

**THE EFFECT OF CORPORATE SOCIAL ENTREPRENEURSHIP PRACTICES ON  
THE PERFORMANCE OF COMMERCIAL BANKS IN NAIROBI, KENYA**

**BY**

**LUCY NYAMBURA MAINA**

**SUPERVISOR**

**DR.MARY KINOTI**

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## DECLARATION

The project research is genuine and has never been exhibited for a degree in any other universities.

Signature.....

Date.....

**Lucy Nyambura Maina**

**D66/79149/2015**

The research was submitted for examinations with my approval as the university supervisor.

Signed.....

Date.....

**Dr. Mary Kinoti**

**Senior Lecturer,**

**Department of Business Administration,**

**School of Business,**

**University Of Nairobi**

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## **DEDICATION**

I sanctify the project to my parents Gerald Maina, Peninah Waithera together with my husband Timothy Muchina for their continued support in whichever way they can and above all for their prayers

## ABSTRACT

The purpose of this research was to examine the effect of corporate social entrepreneurship practices on the performance of commercial banks in Nairobi, Kenya. The study objectives were to: determine the extent to which corporate social entrepreneurship practices have been adopted by commercial Banks in Nairobi Kenya and determine the effect of corporate social entrepreneurship practices on the performance of commercial banks in Nairobi Kenya. The study adopted a census design. The population of the study was 47 commercial banks in Kenya. The data collection instrument used was semi-structured questionnaire which was administered by the researcher through drop and pick method. Statistical Package for Social Sciences (SPSS version 21) was used to analyze the structured questions while the use of descriptive statistics determined mean and standard deviation. Inferential analysis which comprised of multiple regression analysis was used to find the effect of effect of corporate social entrepreneurship practices on the performance at 0.05 significance level. The results were presented in tables. The results of the findings showed that overall, corporate social entrepreneurship was practiced at moderate extent among the commercial banks in Kenya. However, commercialization and financial education were practiced at great extent while online sales, Conversion of waste to by product and social innovation at moderate extent. Regression results indicated that corporate social entrepreneurship practices had significant positive effect on the performance of commercial banks in Nairobi Kenya and it accounted up to 91.7% of performance variation. However, from regression coefficient, a unit increase in Conversion of waste to by product would result to reduction in performance. The study recommends that commercial banks administration partnering with NGOs so as to insure financial products targeting low income earners, commercial banks should not discriminate non informed groups during financial education and lastly, commercial banks to build an investment market that isn't necessarily focused solely on start-ups but on taking proven ideas to scale

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>ACKNOWLEDGEMENTS</b> .....	<b>iii</b>
<b>DEDICATION</b> .....	<b>iv</b>
<b>ABSTRACT</b> .....	<b>v</b>
<b>LIST OF TABLES</b> .....	<b>x</b>
<b>ABBREVIATIONS</b> .....	<b>xi</b>
<b>CHAPTER ONE: INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the Study.....	1
1.1.1 Concept of Corporate Social Entrepreneurship .....	2
1.1.2 Firm Performance .....	3
1.1.3 Banking and Financial Institutions in Kenya .....	3
1.1.4 Commercial Banks in Nairobi County .....	4
1.2 Research Problem.....	5
1.3 Objective of the study .....	6
1.4 Value of the Study.....	7
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	<b>8</b>
2.1 Introduction .....	8
2.2 Theoretical Foundation .....	8
2.2.1 Resource Based View .....	8
2.2.2 Corporate Social Performance Theory (CSP) .....	9
2.2.3 Stockholder Theory .....	9

2.3 Social Entrepreneurship Practices .....	10
2.3.1 Social Innovation .....	10
2.3.2 Conversion of Waste to Useful by Products .....	10
2.3.3 Online Sales .....	11
2.3.4 Commercialization of Microfinance .....	11
2.3.5 Financial education .....	11
2.4 Measures of Firm Performance .....	12
2.4.1 Firm Profitability .....	12
2.4.2 Firm Market Share .....	13
2.4.3 Customer Satisfaction .....	13
2.5 Corporate Social Entrepreneurship and Firm Performance .....	13
2.6 Summary of the Literature and Gap .....	14
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>16</b>
3.1 Introduction .....	16
3.2 Research Design .....	16
3.3 Target Population of the Study .....	16
3.4 Data Collection .....	17
3.5 Data Analysis .....	17
<b>CHAPTER FOUR: DATA ANALYSIS, FINDINGS, INTERPRETATIONS AND DISCUSSION OF RESULTS .....</b>	<b>18</b>
4.1 Introduction .....	18
4.2 Response Rate .....	18

4.3 Background information of the respondent.....	18
4.3.1: Gender .....	18
4.3.2: Age of the Respondents.....	19
4.3.3: Education Level of the Respondent.....	20
4.3.4: Work Experience of the Respondents .....	21
4.5 Social Entrepreneurship Practices.....	22
4.5.1 Commercialization of Microfinance.....	22
4.5.2 Financial Education .....	24
4.5.3 Online Sales .....	25
4.5.4 Conversion of waste to by product.....	27
4.5.5 Social Innovation.....	28
4.6 Firm Performance.....	30
4.7 Correlation analysis between Social Entrepreneurship practices and Firm Performance...	31
4.8 Regression analysis between social entrepreneurship analysis and firm performance.....	32
4.9 Discussion of the findings.....	34
<b>CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>36</b>
5.1 Introduction .....	36
5.2 Summary .....	36
5.3 Conclusions .....	37
5.4 Recommendations .....	38
5.5 Limitations of the Study.....	39



5.6 Recommendation for Further Studies .....	39
<b>REFERENCES.....</b>	<b>40</b>
<b>APPENDIX.....</b>	<b>i</b>
<b>Appendix i: Research Questionnaire.....</b>	<b>i</b>
<b>Appendix ii: List of Commercial Banks in Kenya.....</b>	<b>vi</b>

## LIST OF TABLES

Table 4.3.1 Gender of the Respondents .....	19
Table 4.3.2 Age of the Respondent.....	20
Table 4.3.3: Education Level of the Respondents .....	21
Table 4.3.4: Work Experience of the Respondents.....	22
Table 4.5.1 Commercialization of Microfinance .....	23
Table 4.5.2 Financial Education .....	24
Table 4.5.3 Online Sales .....	26
Table 4.5.4 Conversion of waste to by products.....	27
Table 4.5.5 Social Innovation .....	29
Table 4.6 Firm Performance .....	30
Table 4.7 Correlation analysis between Social Entrepreneurship practices and Firm Performance .....	31
Table 4.8 Regression analysis between social entrepreneurship analysis and firm performance	32
Table 4.8.1 Regression Model Summary.....	33
Table 4.8.2 Results of Regression Coefficient.....	33

## ABBREVIATIONS

<b>CBK</b>	Central Bank of Kenya
<b>CSE</b>	Corporate Social Entrepreneurship
<b>CSR</b>	Corporate Social Responsibility
<b>CWPS</b>	Conversion of waste to by products
<b>E4E</b>	Education for Entrepreneurs
<b>FE</b>	Financial education
<b>FE4Y</b>	Financial Education for Youth
<b>FP</b>	Firm performance
<b>MFI</b>	Micro finance institutions
<b>OS</b>	Online sales
<b>ROA</b>	Return on Assets
<b>ROI</b>	Return on Investments
<b>S.D</b>	Standard deviation
<b>SI</b>	Social innovation

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

Incorporation of Corporate Social Entrepreneurship (CSE) makes tangible difference to improving the lives and economic prospects of Kenya and Africa as a whole. CSE is basically directed to enable a business to come up with a more progressive and dominant forms of Corporate Social Responsibility (CSR) James Austin & Ezequiel Reficco (2009). Many firms conduct CSE in order to attain certain goals. Culturally responsible actions by businesses have a positive impact with the performance of the firm, even though the outcome is decidedly mixed. Carroll and Buchholtz (2010). Corporate social Entrepreneurship has evolved into significant part of the business planning of a thriving number of firms.

This study was anchored on three theories that are; Resource Based View by Wernerfelt (1984), the Corporate Social Performance Theory (CSP) by Wood (1991) and the Stockholder Theory, by Friedman (1970). Resource Based View proposes that those firms with more property and abilities are able to participate in CSE activities compared to firms with little resources. The Corporate Social Performance theory suggests that the firms' activities have an effect both inside and outside the firm thus firms should perform activities that will have a positive effect on the stakeholder to create firm good will. The Stockholder theory on the other hand holds that firms are only responsible to their owners and stockholders thus they have only one responsible of satisfying the financial interests of the stockholders and not the interests of the society. These theories informed the findings of the study and also provided important data for the study.

Commercial banks in Kenya engage in Corporate Social Entrepreneurship (CSE) program although they do so in pursuit of high profits. They engage in different CSE program depending on what they want to achieve (Gakenia, 2011). Banks with more resources and wider networks have spent more in CSE program as compared to the banks with less than 35 branches. Some of the common CSE programs among commercial banks are; Commercialization of microfinance, Introduction of financial education programs such as Financial Education for Youth (FE4Y) and small and micro businesses through Education for Entrepreneurs (E4E). promoting talents like music and sports (Gakenia, 2011).

