/2189121/0721-810274		
3	Aristocrats Forex Bureau Ltd	Kenindia House	aristoforex@nbi.ispkenya.com
	P. O. Box 10884 – 00400	Nairobi	Fax: 254-2-213794
	Nairobi		
	Tel: 245247/228080		
4	Avenue Forex Bureau Ltd	Motor Mart Building,	
	P. O. Box 1755 – 80100	Moi Avenue,	
	Mombasa	Mombasa	
5	Bamburi Forex Bureau Ltd	Nyali Mombasa	bamburiforex@hotmail.com
	P. O. Box 97803		Fax: 254-41-5486948
	Mombasa		
	Tel: 041-5486950, 0722-412649/ 0733-466729		
6	Bay Forex Bureau Ltd	The Stanley Bldg.	info@bayforexbureau.com
	P. O. Box 42909 – 00100	Kenyatta Avenue	Fax: 254-2-229665/248676
	Nairobi	Nairobi	
	Tel: 2244186/ 2248289/2244188		

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
7	Boston Forex Bureau Limited	Nakumatt Ukay	marioshah_101@hotmail.com
	P.O. Box 11076–00400	Westlands	
	Nairobi		
	Tel: 0205249664/ 0732622429/ 0702022429		
8	Cashline Forex Bureau Ltd	Sound Plaza	cash@cashlinefx.co.ke
	P. O. Box 64672 – 00619	Westlands	Fax: 254-20-4452299
	Nairobi		
	Tel: 4452296/97/98		
9	CBD Forex Bureau Limited	Clyde House,	Fax: 254-2-318895
	P. O. Box 10964 – 00400	Kimathi Street	
	Nairobi		
	Tel: 316123		
10	Central Forex Bureau Ltd	I. P. S. Building, Ground Floor,	centralforex@swiftkenya.com
	P. O. Box 43966 – 00100 Nairobi	Kaunda Street,	Fax: 254-2-249016
	Tel: 2226777/ 2224729/317217	Nairobi	
11	City Centre Forex Bureau Ltd	Nginyo Towers, Ground Floor,	info@citycentreforex.co.ke
	P. O. Box 40253 – 00100	Koinange Street	Fax No: 254-02-246696
	Nairobi	Nairobi	
	Tel: 2246694/0729-888555		
12	Classic Forex Bureau Limited	Prestige Plaza, 1st Floor,	Fax No. 3862346
	P. O. Box 39166 – 00623	Ngong Rd	
	Nairobi	Nairobi	
	Tel: 3862343/4		

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
13	Commercial Forex Bureau Limited	Vedic House,	info@commercialforex.co.ke
	P. O. Box 47452 – 00100	Mama Ngina Street	
	Nairobi		
	Tel. 020-2210307/8		
14	Conference Forex Bureau Limited	KICC, Ground Floor	
	P. O. Box 32268 – 00600		
	Nairobi		
	Tel. 3581293, 020-3586802		
15	Continental Forex Bureau Ltd	Old Mutual Building	cfbbusiness@yahoo.com
	P. O. Box 49580 – 00400	Kimathi Street	Fax: 254 2-216163
	Nairobi	Nairobi	
	Tel: 2222140, 3168025		
16	Cosmos Forex Bureau Ltd	Rehema House	Fax: 254-2-250591
	P. O. Box 10284 – 00100	Nairobi	
	Nairobi		
	Tel: 250582/5		
17	Crater Forex Bureau Ltd	Menengai Motors George	craterforex@wananchi.com
	P.O. Box 130 -20100	Morara Avenue	Fax: 254-51-2214183
	Nakuru		
	Tel: 051- 2214183, 2216524		
18	Crossroads Forex Bureau Limited	Crossroads Shopping Centre,	info@crossroadsforex.co.ke
	P. O. Box 871 – 00502	Karen, Nairobi	
	Nairobi,		
	Tel: 0729-888444		