### **1.1.1 Concept of Corporate Social Entrepreneurship**

Concept of CSE was initially introduced by Hemingway in 2002 from a paper that was publicized in the Hull University Business School Research (Idowu & Gupta, 2005). Corporate Social Entrepreneurship (CSE) has been defined differently by different scholars. Hemingway (2002) defines it as a mechanism of advancing into social agendas in addition to the firm's main objective. (James Austin & Ezequiel Reficco, 2009) defined CSE as a process directed to enable a business to come up with a more progressive and dominant form of Corporate Social Responsibility (CSR). An emphasis on Corporate Entrepreneurship within firms surfaced, with Covin and Miles (1999) defining it as "modification of things with the aim of redefining organizations, markets, or businesses and in process build or enable a competitive edge. Alongside that, the concept of Social Entrepreneurship was brought up. (J. Gregory Dees, 1998) defining it as the use of skills by entrepreneurs and other emerging companies to promote, finance and apply solutions to environmental or social issues. The main aim of CSE is to grant a way that will speed up the journey of CSR. CSE is a process for energizing and enabling the improvement of CSR but it could not be termed as another way CSR.

CSE is a multi-disciplinary subject which relates to fields such as corporate social responsibility and sustainability. Concept of CSR includes expectations that are; ethical, economic or legal that a community has and is related to a firm (Classon and Dahlstrom, 2006). Social entrepreneurs and social enterprises' main aim is to generate value for society by creating viable solutions to societal problems that are ignored. Developed governments such as the United States have embraced social entrepreneurship as a motivator of innovation and solution to multiple societal problems (Zeyen et al., 2012). According to Austin & Reficco (2009), key elements of CSE include; creating a friendly environment, strengthening corporate purpose and values, nurturing corporate social entrepreneurs, generating double value and building strategic alliances. Common social entrepreneurship elements in the banking sector include: risk management, comprehending of financial services complexity, strengthening ethical conducts, implementing strategies to counter financial dilemmas, (Yeung, 2011).

### **1.1.2 Firm Performance**

Firm performance is the advantage gained by the firm through superior productivity. Firm performance is how effective or efficient a firm's action really is (Neely, Gregor & Platts, 1995). Performance measurement on the other hand is the conversion of complex existing performance aspects of the organization into organized symbols that could relate under the same circumstance (Lebas, 1995). Firm's performance can be measured using various financial performance parameters such as; firm increase or decrease in sales and non financial parameters such as customer base (Liargovas & Skandalis, 2004).

Over time the use of financial measures to measure firm performance has become obsolete and inadequate hence the backing of the use of non-financial measure (Kaplan & Norton, 1996). Measuring performance in business is important for many reasons. Performance measurement provides the firm management with the insights of how they can improve the firm processes and people that are crucial to the firms' existence and in addition to that find out processes that are of value to the stakeholders and the customers as well and improve them. According to Santo and Brito (2012), most firms measure their performance so as to obtain information that will enable the management advance their financial and operational outcomes.

Firms which measure their performance are able to identify and improve both their internal functions and the resulting external outcomes and in so doing redesign their activities to become market leaders within the industry (Kaplan & Norton, 1996). Measuring firm performance too enhances the firms' focus on the available resource optimization, reduction of costs and also enhances quality service or product delivery. This study involved the measurement of the performance commercial banks in Nairobi in relation to the adoption corporate social entrepreneurship activities.

### **1.1.3 Banking and Financial Institutions in Kenya**

A financial institution is an establishment that manages financial matters such as deposits loans and investments. Nearly everybody is involved in financial institutions frequently. Everything from borrowing loans, exchanging currencies and depositing money must be conducted through

financial institutions. Major acts of financial institutions include; Nonbank Financial Institutions (NBFIs), Insurance Companies, Commercial Banks and Investment Banks such as Akiba loans, Credit Unions and savings and loans. NBFIs were established to close a breach in financial system and amend incompetence in loan facilities. Specialized financial institutions enhances easier accessibility finance given by commercial banks.(Sarah 2012)

Kenya Bankers Association (KBA) together with banking industry in Kenya rolled out the Check Truncation System in August 2011.The initiation of the system is anticipated to accelerate clearing of such checks in addition to lowering acts of frauds and the transportation cost of checks to various banks. Financial institutions are regulated according to the provisions of the Banking Act issued there under.( Evans, J.R. & Lindsay, W.M. (2011).

#### **1.1.4 Commercial Banks in Nairobi County**

Commercial banks plays a major role in the country through contributing immensely to the country's GDP. Despite their importance to the country's economic development, they face a myriad of challenges. The banks face challenges such as financial distress which if left unchecked can lead to bank failures which may cripple the economy (Kariuki, 2013). Change in regulations requires the firm's in the industry to boost their minimal core capital required which is also a challenge to some institution (CBK Report, 2015). Commercial banks are monitored, licensed as per the requirements of the banking act and regulation, practical guidance are also given. Since commercial banks are leading participants in the banking industry, keen attention should be given to them when they are conducting their business to ensure they follow the laws and regulations (CBK, 2016).

As of December 2016, commercial banks in Kenya held total valuables worth KS Billions 3,234 (USD 32 Billion) and had large Loans/advances worth KS Billions 1,467 (USD 14Billion). The sector has recently witnessed adverse development incidents after many years of stability. This led to short periods of fear in the Kenya's financial sector. The year 2015 saw the downfall and elimination of commercial banks such as Dubai Bank Kenya Limited (in August 2015) and placement under lawful administration of another two banks, Imperial Bank Limited (October 2015) (Fusion Investment Management, 2015) and Chase bank in 2016. The industry participants

are now struggling to adjust to the new policies set by the CBK. The Kenyan banking sector consists of 44 banking institutions (43 being commercial banks and 1 mortgage institution). Among the 43, 39 commercial banks are owned privately and state dominates in the other 3 commercial banks. 25 of the 39 privately owned commercial banks are owned locally while 14 are foreign owned (CBK, 2016). Nairobi City County has either the headquarters or branch for all the commercial banks that operate in Kenya. This is attributed to the high population which provides a large market for the commercial banks to operate.

## **1.2 Research Problem**

The effect of corporate social entrepreneurship on an organization performance is not clear in the literature. This is because firms still look at corporate entrepreneurship differently. Scholars have different perspectives on this area of knowledge. Some of the scholars such as Friedman (1970) in His theory of corporate social responsibility (CSR) suggest, social activities are expensive to the firm since it is entrepreneurs who bear that cost and not shareholders. Other scholars such as Baron (2005) suggest that social activities are not of any benefit and neither are they costly since an increase in corporate giving cancels out by a decrease in giving of a person. While others for instance Okwemba, Chitiavi and Egessa (2014) find a positive relationship. Despite the vagueness of relationship between CSE and performance, many organizations have adopted various social activities for social sustainable developments (Samina, 2012) but literature has not exhaustively explained the effect of these activities on the performance of organizations that adopt them.

In Kenya, commercial banks just like other business organizations have spent a lot of resources to adopt various internal and external corporate social entrepreneurship activities to ensure that they support the society and also ensure that their employees work in a conducive environment and are motivated and empowered (Omoró et al., 2014). Common internal CSE activities cover health and safety, training, balance between work and life, equality and diversity at work place, pay and benefits, all are offered with no strings attached. The activities however, do not seem to attain the desired goal as anticipated by the management, for instance ,despite the efforts of the banks to adopt various internal corporate social entrepreneurship activities to ensure their



employees are comfortable, there are number of employees that do not deliver optimum performance(Ali and Ikhlas 2012).

Studies done in this area of knowledge include; (Benjamin Gidro (2016) assessed Dual Hybridity of Social Enterprises for Marginalized Populations. The paper focuses on the traditional separation between the world of welfare and the world of regular work and layout conceptual frameworks that enhances certain marginalized populations to participate in market-oriented social enterprises.(Thane Kreiner2016) examined the key trends of social entrepreneurship in organizations and economy and concluded that social entrepreneurship will benefit from an improved ecosystem.(SatyajitMajumdar&GordhanSaini2017)examined Corporate Social Responsibility and Social Entrepreneurship: An Indian Context and found that there is need of thinking of more innovative models of CSR, so that business benefits and social benefits can be combined in true sense. Locally, (Daniel Tarus2017) examined CSR in times of organizational crisis and found that despite the nobility of CSR, organizations and wider society variously consider it's a blessing, a curse or a 'necessary evil'.(Chege2014) examined the consequences CSR has on (CBK) and discovered there is no direct correlation between CSR and commercial banks profitability.

The studies reviewed focused majorly on Social Entrepreneurship and corporate social responsibility instead of corporate social entrepreneurship. Studies such as Chege (2014) were also carried out more than two years ago thus the time lapse warrants another study. The studies reviewed were based in other contexts other than commercial banks in Nairobi County for instance Tarus (2017) was based on NGOs and other government organizations. The study by Chege (2014) focused on commercial banks CSR in Kenya but not CSE. Thus there is a knowledge gap to be filled. It's against this background the study wanted to answer the question; what is the effect of corporate social entrepreneurship practices on the performance of commercial banks in Nairobi County?

### **1.3 Objective of the Study**

i. To determine the extent to which corporate social entrepreneurship practices have been adopted by commercial Banks in Nairobi Kenya

ii. To determine the effect of corporate social entrepreneurship practices on the performance of commercial banks in Nairobi Kenya

#### **1.4 Value of the Study**

This research is significant to various associates such as government and other regulators and policy makers, the banking industry and to other researchers and academicians. The study contributed to the findings of stockholder theory by determining the effect that CSE has on the performance of CBK. It also contributed to Resource Based View theory as it showed that those banks with more resources are able to practice CSE compared to those with few resources.

The government and social entrepreneurs share an interest in identifying various sustainable efficient and at least effective ways to solve difficult social problems. The government and other regulators and policy makers will find this study of value in regard to advising and formulation of guidelines towards putting into place the right laws and policies that will enhance corporate social entrepreneurship among the banks which in turn enhances economic growth.

This study is of use to the banks management in that it enables them to understand the effect corporate social entrepreneurship has on the performance of the banks thus be able to know how adopting corporate social entrepreneurship affects their firms. Also the study sheds more light on the importance and benefit that comes along with the practices of Corporate Social Entrepreneurship to those banks that are yet to involve themselves in CSE

To other academicians and researchers, the study tallies to the growing literature on the effect of corporate social entrepreneurship practices on commercial banks. The study also help academicians in that they are able to understand the various corporate social entrepreneurship practices adopted by commercial banks Kenya. It also forms a ground for likely research on the effect of corporate social entrepreneurships on the performance of CBK, Nairobi County.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This section entails literature that has been conducted in the area of corporate social entrepreneurship. The section elaborates on the existing theories relevant to this topic and also the social entrepreneurship practices. There is also a review on the measures of firm performance and relation between CSE and firm performance. Lastly there is literature summary and gap

### **2.2 Theoretical Foundation**

The theories relevant to this study include; Resource Based View, the Corporate Social Performance Theory (CSP) and Stockholder Theory

#### **2.2.1 Resource Based View**

The resource based theory is the work of Wernerfelt (1984). The Resource-Based theory proposes that by innovatively providing superior value to customers, competitive advantage can be achieved. This theory targets the strategic use of assets by firms to develop competitive advantage (Gall & Borg, 2009). According to this theory, every firm has its unique resources and capabilities which are believed to drive the differences in firm's performances across time rather than by an industry's structural aspects. The Resource-Based theory was modified in 1992 through integrations with other concepts for instance by Lippman and Rumelt (1982) unpredictable limitability, Rumelt (1984) set apart techniques and as articulated by Barney (1991). The theoretical underpinning was strengthened by Makadok (2001), who analyzed the resource, based view in concern to varying firm unique resources.

The Resource-Based theory is criticized based on that diverse resources can achieve equivalent advantage for firms and hence couldn't be termed as an advantage (Priem & Butler, 2001). This theory also has a limited focus on capabilities. The Resource Based Theory is also criticized on the basis that it has limited authorized implications (Hoopes, Madsen & Walker, 2003). What makes this theory meaningful to this study is its proposition that firms with more resources and capacity are able to participate in CSE as compared to firms with little resources that are always

looking out to make profits thus firms with resources benefit from CSE activities more than firms with little or no resources to spend on CSE activities.

### **2.2.2 Corporate Social Performance Theory (CSP)**

This theory was developed from the work of Wood (1991). The Corporate Social Performance theory focuses on outcomes and not interaction and integration. The theory suggests that firms must examine whether they have been successful in each specific area progressively (Wood, 1991). In accordance with the theory, a firm should to be profitable which is its' main reason for existence, before it can continue to be philanthropic, ethical and legal. Social responsiveness refers to how a firm is alert to social affairs. A company can be aggressive, accommodating, preservative or rigid. Corporate behavior can be divided into socially responsible or socially irresponsible behavior.

What makes the theory essential to this research is its suggestion that all the activities of the firm affect it both inside including shareholders, communities or the natural surroundings thus firms are encouraged to do things that will have a positive effect on the stakeholder to create firm good will.

### **2.2.3 Stockholder Theory**

This is also referred to as the theory of Maximized Profits and was developed from the work of Friedman (1970). The Stockholder Theory states that business firms are only responsible to their owners and shareholders thus have only one responsible of satisfying the financial interests the stockholders have and with that, the needs of society are served in the long term. According to this theory CSE is just a by-product of the firm's profit seeking objective since profit making is their most fundamental objective. To this theory, benefits to other parties such as CSE should not be deemed as the corporate objective (Friedman, 1970).Mackey (2005) also support the Stockholder Theory through suggesting that CSE firms increases aggregate social giving which brings about financial loss. What makes the theory essential to this research is its urge that CSE has no effect on the firm thus should not be considered as firm objective and that firm should stick to their main goal of firm profitability.

## **2.3 Social Entrepreneurship Practices**

In most cases customers love being related and supporting those companies that have a good image. By taking into consideration the three Ps which entails profit people and planet, social entrepreneurs are able to come up with a viable business models that work in a different way than traditional non-profits. From their obligation and commitment firms and businesses are able to retain their employees and also increase their productivity. Below are various practices of social entrepreneurship.

### **2.3.1 Social Innovation**

Those companies that adapt or practice the social innovation address the environmental and societal challenges in a way that is more economical-a virtuous cycle that benefits all involved. An example is Adobe systems where people uses their sites find works or jobs regardless of where they live be it in rural area or struggling economies or urban areas. Another example is Unilever that Provides lifestyle products and edible materials worldwide focusing more on environmental and social innovation. In Kenya examples of Unilever products includes; Omo, Aromat, Vaseline, Royco etc.Social innovation is concerned with the generation of new ideas that simultaneously meet social needs (Mary & Sheila Melvin 2017)

### **2.3.2 Conversion of Waste to Useful by Products**

According to the World Bank, Africa procreates almost 70 million tons of waste every year. This will continue to increase as the spending power of an ordinary African person continues to increase hence increased waste.(John-Paul Iwuoha 2013).We have inspiring people like Lorna Rutto, founder of Ecopost who started her company that manufactures fencing posts from recycled plastic waste. Today she has employed more than 300 Kenyans. Another example is that of Sanergy also situated in Kenya, who are putting effort and doing their best to iron out sanitation dilemma which really affect shanty towns. They transform the waste into valuable byproducts, such as renewable energy.

### **2.3.3 Online Sales**

We have companies such as Good Eggs that practice online grocery. They get grocery from the farmers and deliver to your door step. People are able to access foods that are local, affordable and fresh. Their belief is that better food leads to a better world. (Lora kolodny 2016) Their mission of supporting the farmers and their products locally is both environmentally optimal and socially responsible. Also many social entrepreneurs have adopted blogging as platform to reach out to a large group of people since social media in that case is cost effective. For examples food bloggers, they capture themselves in action, getting their audience to connect with them while discovering what they do in the field.

### **2.3.4 Commercialization of Microfinance**

One of the CSE Practices in banking system includes Commercialization of microfinance. Microfinance is another way or form of banking service that helps low income earners, unemployed or small entrepreneurs to access to financial services. Some of these services include insurance, loans and savings. Main goal of microfinance is to provide the less fortunate an opportunity to become self-sufficient (Erica M. Field; Rohan Pande 2011). Some companies that practice Microfinance offer extra services, including bank accounts. A vigorous microenterprise sector is relevant for social equity and economic growth as it creates away to economic fortuity and improvement of the society (Jay K. Rosengard 2004)

### **2.3.5 Financial Education**

Another corporate social entrepreneurship practices in the banking system is the offering of Financial Education. It is an essential life skill that helps in closing the gap of financial knowledge, as it provides the skills and attitudes which enable individuals to make useful and knowledgeable financial decisions.(Standard Chartered 2017) .Some of the banking institutions focus on building financial competency among youth through small and micro businesses through Education for Entrepreneurs (E4E)and Financial Education for Youth (FE4Y). The offering of financial education to the non-informed group help bridge the gap that's between continuing and unacceptable levels of poverty and rapid economic growth in third world

countries (Klapper& Demirguc-Kunt, 2012). In conclusion, financial education contributes heavily to our growing economy since even the small enterprises are more informed on the management of their financial resources.

## **2.4 Measures of Firm Performance**

There is no single metric that is perfect for measuring firm performance. Common parameters that are used to measure firm performance are; firm profitability, firm market share and customer satisfaction.

### **2.4.1 Firm Profitability**

Firm profitability metrics is used to show the extent to which a company has been efficient in its operations over a given period of time. Profitability metrics are criticized because it is seen as backward-looking and passed by time and that the measure is uncertain about future events for instance depreciation and amortization. The metric is also criticized by Kapopoulos & Lazaretou (2007) since it is limited to certain standards that are set by the profession. Common metrics that are used measure the firm profitability include; Return on Assets (ROA), Return on Equity (ROE) and Economic value added (Santos & Brito, 2012). ROE metric is preferred since it fosters a better view of asset utilization. The metric is also preferred it is the easiest to use when measuring the return to the shareholders.