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
19	Crown Bureau De Change Ltd	Corner House,	info@crown.co.ke
	P. O. Box 22515– 00400	Mama Ngina Street Nairobi	Fax: 254-2-252365
	Nairobi		
	Tel: 2250720/1/2		
20	Dalmar Exchange Bureau Ltd	2nd Floor,	Fax:+254-20-6760470
	P. O. Box 16381-00610	Olympic Complex Centre 1st Ave.	dalmarforex@gmail.com
	Nairobi	7th street, Eastleigh Nairobi	
	Tel:+254-20-6761628,6760476 6762301		
21	Downtown Cambio Forex Bureau Ltd	Wison Airport Nairobi	Fax: 254-2-608354
	P. O. Box 42444 – 00100		
	Nairobi		
	Tel: 608659; 609547/607721		
22	Forex Bureau Afro Ltd	Jamia Plaza	Fax: 254-2-7250502
	P. O. Box 100414 – 00101	Kigali Street	
	Nairobi	Nairobi	
	Tel: 2247041/2250676/222950		
23	Gala Forex Bureau Ltd	20th Century 1st Floor	Fax: 020310261
	P. O. Box 35021-00100	Mama Ngina/ Kaunda Street	galaforexbureau@gmail.com
	Nairobi		
	Tel: 020310241		
	Mobile: 0729750000		

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
24	Gateway Forex Bureau Ltd	Town House,	Fax: 254-20-2212942
	P. O. Box 11500 – 00100	Kaunda Street	info@gatewayforex.co.ke
	Nairobi		
	Tel: 2212955/45/49, 0700-003435		
25	Giant Forex Bureau de Change Ltd	Unit 1- Departure	Fax: 254-2-825327
	P. O. Box 56947 – 00200		
	Nairobi		
	Tel: 827970		
26	Give and Take Forex Bureau Ltd	Gigiri,	Fax: 254-2-7120046
	P. O. Box 51463 – 00200	China Garden	
	Nairobi	Nairobi	
	Tel: 7120581/3562152		
27	Global Forex Bureau Ltd	2nd Floor, Tasir Complex,	N/A
	P. O. Box 47583 – 00100	1st Ave. Eastleigh,	
	Nairobi	Nairobi	
	Tel: 6762982		
28	Glory Forex Bureau Ltd	Norwich Union House	gloryforex@yahoo.com
	P. O. Box 42909 – 00100	Kimathi Street,	Fax: 252-2-245614
	Nairobi	Nairobi	
	Tel: 2244333/2241164/2243115		
29	GNK Forex Bureau Ltd	Jubilee Centre	gnkforex@swiftkenya.com
	P. O. Box 14297 – 00100	Karen Nairobi	Fax: 254-2-892266
	Nairobi		
	Tel: 890303/891243/891848/892048		

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
30	Green Exchange Forex Bureau Ltd	Emperor Plaza, Ground Floor,	greenexchangeforexbureau@hotmail.com
	P. O. Box 20809 – 00100	Koinange Street	Fax: 254-2-2214550
	Nairobi Tel:+2540202214547/8/9		
31	Industrial Area Forex Bureau Ltd	Bunyala Road,	Fax: 254-2-551186
	P. O. Box 45746 – 00100	Industrial Area Nairobi	
	Nairobi		
	Tel: 551186/551198		
32	Island Forex Bureau Ltd	Moi Avenue,	islandforex@hotmail.com
	P. O. Box 84300 Mombasa	Mombasa	Fax: 254-41-2227057
	Tel: 041-2223988/ 2229626		
33	Junction Forex Bureau Limited P. O. Box 43888 – 00100 Nairobi Tel: 3861268/9, 0725-852840	The Junction of Ngong Road/ Dagoreti Corner	junctionforexbureaultd@yahoo.com
34	Kenza Exchange Bureau Ltd	JKIA, Arrival Unit 1 Nairobi	N/A
	P. O. Box 21819 – 00400		
	Nairobi		
	Tel: 822504/ 2245863		
35	L'ache Forex Bureau Ltd	Diamond Plaza, 2nd Floor,	info@lache.co.ke
	P. O. Box 45191 – 00100	Parklands	Fax: 254-2-2733485
	Nairobi		
	Tel: 3514509, 2119568/9, 0711-229408, 3752109		
36	Leo Forex Bureau Ltd	T. S. S. Towers	leoforex@swiftmombasa.com
	P. O. Box 82304– 80100	Nkrumah Road,	Fax: 254-41-230399
	Mombasa	Mombasa	
	Tel: 041-2230396/7/8; 2230399		