ROA is used in measuring the benefits of all the resources and usually used as an overall index of financial performance. The firm's ROA level is frequently used in measuring management efficiency to create income from all the firm's resources. ROA is used to gauge the firm's performance aspects such as operating and financial performance (Klapper& Love, 2002). The metrics' measurement can be explained as the higher the firms ROA, the more the effectiveness in the use the firms' assets to the shareholders advantage (Haniffa & Huduib, 2006). High ROA also shows that the firm uses its assets to serve the shareholder's economic interests (Ibrahim, Abdul & Samad, 2011). ROA is preferred since it pays attention to the asset used by the firm to support the business on going. This metric shows whether the business is in a position to develop

enough return on its resource other than just displaying sales and profits (Hagel, Seely& Lang, 2010). This also enlightens the management on the assets required to run the firm activities.

#### **2.4.2 Firm Market Share**

Firm market share is the percentage of the overall sales of a market obtained by a specific firm over a given period of time (Angelover & Zekiri, 2011). Market share gives an idea of the firms' size in relation to the competitor and the market. The level of market share can be determined through the firm's earnings per share, the level of dividend yield, stock price volatility stock price improvement (Santos & Brito, 2012). Market share determination is important since Financier look at the market share decreases and increase to assign the relative competitiveness of the company's' products. Every organization focuses on attain a sustainable growth rate over a certain period of time since it constitutes the firms objective. Commercial banks just like other organizations engage in CSE to a large extent to ensure they achieve a sustained growth in order to enhance their market share.

#### **2.4.3 Customer Satisfaction**

Customer satisfaction measures how products or services offered by the firm meet or surpass the customer's expectations and is given by repeated sales, more referrals, brand loyalty, positive word or mouth, customer assessment and customer feedback (Angelover & Zekiri, 2011). Customer satisfaction level can be measured through; the mix of products and services that the firm offers, the rate of repurchases, the number of complaints registered, the level of new customer retention, Number of new products/services launched and the general level of customer satisfaction (Santos & Brito, 2012). Customer satisfaction will be given by measures such as repeated sales, more referrals, brand loyalty, positive word or mouth, customer assessment and customer feedback (Angelover & Zekiri, 2011).

#### **2.5 Corporate Social Entrepreneurship and Firm Performance**

Scholars give differently suggestions towards the area of corporate social entrepreneurship and firm performance. Some scholars suggest that corporate social entrepreneurship improves firm performance. According to (Hoogendoorna, Zwana and Thurik, 2011), social entrepreneurship is



used by firms mostly to advertise themselves to the customers who buy more. This increases the firm sales hence firm performance. Since entrepreneurship entails finding innovative techniques to generate firm profit, CSE aims at ensuring the firm moves from maximizing investor's returns to optimizing stakeholders' returns which constitutes the firms major objectives (Emerson & Bonini, 2003)

CSE enhance firm performance through enhancing the firm competitive edge (Porter & Kramer, 2006), increasing the firm market share embellish the company's trustworthiness. CSE also reduces the firm operational costs and risk (Heal, 2005 According Tsoutsoura, (2004).CSE enhances differentiation within the markets, consumer understanding hence increased firm financial performance. Other scholars on the other hand suggest that corporate social entrepreneurship have no impact on firm performance and that the firm practices it just for compliance to policies set (Gherghina and Simionescu, 2015).

Others suggest that corporate social entrepreneurship reduces the firm finances which in turn affect firm performance negatively. The Stockholder Theory suggests that CSE increases aggregate social giving which involves more spending that brings about financial loss (Mackey, 2005).The theory suggests that business firms should be only responsible to the owners and stockholders of the company thus have only a responsibility of satisfying the stockholders financial interest and that the interests of society will be met in the process.

## **2.6 Summary of the Literature and Gap**

This study reviewed three theories. Resource Based View by Wernerfelt (1984), Corporate Social Performance Theory (CSP) by Wood (1991) and Stockholder Theory by Friedman (1970). Resource Based View suggested that firms with more resources and capabilities are able to participate in CSE activities and benefit from them as compared to firms with little resources that are always looking out to make profits. Corporate Social Performance Theory (CSP) suggests that everything a firm does has an effect either inside or outside the firm thus firms are encouraged to do things that will have a positive effect on the stakeholder to create firm good will. Stockholder Theory on the other hand suggests that firm should focus on their main

objective of profit maximization and in so doing, the interests of society are served in the long run.

The empirical literature reviewed majorly focused on social entrepreneurship instead of corporate social entrepreneurship. The literature also largely focused on other factors other than the banking industry for instance Tarus (2017) focused on CSR in times of NGO and international organization crisis. Other studies were based on developed economies thus could not be used to represent the same in Kenya for instance such Gidron, (2016) based in U.S. None of the study has reviewed the effect of corporate social entrepreneurship on the performance of commercial banks in Nairobi County. This leaves a knowledge gap the study sorts to fill by analyzing effect of corporate social entrepreneurship practices on the performance of commercial banks in Nairobi County.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The section pinpoints techniques and procedure used in collecting data and also analyzing and processing of the data. The subsections particularly discussed were as follows: research design, sample design, data collection procedures, target population and data analysis.

### **3.2 Research Design**

Dul and Hak (2008) define a research design as the procedures for collecting and analyzing of data in a way that purpose to attain the studies objective. On the other hand, Mugenda and Mugenda (2003) defined research design as “the plan, structure and strategy to be followed while answering the research questions”. This research employed Census design. It is ideal when dealing with small populations. The design answers pertinent questions such as where, what, who, when and at times how. It enables respondents to give more information freely. The census method helped in assembling information required to determine corporate social entrepreneurship practices done by Commercial Banks in Kenya and also effect of corporate social entrepreneurship has on the performance of commercial banks in Kenya.

### **3.3 Target Population of the Study**

The target population in a research study is the entire number of people in a group or the number of groups the people researching are intending to work with (Cooper & Schindler, 2001). Kothari (2004) describes a target population as the whole number of respondents that are in the targeted environment used for the study. This studies target population was the Commercial Banks operating in Kenya as the end of 31<sup>st</sup> December 2016. According to the Kenya Bankers Association (2017), there were 44 commercial Banks operating in Kenya as at 31<sup>st</sup> December 2016 as shown in Appendix I.

### **3.4 Data Collection**

Data collection is significant in research because it enables the distribution of accurate information and development of important policy (Kombo & Tromp, 2006). This study relied on primary data collected from commercial banks through the use of semi-structured questionnaires. The researcher used a questionnaire since it is more direct than other tools of data collection. Use of questionnaires also makes collection of data quick. The questionnaire was divided into three sections as follows: Section A contained questions on background information regarding the respondents; Section B contained questions on the extent to which commercial banks practice corporate social entrepreneurship; Section C comprised of questions on the performance of CBK. The questionnaires were self-administered. The data was collected from Operational manager supervisor and financial managers of Commercial Banks in Nairobi Kenya.

### **3.5 Data Analysis**

Mean scores and standard deviation was used to analyze the data. This helps in description of variables in measures of central tendency and dispersion therefore providing essential results that helps to attain the aim of the study. Simple linear regression analysis was used to establish the effect of corporate social entrepreneurship practices on the performance of commercial banks in Kenya. The acquired questionnaires was sorted and later serialized in readiness for coding. Once coded, the questionnaires response was put into the Statistical Package for Social Sciences (SPSS) version 21 which was used in the analysis of collected data.

## **CHAPTER FOUR**

### **DATA ANALYSIS, FINDINGS, INTERPRETATIONS AND DISCUSSION OF RESULTS**

#### **4.1 Introduction**

The section entails the study and findings of the research as shown in the objective and research technique. The objective of the research was to establish the effect of corporate social entrepreneurship exercises on the performance of commercial banks in Nairobi, Kenya. The data was gathered exclusively using questionnaires that were administered to sampled banks

#### **4.2 Response Rate**

Question sheets given to all testees, were 44. A total of 39 question sheets were duly answered and given back. This meant a successful feedback rate of 86%. As stated by Mugenda and Mugenda (2003), a feedback rate of 50% or more is agreeable. Babbie (2004) also claimed that return rates of 50% are all right to analyze and publish.

#### **4.3 Background Information of the Respondent**

The background information focused on gender, level of education, age section, position in the bank, and their work experience. The results are as shown in Table 4.3.1 up to Table 4.3.4

##### **4.3.1: Gender**

The respondents gender was a key area investigated in this study. The study wanted to know the number of male that participated in this research as well as the total number of female that participated in the answering of questionnaires.

**Table 4.3.1 Gender of the Respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	23	58.97
Female	16	41.02
<b>Total</b>	<b>39</b>	<b>100</b>

59% of the participants were male and 41% of them were female. This demonstrates that majority of bank employees that took part in this study were male in comparison to female employees that answered the questionnaires who were in fewer numbers.

However, the proportion of female was not too low as it almost met the threshold set in the constitution on gender equity. According to Wanjiku (2017) gender issues cannot be overemphasized especially at management level and with the increasing social entrepreneurship practices and professionalization in MFI sector, the structure may change gradually in the future. Some studies (Wisul, 2004) show that female managers overshadow their male peers on almost every measure, from inspiring others to enriching communication, to resulting to exquisite work, to goal setting to guiding of employees.

#### **4.3.2: Age of the Respondents**

The research also looked at the age section where respondent was asked to indicate the age. This will be of value as it will enlighten the researcher on the age difference of the employees and if the banks mainly entail of the young or old generation.

**Table 4.3.2 Age of the Respondent**

<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
Below 25	0	0
26-30	4	10.25
31-35	15	38.46
36-40	16	41.02
41 -50	3	7.69
51 and Above	1	2.56
<b>Total</b>	<b>39</b>	<b>100</b>

From Table 4.3.2, 41% of the respondents were between the age of 36 to 40 years while 38% were between the age of 31 and 35 years. There were no respondent in the age category below 25 years.

From the findings, it can be deduced that over 90.0% of the respondents were not more than 40years. This indicates most of the managers in MFI are young.( Anthony, B 2010) majority of bank managers being young, are able to provide dynamic leadership capabilities. This indicates that the youth will make an impact if engaged appropriately as consumers of microfinance products to improve their welfare.

#### **4.3.3: Education Level of the Respondent**

Another key area investigated in this study was the level of education. The study wanted to know how well educated are the respondents.

**Table 4.3.3: Education Level of the Respondents**

<b>Education</b>	<b>Frequency</b>	<b>Percentage</b>
Diploma	2	5.12
Bachelor	21	53.84
Masters	15	38.46
PhD	1	2.56
<b>Total</b>	<b>39</b>	<b>100</b>

As per the Table 4.3.3, 54% of the respondents showed that they were first degree graduates, additional 38% had masters, while the lowest was PhD level which had only 3%. This imply that respondents were knowledgeable and thus would be in a position to comprehend the survey and give solid data for the learning on the outcome of corporate social entrepreneurship practices on the performance of commercial banks in Nairobi Kenya.

The management of MFIs requires proactiveness, innovativeness and the ability to manage for a competitive advantage. Managers with high level of education are recommended since they are likely to embrace a stakeholder approach to management. According to Wesusta (2012) majority of the master degree graduate hold managerial/senior positions which are instrumental in making decision pertaining social entrepreneurship practices. Further, Wainaina (2016) also found out that majority of employees in commercial banks have academic qualification beyond diploma.

#### **4.3.4: Work Experience of the Respondents**

Work experience was another of key area that the study investigated on. The researcher wanted to know the number of year experience that respondents had while working in Commercial banks.



**Table 4.3.4: Work Experience of the Respondents**

<b>Work experience</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 1 year	0	0
1 - 5 years	11	28.20
6 – 10 years	19	48.71
Above 10 years	9	23.07
<b>Total</b>	<b>39</b>	<b>100</b>

From Table 4.3.4, 49% of the respondents had a practical knowledge of 6 to 10years while 28% of the participants had worked for duration of between 1 to 5 years. 23% of the respondents had work background of above 10years. The findings indicate that all the sampled respondents were aware of social enterprise practices adopted by banks in Kenya.

The study demonstrates that most of the respondents had worked for over 5 years in this way they are able to give more accurate data with respect to the study. This findings are in agreement with Wesusta (2012) who found out majority of employees in banking industry have experience of between 5 and 10 years and few of them over 10 years.

#### **4.5 Social Entrepreneurship Practices**

In this study, Social entrepreneurship practices were categorized as Social innovation, Conversion of waste to useful by products, Online Sales, Commercialization of microfinance and Financial education.

##### **4.5.1 Commercialization of Microfinance**

The participants were asked to point out the extent in which commercial bank engage in commercialization of microfinance. A likert scale of 1-5 was used whereby 1=No Extent; 2=Little Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent. The findings were presented in Table 4.5.1

**Table 4.5.1 Commercialization of Microfinance**

<b>Commercialization of microfinance</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Interpretation</b>
The bank has products for the unemployed	3.34	.54374	Moderate Extent
The bank has products for the low-income earners	3.01	.74341	Moderate Extent
The bank has products for informal groups	2.95	.58648	Moderate Extent
The bank offers insurance for the low-income earners	2.96	.81531	Moderate Extent
Overall mean average of average	3.06	.65413	moderate Extent

From the finding, majority of the banks agreed to moderate extent that they have products for informal sector business with a mean score of 2.96 and S.D=0.586. In relation to that the bank agreed to moderate extent that they have products for low income earners and the unemployed with a Mean score and S.D of (3.0, 0.743) and (3.3, 0.543) respectively. It is evident that the bank offers insurance to the low income earners to a moderate extent with a mean score and S.D of (2.96, 0.815). From the Table above, it indicates that the banks having products for informal groups had the highest standard deviation with a variance of 3.9 from the mean while the offer for insurance for low income earners had the lowest standard deviation having a variance of 2.1. In overall, commercial banks have commercialized microfinance to moderate extent with a mean score of 3.0

This implies that majority of the commercial banks have still not maximized commercialized of microfinance. Commercialization of microfinance has enhanced the efficiency of the commercial banking in serving low income earner group thereby increasing their accessibility to various loan products. The current commercialization and professionalization of MFIs in Kenya is a clear indication that social enterprises are also embracing the concept of sustainability while upholding their social mission. According to Wanjiku (2016) there is evident in the commercialization process of MFIs and the products that they offer to customers with the objective of promoting

their economic welfare. Ringeera (2003) found out that Majority MFIs indicated that the important commercial approach which allow MFIs greater opportunity and control to fulfill their social objectives of providing the poor with increased access to an array of demand-driven microfinance products and services.

#### 4.5.2 Financial Education

The participants were asked for to show their extent to which commercial bank engage in financial education. A likert scale of 1-5 was used whereby 1=No Extent; 2=Little Extent; 3=Moderate Extent; 4=Great Extent; 5= Very Great Extent. The findings were displayed in Table 4.5.2.

**Table 4.5.2 Financial Education**

<b>Financial education</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Interpretation</b>
The bank offers financial education to non-informed groups	3.21	.66376	Moderate Extent
The bank offers financial education for youth	3.65	.48154	Great Extent
The bank offers education for entrepreneurs	4.34	.48154	Great Extent
The bank offers frequent financial trainings	3.65	.48154	Great Extent
Average of average	3.71	.52709	Great Extent

From the finding, the banks offer financial education to entrepreneurs to great extent with a mean score of 4.34 and S.D = .481. Further the bank agreed to a great extent that they offer financial education for youth and frequent financial trainings both having a mean score of 3.65 S.D of .481. The findings also revealed that the banks offer financial education to non-informed groups to moderate extent with a mean score of 3.21 and S.D of .663. From the findings bank offers education for entrepreneurs had the highest standard deviation since it was a bit spread out from the mean with a variance of 3.8 while banks offer financial education to non informed groups

had the lowest standard deviation with a variance of 2.5. In overall commercial banks have practiced financial education to a great extent with a mean score of 3.71

From the Table 4.5.2, many banks supports the youths by offering them financial education and hence able to sharpen their skills in regard to financial management. Financial education is a need to majority of youth and entrepreneurs who engage in micro and small businesses and they lack financial management skills to run their enterprises thereby considered as credit unworthy. According to Musha (2014) most of the youth in Nairobi County are unable to access credit due to limited business and entrepreneurial skills. This has seen financial institutions to start offering financial education targeting these groups. Mutegi et al. (2015) found out that Equity bank foundation financial literacy training on the small and medium entrepreneurs has resulted to increase in the ability of SMEs to repay loans. Kariuki (2012) also found that financial literacy has resulted to increase in financial decision among youths in Embu County

#### **4.5.3 Online Sales**

The participants were asked for to show their extent to which commercial bank engage in online sales. A likert scale of 1-5 was used whereby 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4=Great Extent; 5= Very Great Extent .The findings were presented in Table 4.5.3

**Table 4.5.3 Online Sales**

<b>Online sales</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Interpretation</b>
The bank supports online sales in the banking system	4.04	.81531	Great Extent
The bank encourages quick responses to their online customers	3.47	.78143	Moderate Extent
All employees are adequately involved in online sales	2.65	.76645	Moderate Great
The bank have a team specialized strictly on their online sales	3.65	.76645	Great Extent
Average of average	<b>3.45</b>	<b>.78241</b>	<b>Moderate Extent</b>

From the findings in table 4.5.2 the banks support online sales in the banking system to a great extent and having a specialized team strictly on online sales to great extent with a mean score of 4.0, S.D = .815 and 3.6 S.D = .766 respectively. All employees are adequately involved in online sales to moderate extent and the bank encourages quick response to their online customers at a moderate extent with a mean score of 2.6, S.D = .76645 and 3.5, S.D = .78143 respectively. From the Table above bank supports on line sales in the banking system had the highest standard deviation of 3.2 while all employees are adequately involved in online sales had the lowest standard deviation. In overall commercial banks engage in online sales to moderate extent with a mean score of 3.5

It was found that sampled banks support online sales to great extent although the practice of online sales as social entrepreneurship was practiced at moderate extent. It was also found that there is specialized team strictly on online sales which ensures that all matters related to online sales are adequately addressed. This has resulted to quick responses to the customers resulting to increased customer satisfaction. However, not all employees were adequately involved in online sales. It can be deduced that online sales as social entrepreneurship ensures that customers are able to receive banking services anytime and anywhere thereby saving customer time and cost of physically visiting banking hall. According to Kemunto (2015) found that satisfaction levels

were high with the online sales dimensions, service performance and efficiency which showed that they were satisfied with aspects such as transaction speed, accuracy and privacy of customer information. Mutua (2013) established that online banking reduces cost associated with transaction thereby allowing customer to access their services at reduced cost. Rotchana kitumunai and Speece (2003) concluded that reduce operating costs customers in the long run and aid in establishing customer relationships through service responsiveness.