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
37	Link Forex Bureau Ltd	Uganda House – Arcade,	Link-forex@yahoo.com
	P. O. Box 11659 – 00400	Kenyatta Avenue,	Fax: 254-2-213620
	Nairobi	Nairobi	
	Tel: 2213619/21, 0724-256480		
38	Lion Bureau De Change Ltd	Taj Shopping Mall	i info@lionbureau.com
	P.O Box 4581-00200	North Airport Road,	
	Nairobi	Embakasi.	
	Tel: 0732911138, 0731863896, 0202600072		
39	Loki Forex Bureau Ltd.	T&L Centre,	nfbwesternunion@yahoo.com
	P. O. Box 12523 – 00100	Industrial Area,	
	Nairobi	Nairobi	
	Tel: 0723-886999, 020-554822, 020-2117780		
40	Magnum Forex Bureau De Change Ltd	Nakumatt Mega,	
	P. O. Box 46434 – 00100	Uhuru Highway	
	Nairobi		
41	Maritime Forex Bureau Ltd	Iddi House,	maritimeforex@africal.co.ke
	P. O. Box 43296 – 80100	Nkrumah Road,	Fax: 254-41-2319178
	Mombasa	Mombasa	
	Tel: 041- 2319175/6/7		
42	Metropolitan Bureau De Change Ltd	Unit 2 Departure,	Fax: 254-2-252116
	P. O. Box 7080 – 00300	JKIA	
	Nairobi		
	Tel: 827963		

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
43	Middletown Forex Bureau Ltd	Westminister House	mtforex@iconnect.co.ke
	P. O. Box 41830 – 00100	Kaunda Street	Fax: 254-2-332534
	Nairobi	Nairobi	
	Tel: 2211227		
44	Mona Bureau De Change Ltd	Panari Centre,	Fax: 254-2-828113
	P. O. Box 46180 – 00100	Mombasa Road	
	Nairobi	Nairobi	
	Tel: 828111/2, Cell: 0733-744348		
45	Moneypoint Forex Bureau Ltd	Tubman Road,	Fax:+254-20-2211342
	P. O. Box 3338-00100	Ansh Plaza	moneypointforex@hotmaill.com
	Nairobi		
	Tel No. 020-2211346/7		
46	Morgan Forex Bureau De Change Ltd	Westlands	morgankenya@gmail.com
	P. O. Box 79012 – 00400		
	Nairobi		
	Tel No. 020-4444073		
47	Mustaqbal Forex Bureau Ltd	Eastleigh,	mustaqbalforex@yahoo.com
	P. O. Box 100745 – 00101	Nairobi	Fax: 254-2-6766650
	Nairobi		
	Tel: 020-2497344		
48	Muthaiga-ABC Forex Bureau Ltd	Muthaiga Shopping Centre, Nairob	
	P. O. Box 63533 – 00619,		
	Tel: 4048883/4044146		
	Cell: 0722-362665/0733-362665		

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
49	Nairobi Bureau De Change Ltd	Unit 2 JKIA	Fax: 254-2-241307
	P. O. Box 644 – 00624,	Nairobi	
	Village Mkt Nairobi		
	Tel: 822884		
50	Nairobi Forex Bureau Ltd	Gujarat House	Fax: 254-2-244767
	P. O. Box 12523 – 00100	Muindi Mbingu Street	
	Nairobi	Nairobi	
	Tel: 2244767/2223039		
51	Namanga Forex Bureau Ltd	Namanga	N/A
	P. O. Box 12577 – 00100		
	Nairobi		
	Tel: 02-213642/ 045-5132476		
52	Nawal Forex Bureau Ltd	Chaka Place,	Fax: 254-2-272011
	P. O. Box 43888 – 00100	Chaka Road	
	Nairobi		
	Tel: 2720111		
53	Net Forex Bureau Ltd	Avenue House,	Fax: 254-2-250088
	P. O. Box 102348– 00100,	Kenyatta Avenue	
	Jamia Nairobi		
	Tel: 020 – 249999		
54	Offshore Forex Bureau Limited	Cianda House, Ground Floor,	Fax: 254-02-310839
	P. O. Box 26650 – 00100 Nairobi	Koinange Street	
	Tel: 020 – 310837/8		