#### 4.5.4 Conversion of waste to by product

The participants were asked to show the extent to which commercial bank engage in conversion of waste to by product. A likert scale of 1-5 was used whereby 1=No Extent; 2=Little Extent; 3=Moderate Extent; 4=Great Extent; 5= Very Great Extent. The findings were presented in Table 4.5.4

**Table 4.5.4 Conversion of waste to buy products**

<b>Conversion of waste to by product</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Interpretation</b>
The banks supports the conversion of waste to by product	2.52	.50505	Moderate Extent
Employees are enlightened on the benefit of conversion of waste	3.04	.81531	Moderate Extent
Extent taken to encourage conversion of waste to byproducts	2.86	.68666	Moderate extent
The employee have flexible working schedules	3.21	1.07317	Moderate Extent
Average of average	<b>2.91</b>	<b>.77004</b>	<b>Moderate Extent</b>

From Table 4.5.4, the banks support the conversion of waste to by product to an average extent with a score and S.D of (2.5, 0.505). The employees were also found to be enlightened on the benefit of conversion of waste to moderate extent with a mean score and S.D of (3.0, 0.815). Similarly the encouragement of conversion of waste to byproducts and flexible working schedule

for the employees was also to moderate extent with mean score and S.D of (2.9, 0.687) and 3.2, 1.073) respectively. From the Table above employees being enlightened on the benefit of conversion of waste had the highest standard deviation of with a variance of 2.2 while banks supports the conversion of waste to by products had the lowest standard deviation since it was close to the average. The overall mean suggests that the extent commercial bank engage in Conversion of waste to by product to moderate extent (mean=2.91).From the findings, it can be deduced that Conversion of waste to by product is practiced by commercial to moderate extent as social entrepreneurship. Employees were found to have flexible working schedules which allow them to perform their duties without a lot of stress. It was also found that employees are aware of the benefit of waste conversion as the commercial banks have taken among themselves to enlighten their employees on waste conversion as social entrepreneurship. However, there was no concrete evidence of the commercial banks supporting conversion of waste to by products. This is because most of the commercial banks view themselves as financial institutions but they are willing to support various efforts in green economy through energy conversation, using green products etc. According to Salma (2014), commercial banks have advanced loans and mortgage to organizations which are practicing Conversion of waste to by product. They visit sites before lending to ensure that the funds advanced are directed toward waste conversion.

#### **4.5.5 Social Innovation**

The respondents were asked to indicate the extent to which commercial bank engage in social innovation. A likert scale of 1-5 was used whereby 1=No Extent; 2=Little Extent; 3=Moderate Extent; 4=Great Extent; 5= Very Great Extent. The findings were presented in Table 4.5.5.

**Table 4.5.5 Social Innovation**

<b>Social innovation</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Interpretation</b>
The bank has an ongoing social innovation program	2.82	.70881	Moderate Extent
The bank benefits from the social innovation practices	3.17	.38322	Moderate Extent
Social innovation is well known to all the employees	3.34	.76645	Moderate Great
There is a platform that enhances social innovation in the bank	3.65	.48154	Great Extent
Average of average	<b>3.25</b>	<b>.58501</b>	<b>Moderate Extent</b>

From the findings, there is a platform that enhances social innovation in the banks at great extent with a mean score and S.D of (3.6, 0.481). The study also showed that Social innovation is well known to all the employees and benefit from the social innovation practices to moderate extent with a mean score and S.D of (3.3, 0.766) and (3.1, 0.383) respectively. In relation to that the research showed the banks have an ongoing social innovation program to moderate extent with mean score and S.D of (2.8, 0.708). From the Table above the highest standard deviation was that of banks has a platform that enhances social innovation in the bank while with the lowest standard deviation was the bank has an ongoing social innovation program since it is very close with the mean. The overall mean suggests that commercial banks engage in Social innovation at moderate extent with a mean score of 3.25.

Social innovation was practiced to moderate extent by commercial banks. It was revealed that majority of employees are aware of social innovation and the benefit associated with it. However, the extent of ongoing social innovation program was low despite having a platform to enhance social innovation in the bank. Social innovation is relevant to business as it helps in restoring trust. Businesses that amplify their net supportive contributions to the community are on favor and likely to earn the trust of stakeholders and secure their license to operate in the community. It can be noted that companies that triumphantly pursue social innovation as an



appropriate time for developing new markets typically innovate in various ways. This includes design products that react to the unique needs and behaviours of low income customers as well as people of specific culture and religion (Muia, 2013).

#### 4.6 Firm Performance

The respondents were asked to indicate the bank performance using, a likert scale of 1-5 was used whereby 1=No Extent; 2=Little Extent; 3= Moderate Extent; 4=Great Extent; 5= Very Great Extent. The findings were presented in Table 4.6

**Table 4.6 Firm Performance**

<b>Firm Performance</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Interpretation</b>
Improvement in bank's financial performance	4.65	.48154	Very Great Extent
Increased market share of the bank	4.00	.59628	Great Extent
The bank has become more competitive	3.65	.76645	Great Extent
The number of customers have increased	3.98	.34123	Great Extent
Increased customer satisfaction	3.52	.50505	Great Extent
<b>Grand Mean</b>	<b>3.96</b>	<b>.53811</b>	<b>Great Extent</b>

From Table 4.6, most banks indicated their financial performance had improved to a very great extent with a mean score and S.D of (4.7,0.481).However for the other non-financial performance indicators namely increase in market share, competitiveness, customer base and customer satisfaction all were to a great extent with mean score of (4.0, 0.596) ( 3.7, 0.766) ( 4.0, 0.341) and (3.5, 0.505) respectively. From the Table above customer base had the highest standard deviation since it variance difference with the average was highest while the lowest

standard deviation was that of competitiveness with a variance difference of 2.9 In overall mean suggested that the bank performance was emphasized to a great extent with a mean score of 4.0.

This implies that the banks push its performance to great extent which can grossly be attributed to social entrepreneurship practices. Social entrepreneurship have been associated with increase in market share as majority of these practices aim to reach out to the unbanked population who have been neglected. This has resulted to increase in customers as more and more customers are reached through depth and breadth of outreach (Muribora, 2011). It is also noted that satisfaction of customer results to loyalty of customer and finally to customer retention. Social entrepreneurship through provision of online services ensures that there is customer retention. Quick customer response and excellent customer care services through social innovation have also resulted to customer satisfaction hence improvement in bank financial performance.

#### **4.7 Correlation analysis between Social Entrepreneurship practices and Firm Performance**

The Table 4.7 displays the outcomes of the correlation analysis which was done to examine any serial correlations among the independent variables which, when entered into the model for regression analysis, would lead to inaccurate results. This is a common issue with regression analysis and may influence the results of the regression analysis. Multi-Collinearity or serial correlation is an event where a couple or more independent variables in a regression model are moderately or highly correspond.

**Table 4.7 Correlation analysis between Social Entrepreneurship practices and Firm Performance**

	<b>C</b>	<b>FE</b>	<b>OS</b>	<b>CWBP</b>	<b>SI</b>	<b>FP</b>
<b>C-Commercialization</b>	1					
<b>FE-Financial education</b>	.151	1				
<b>OS-Online sales</b>	.185	-.331*	1			
<b>CWBP-Conversion of waste to by product</b>	.292	.440**	.214	1		
<b>SI-Social innovation</b>	.366*	.155	.256	.027	1	
<b>FP-Firm performance</b>	.346*	.792**	.019	.260	.541**	1

The outcome displays that there were low correlation ( $R < 0.9$ ) between the variables and therefore no serial correlations between the variables. Two stars is an indication that the relation

is 99% significant, one star shows that the relation is 95% significant, lastly where there is no star shows that the relation is not significant between the variables. These results therefore reveal that there was no multicollinearity between any of the predictor variables and therefore the results could be relied upon. From the finding, it showed that very strong correlation existed between Financial education and firm performance ( $r=0.8$ ). The finding also indicated moderate correlation coefficient between commercialization and firm performance as shown by correlation factor of 0.3, this moderate relationship was found to be statistically significant as it is less than 0.05. In relation to that, there was moderate correlation between social innovation and firm performance ( $r=0.5$ ) while insignificant positive relationship was indicated between online sales and firm performance ( $r=0.019$ ). Similar findings were obtained between Conversion of waste to by product ( $r=0.260$ ) and firm performance.