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
55	Pacific Forex Bureau Limited	Lonhro House,	pacific@sahannet.com
	P. O. Box 24273 – 00100	Standard Street	
	Nairobi		
	Tel. 310880, 310882/3		
56	Peaktop Exchange Bureau Ltd	20th Century,	Fax: 254-2-210210
	P. O. Box 13074 – 00100	Mama Ngina/ Kaunda Streets,	
	Nairobi	Nairobi	
	Tel: 2244371/313438, 0722 - 332518		
57	Pearl Forex Bureau Ltd	Hurlingham Shopping Centre	Fax: 254-2-2724770
	P. O. Box 58059 – 00200		
	Nairobi		
	Tel: 2724769/ 2724778		
58	Pel Forex Bureau Ltd	Allmamra Plaza	pel@swiftkisumu.com
	P. O. Box 957 – 40100	Oginga Odinga Road,	Fax: 254-57-2022495
	Kisumu	Kisumu	
	Tel: 057-2024134/2044425		
59	Penguin Forex Bureau Ltd	Nkrumah Road,	Fax: 254-41-2228194
	P. O. Box 3438 – 80100	Mombasa	
	Mombasa		
	Tel: 041- 316618/2228170		
60	Princess Forex Bureau Ltd.	City House,	princessforexbureau@gmail.com
	P.O. BOX 104140 – 00101	Standard Street.	
	Nairobi	Nairobi	
	Tel: +254 20 2217978		

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
61	Pwani Forex Bureau Ltd	Mombasa Block 404 XV11/M1	forex@pwaniforex.com
	P. O. Box 87200 – 80100	Abdel Nasseiz	Fax: 254-41-2221870
	Mombasa		
	Tel: 041-2221727/2221734/2221845		
62	Rand Forex Bureau Limited P. O. Box 30923 - 00100 Nairobi Tel: 0722200815	Kampus Tower, Moi Avenue, Nairobi	
63	Real Value Forex Bureau Limited	Shariff Complex,	
	P. O. Box 2903 – 00100	5th Avenue,	
	Nairobi	Eastleigh	
	Tel: 236044/55/66/77		
64	Regional Forex Bureau Limited	Kimathi House,	Fax No. 312296
	P. O. Box 634 – 00100,	Kimathi Street	
	Nairobi		
	Tel. 313479/80,311953		
65	Rift Valley Forex Bureau Ltd	Merica Hotel Building	riftvalleyforex@yahoo.com
	P. O. Box 12165	Court Road	Fax: 254-51-2210174
	Nakuru	Nakuru	
	Tel: 051-2212495/2210174		
66	Safari Forex Bureau Ltd	KVDA Plaza Eldoret	Fax: 254-053-2063997
	P. O. Box 219 Eldoret		
	Tel: 053-2063347		
67	Satellite Forex Bureau Ltd	City House	satelliteforex@swiftkenya.com
	P. O. Box 43617– 00100	Standard Street	Fax: 254-20-230630
	Nairobi	Nairobi	
	Tel: 2218140/1, Cell: 0721-411300		