#### 4.8 Regression analysis between Social Entrepreneurship Analysis and Firm Performance

Table 4.8 present ANOVA from the regression analysis and are used to show the significance of F-statistic.

**Table 4.8 Regression analysis between Social Entrepreneurship Analysis and Firm Performance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.242	5	1.448	70.648	.000 <sup>b</sup>
	Residual	.718	35	.021		
	Total	7.959	40			

a. Dependent Variable: PER

b. Predictors: (Constant), SI, C, FE, OS, CWBP

Table 4.8 shows F-statistic of 70.648 with significance of  $p = 0.000$ . This unveils that the model was fit to explain the relation between the independent variables (Social entrepreneurship practices) and firm performance of commercial banks Kenya.

The Table 4.8.1 shows the regression model summary results. The results show the values of R,  $R^2$ , adjusted  $R^2$ , and the standard error of estimate.

**Table 4.8.1 Regression Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.954 <sup>a</sup>	.910	.897	.14318

a. Predictors: (Constant), SI, C, FE, OS, CWBP

From the Table 4.8.1, R is the correlation coefficient that presents the relation between the study variables, as discovered from the Table above there was a big positive relation between the research variables as indicated by R 0.910 at 5% significance level. The Adjusted R squared is coefficient of determination that reveals to us the variation in the dependent variable caused by alteration in the independent variable. Table above the value of adjusted R squared was 0.910, evidence there was variance of 91.0% on firm performance as a result of the changes in commercialization, financial education, online sales, conversion of waste to by product and social innovation at 95% confidence interval. This indicates 91.0% of the changes in firm performance could be held responsible by the independent variables.

Table 4.8.2 indicates the results of the regression coefficients. Significance is shown in terms of t-values and the p-values.

**Table 4.8.2 Results of Regression Coefficient**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-4.126	.519		-7.955	.000
Commercialization	.188	.108	.100	1.742	.000
Financial Education	1.516	.114	.915	13.337	.000
Online sales	.208	.051	.265	4.108	.000
CWBP	-.184	.051	-.238	-3.602	.001
Social Innovation	.486	.082	.351	5.908	.000

a. Dependent Variable: PER

From the above equation it was revealed that adoption of Commercialization, Financial Education, On line sales, a CWBP and social innovation, firm performance of CBK would stand at -4.126. A unit increase in commercialization of commercial banks would enhance an increment in firm performance by a factors of 0.188, unit increase in Financial Education would enhance an increment in firm performance by factors of 1.516, unit increase in Online sales would enhance an increment in firm performance by factors of 0.208, further unit increase in Social Innovation would enhance an increment in firm performance by factors of 0.486. However, a unit increase Conversion of waste to by product would result to a decrease in firm performance by factors of 0.184.

#### **4.9 Discussion of the findings**

The findings revealed that some of corporate social entrepreneurship practices have been emphasized to great extent while others are to moderate extent. The most practiced was financial education and it was followed closely by commercialization. However, conversion of waste to by product was least practiced by commercial banks in Kenya. The financial education to non-informed groups was done to moderate extent as compared to entrepreneurs. The results also established that the banks have products for informal groups although insurance for the low-income earners was poorly practiced. It was noted that even though the banks supported online sales in the banking system all the employees were not adequately involved in online sales. The banks support the conversion of waste to by product to moderate extent despite enlightening their employees on the benefit of conversion of waste. Few banks were found to an ongoing social innovation program to moderate extent even though there is a platform that enhances social innovation in the bank.

These discoveries agree with Teasdale (2009) studied four social enterprises in order to establish the challenges facing social enterprises. The study showed that most SACCOs practiced commercialization and financial education to boost their performance. Similar results were obtained by Ashitava (2010) also concluded that corporate entrepreneurship such as financial education was practiced by most of Microfinance institutions in Kenya.

The study also established the corporate social entrepreneurship had significant relationship with firm performance ( $R=0.9$ ). This implies that increase in corporate social entrepreneurship practices would result to an increment of the performance of CBK in Nairobi. It significantly accounted up to 91% change in performance implying that corporate social entrepreneurship is significant predictor of firm performance. However, of all the study variables, Conversion of waste to by product would result to a decrease in firm performance by factors of 0.184 negative predicative power with firm performance ( $\beta=-0.184$ ) which implies an increase. These findings agree with Mackey (2005) who found out that CSE increases aggregate social giving which involves more spending that brings about financial loss

All the remaining variables carried a positive predicative power on performance of commercial banks implying that a unit increase in commercialization, financial education, and online sales and social innovation would result to increment in firm performance of commercial banks in Kenya.

These findings agree with Hoogendoorna, Zwana and Thurik (2011) who found that social entrepreneurship is used by firms mostly to advertise them to the customers who buy more. Further the study agree with Tsoutsoura, (2004) that CSE enhances differentiation within the markets, consumer understanding hence increased firm financial performance. The finding also agree with Corporate social performance theory which suggests that the firms' activities have an effect both inside and outside the firm thus firms should perform activities that will have a positive effect on the stakeholder to create firm good will. The research further agrees with the Resource based theory that proposes that by innovatively providing superior value to customers, competitive advantage can be achieved. However the study differs with the stockholder theory which proposes that corporate social activities are a liability to the firm and brings about financial losses. On the contrary corporate social entrepreneurship practices strive to bring a balance or gain on both the society and economy as well.

## CHAPTER FIVE

### SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This section entails the summary of findings, conclusion of the research, recommendations for practice, limitations of the study, and recommendations for more study. The prime aim of the research was to determine the effect of corporate social entrepreneurship practices on the performance of commercial banks in Nairobi, Kenya

#### 5.2 Summary

The research was on determining the effect of corporate social entrepreneurship practices on the performance of commercial banks in Nairobi, Kenya. The major findings are summarized as follows.

Total number of the female employees that participated in this research was a bit lower compared to the number of the male participants. From the findings it was deduced that most participants were young but knowledgeable and in a position understand and give valuable information regarding the research as they are all educated.

This study revealed that commercial banks in Kenya offered financial education to youth and frequent training to great extent. However financial training to non-informed groups was to moderate extent. On correlation, this research discovered there was a very positive correlation coefficient between financial education and firm performance.

This study indicated that most of the banks were found to have products for informal groups to moderate extent. In relation to that most of the banks offered education to entrepreneurs to moderate extent. The study also showed that the banks offer insurance to low income earners to moderate extent. On correlation, the study established there was moderate positive correlation coefficient between commercialization and firm performance. The results indicated that a unit increment of commercialization would result to significant rise in firm performance.

This study also established commercial banks in Kenya supported online sales in banking system to great extent. However, all employees are adequately involved in online sales at moderate extent. On correlation, the study discovered there was weak insignificant positive correlation coefficient between online sales and firm performance. Regression results indicated that a unit increment of online sales would result to significant rise in firm performance.

Regarding conversion of waste to by product, the study also established commercial banks in Kenya practiced at moderate extent .Most of the banks enlightened there employee on the benefit of conversion of waste to moderate extent while the banks were found not to fully support conversion of waste to by product. On correlation, the research found that there was a weak positive correlation coefficient between conversion of waste to by-product and firm performance. The regression results revealed that a unit increase in conversion of waste to by-product would result to reduction in firm performance.

Lastly, the findings indicated that commercial banks in Kenya have a platform that enhances social innovation in the bank to great extent. Social innovation as corporate social entrepreneurship was practiced to moderate extent. In relation to that the banks have an ongoing social innovation program to moderate extent. On correlation, the research discovered there was a moderate positive correlation coefficient between social innovation and firm performance.

### **5.3 Conclusions**

The research concluded the extent to which corporate social entrepreneurship practices have been adopted by commercial Banks in Nairobi Kenya was moderate. However, commercialization was practiced to great extent by offering products for informal groups, additionally financial education was also to great extent by offering education for entrepreneurs. Online sales were practiced to moderate extent although banks supported online sales in the banking system to great extent. Conversion of waste to by product was practiced to moderate extent and lastly social innovation was practiced to moderate extent. The results reveal that corporate social entrepreneurship practices had positive effect on the firm performance of commercial banks in Kenya.. The key practices that contribute most to the positive performance



include the financial education and social innovation. However, it was noted that increase in Conversion of waste to by product would result to a decrease in firm performance.

#### **5.4 Recommendations**

The following recommendation can make difference in the corporate social entrepreneurship practices in commercial banks in Kenya

To increase commercialization, it is recommended that banks to offer insurance for the low-income earners. This would ensure that a lot of low income earners are able to access their microfinance products. This can be done by commercial banks administration partnering with NGOs so as to insure financial products targeting low income earners.