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
68	Simba Forex Bureau Limited P. O. Box 66886 – 00800 Nairobi Tel. 020 – 445995, 0722 – 703121	Moi International Airport,	Fax No: 020 – 4443706
		Mombasa	
69	Sisi Forex Bureau Limited	Agip House,	sisiforex@sisi.co.ke
	P.O. Box 60770 - 00200 Nairobi	MHaile Selasie Avenue	
	Tel: 2445846/0722-382995		
70	Sky Forex Bureau Limited	20th Century,	Fax No. 020-2242064
	P. O. Box 26150 – 00100 Nairobi	Mama Ngina/ Kaunda Street	
	Tel: 020-2242062/3		
71	Solid Exchange Bureau Ltd	JKIA-Unit 2	Fax: 254-2-822923
	P. O. Box 19257– 00501		
	Nairobi		
	Tel: 822922/0722-853769		
72	Sterling Forex Bureau Ltd P. O. Box 43673 – 00200 Nairobi Tel: 2228923/340624	Laxmi Plaza,	info@sterlingforexbureau.com
		Biashara Street	Fax: 254-2-330894
73	Sunny Forex Bureau Limited	Uniafric House,	254-2-252076
	P. O. Box 34166 – 00100	Koinange Lane	sunnyfoexbureau@yahoo.com
	Nairobi		
	Tel: 2252013/252079		
74	Taipan Forex Bureau Ltd	JKIA,	taipan@africaonline.co.ke
	P. O. Box 42909 – 00100	International Arrivals Terminal	Fax: 254-2-229665/248676
	Nairobi		
	Tel: 827378		
75	Tower Forex Bureau Limited P.O. Box 25934 - 00100 Nairobi Tel. 0723434343, 0739270511, 0772372744	I & M Bank Tower, Kenyatta Avenue	nim711@hotmail.com

Appendix 9: Cont..

No	Name of Bureau	Location	E-mail Address & Fax
76	Trade Bureau De Change Ltd	Cotts House	trade@wananchi.com
	P. O. Box 7080 – 00300	City Hall Way	tradebdc@yahoo.com
	Nairobi	Transnational Bank	Fax: 254-2-317759
	Tel: 2241107		
77	Travellers Forex Bureau Ltd	The Mall Westlands	Fax: 254-2-443859
	P. O. Box 13580 – 00800 Nairobi		
	Tel: 447204/5/6		
78	Travel Point Forex Bureau Limited	JKIA,	
	P. O. Box 75901 – 00200	International Arrivals Terminal	
	Nairobi		
	Tel. 827872, 827877		
79	Union Forex Bureau Ltd	Sarit Centre	unionforex@hotmail.com
	P. O. Box 43847– 00100	Westlands	Fax: 254-2-4441855
	Nairobi		
	Tel: 4441855/4448327/4447618		
80	Ventures Forex Exchange Bureau Ltd	Bishop Magua Centre,	wanjiru101@yahoo@.com
	P.O. Box 2665 - 00200	1st floor,	
	Nairobi	along Ngong Road,	
	Tel: 0722650195		
81	Victoria Forex Bureau De Change Ltd	Sansora Building	Fax: 254-57-202536
	P. O. Box 705 – 40100	Central Square	
	Kisumu	Kisumu	
	Tel 057-2025626/2021134/2023809		

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No	Name of Bureau	Location	E-mail Address & Fax
82	Wallstreet Bureau De Change Ltd	Bargetuny Plaza	Fax: 254- 53-2062907
	P. O. Box 6841- 30100 Eldoret	Uganda Road	
	Tel: 053-2062907	Eldoret	
83	Wanati Forex Bureau Limited	Diani, Mombasa	
	P. O. Box 88309 – 80100		
	Mombasa Tel: 0202107500		
	Cell: 0726925090/0733702668		
84	Westlands Forex Bureau Ltd	Westgate,	westforex@wananchi.com
	P. O. Box 45746 – 00100	Westlands Nairobi	Fax: 254-2-3748785
	Nairobi		
	Tel: 3748786		
85	Yaya Centre Exchange Bureau Ltd	Yaya Centre	Fax: 254-2-3870869
	P. O. Box 76302 – 00508		
	Nairobi		
	Tel: 02-3869097		
86	ZTA Forex Bureau Ltd	Greenhouse	
	P. O. Box 51779 - 00200	1st floor, along Ngong Road	
	Nairobi		
	Tel: 0722792279		

Source: CBK (2014)