It was also found that financial education to non-informed groups was to moderate extent. It is recommended that commercial banks should not discriminate non informed groups during financial education as educating such groups would increase loan performance and reduce non-performing loans. This can be achieved by setting side a section that deals with non-informed groups.

The results revealed that not all employees are adequately involved in online sales. It is therefore recommended that commercial banks should make it mandatory to include all employees in online sales regardless of their job description. This would ensure majority of the microfinance customers are able to access financial service anytime and anywhere.

Government should come up with policy and legislation that would make conversion of waste to by product a mandatory practice to all commercial banks offering microfinance products. This can be done during application of license and making spot checks to ensure that this is practiced amongst license banks. Further bank administration should enlighten their employees on conversion of waste to the firm performance.

Lastly, majority of the banks lacked ongoing social innovation program. Therefore it's recommended that commercial banks to build an investment market that aren't necessarily focused solely on start-ups but on taking proven ideas to scale. The banks have to find

innovations that are ready for the backing that will allow them to scale up using their existing bank expertise.

### **5.5 Limitations of the Study**

The participants were not willing to give out data relating to the subject since they expected that the data may not be privately taken care and that would have led to the loss of their career. This would happen if the participants were not mindful that the researcher is allowed by the administration to complete the examination on the issue above. Due to the worry the researcher conquered the problem by handing in letter of research to demonstrate she is an analyst and the data gathered is purely for scholarly. Likewise the researcher ensured that if the data is not treated privately the analyst will be held at risk.

The study required a lot of input from top executives who are involved with making decisions on the corporate entrepreneurship practices, however their availability was very limited due to the nature of their work. This provided a lot of challenges in the study since the study had to rely on a few top executives and middle level managers to complete the study.

### **5.6 Recommendation for Further Studies**

The findings revealed that increase in conversion of waste to by product by a unit would result to decrease in firm performance; therefore, further studies should be done by examining this variable in to details and how it relate with firm performance

Further research should be done in the area of corporate social entrepreneurship but focusing on other industries in the country.

Additional study must be conducted on corporate social entrepreneurship in the public sector to determine whether service provision and activities in government parastatals have any impact on performance of such public firms with corporate entrepreneurship as a study factor.

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## APPENDIX

### Appendix I: Research Questionnaire

This questionnaire seeks to collect data on the effect of corporate social entrepreneurship practices on the performance of CBK. Kindly answer the questions. Any data given will be handled with extreme privacy and will be used on for the purpose of academic.

#### SECTION A: GENERAL INFORMATION

1. Name of bank

.....

2. Gender

Male 58.6 [ ] Female 41.4 [ ]

3. Age Bracket in years

20-25 [ ] 9.0 26-30 [ ] 15.8

31-35 [ ] 33.1 36-40 [ ] 14.3

41 -50 [ ] 21.8 51 and Above [ ] 6.0

4. Level of education

Secondary 0 [ ]

Diploma 4.5 [ ]

Bachelor 31.6 [ ]

Masters 35.3 [ ]

PhD 10.5 [ ]

Any other (Specify) .....

4. What position do you hold in this organization?

.....

5. How long have you been in this position?

Less than 1 year 14.3 [ ] 1 - 5 years 42.9 [ ]

6 – 10 years 29.3 [ ] Above 10 years 13.5 [ ]

6. Size of the bank

0-20 Employees [ ]

21-50 Employees [ ]

51-70 Employees [ ]

71-100 Employees [ ]

Above 100 Employees [ ]

**SECTION B: SOCIAL ENTREPRENEURSHIP PRACTICES**

10. To what extent does your commercial bank engage in commercialization of microfinance?

Tick as appropriate using the following Likert scale of 1-5 where:1=No Extent; 2=Little Extent; 3=Moderate Extent; 4=Great Extent; 5=Very Great Extent.

<b>Commercialization of Microfinance</b>		<b>Respondents</b>				
1.	The bank has products for the unemployed	1	2	3	4	5
2.	The bank has products for the low-income earners	1	2	3	4	5

3.	The bank has products for informal groups	1	2	3	4	5
4.	The bank offers insurance for the low-income earners	1	2	3	4	5

How does your bank commercialize micro finances?

---

11. To what extent your commercial bank engage in financial education? Tick as appropriate using the following Likert scale of 1-5 where:1=No Extent; 2=Little Extent; 3=Moderate Extent; 4=Great Extent; 5=Very Great Extent.

<b>Financial Education</b>		<b>Respondents</b>				
1.	The bank offers financial education to non-informed groups	1	2	3	4	5
2.	The bank offers financial education for youth	1	2	3	4	5
3.	The bank offers education for entrepreneurs	1	2	3	4	5
4.	The bank offers frequent financial trainings	1	2	3	4	5

How does your bank participate in financial education?

---

12. To what extent your commercial bank engage in online sales? Tick as appropriate using the following Likert scale of 1-5 where:1=No Extent; 2=Little Extent; 3=Moderate Extent; 4=Great Extent; 5=Very Great Extent.

<b>Online sales</b>		<b>Respondents</b>				
1.	The bank supports online sales in the banking system	1	2	3	4	5
2.	The bank encourages quick responses to their online customers	1	2	3	4	5
3.	All employees are adequately involved in online sales	1	2	3	4	5

4.	The bank have a team specialized strictly on their online sales	1	2	3	4	5
----	---	---	---	---	---	---

How does your bank participate in online sales?

---

13. To what extent your commercial bank engage in conversion of waste to by product? Tick as appropriate using the following Likert scale of 1-5 where:1=No Extent; 2=Little Extent;3=Moderate Extent;4=Great Extent; 5=Very Great Extent.

<b>Conversion of waste to by product</b>		<b>Respondents</b>				
1.	The banks supports the conversion of waste to by product	1	2	3	4	5
2.	Employees are enlightened on the benefit of conversion of waste	1	2	3	4	5
3.	Extent taken to encourage conversion of waste to byproducts	1	2	3	4	5
4.	The employee have flexible working schedules	1	2	3	4	5

How else does your bank engage in the conversion of waste to by-products?

---

14. To what extent does the commercial bank engage in social innovation? Tick as appropriate using the following Likert scale of 1-5 where:1=No Extent; 2=Little Extent; 3=Moderate Extent; 4=Great Extent; 5=Very Great Extent.

<b>SOCIAL INNOVATION</b>		<b>Respondents</b>				
1.	The bank has an ongoing social innovation program	1	2	3	4	5
2.	The bank benefits from the social innovation practices	1	2	3	4	5
3.	Social innovation is well known to all the employees	1	2	3	4	5
4.	There is a platform that enhances social innovation in the bank	1	2	3	4	5

How else does your bank enhance social innovation?

---

### **SECTION C: FIRM PERFORMANCE**

15. To what extent do you rate the performance of your bank? Tick as appropriate using the following Likert scale of 1-5 where: 1= No Extent; 2= Little Extent; 3= Moderate Extent; 4= Great Extent; 5=Very Great Extent.

<b>Parameters</b>	<b>Respondents Ratings</b>				
Improvement in bank's financial performance	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Increased market share of the bank	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The bank has become more competitive	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The number of customers have increased	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Increased customer satisfaction	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

Thank you for participating in this study.

## **Appendix ii: List of Commercial Banks in Kenya**

CBK Members as at 31<sup>st</sup> December 2016:

1. African Banking Corp. Ltd
2. Bank of Africa Kenya Ltd
3. Bank of Baroda (K) Ltd
4. Bank of India
5. Barclays Bank of Kenya Ltd
6. CfC Stanbic Bank Ltd
7. Citibank N.A.
8. Commercial Bank of Africa Ltd
9. Consolidated Bank of Kenya Ltd
10. Co-operative Bank of Kenya Ltd
11. Credit Bank Ltd
12. Development Bank (K) Ltd
13. Diamond Trust Bank (K) Ltd
14. Dubai Bank Ltd
15. Eco bank Limited
16. Equity Bank Ltd
17. Family Bank Ltd
18. Faulu Bank



19. Fidelity Commercial Bank Ltd
20. Fina Bank Ltd
21. First Community Bank Ltd
22. Giro Commercial Bank Ltd
23. Guardian Bank Ltd
24. Gulf African Bank Ltd
25. Habib Bank A.G. Zurich
26. Habib Bank Ltd
27. Housing Finance Company of Kenya Ltd.
28. I & M Bank Ltd
29. Jamii Bora Bank Ltd
30. Kenya Commercial Bank Ltd
31. Kenya Women Microfinance Bank
32. Middle East Bank (K) Ltd
33. National Bank of Kenya Ltd
34. NIC Bank Ltd.
35. Oriental Bank Ltd
36. Paramount Universal Bank Ltd
37. Post bank

38. Prime Bank Ltd
39. Sidian Bank Ltd
40. Spire Bank Ltd
41. Standard Chartered Bank (K) Ltd
42. Transnational Bank Ltd
43. UBA Kenya Bank Ltd
44. Victoria Commercial bank Ltd

<http://www.kba.co.ke>