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**EFFECT OF DRIVERS OF RESPONSIBLE BANKING ACTIVITIES ON
PERFORMANCE OF COMMERCIAL BANKS IN KENYA**

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MDF/58488/2019



**A RESEARCH DISSERTATION TO STRATHMORE BUSINESS SCHOOL IN
PARTIAL FULFILMENT FOR THE MASTER OF SCIENCE DEGREE IN
DEVELOPMENT FINANCE OF STRATHMORE UNIVERSITY**

AUGUST 2021

DECLARATION

This project is my original work and has not been submitted for examination in any other institution.

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Approval

This research project has been submitted for examination with my approval as the university supervisor

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ABSTRACT

Globally, commercial banks have been keen on executing responsible banking initiatives in developed countries at a higher pace than in developing economies. This has resulted in major international banking institutions recording better financial returns. Locally, as of 2015 only 9 commercial banks had made strides in the adoption of responsible banking, despite the immense impact the activities have on the banks' bottom line. Further, with increased evidence of the importance of adopting responsible banking initiatives to support financial performance there has been less than adequate examination of their contribution within Kenyan banks. The aim of this study was to examine the drivers of responsible banking-related initiatives and their effects on financial performance of commercial banks in Kenya. The study specifically analyzed the extent of adoption of responsible banking initiatives, the drivers of adoption and the impact of the drivers of responsible banking activities on the performance of banks. The study was grounded on the market power theory and institutional theory with a positivist philosophy being adopted in the research. The study further applied a descriptive research with the unit of analysis being the operational 41 commercial banks. The study sampled 135 officials drawn from the operational commercial banks. The study data were collected from structured questionnaires and the audited financial statements of the commercial banks and Central Bank of Kenya (CBK) reports. The study utilized descriptive analysis, explanatory factor analysis and regression analysis. The findings were presented graphically using charts and tables. The study was able to obtain a 76% response rate. The Spearman rank correlation tests indicated there was a positive and significant effect of management support, strategic position, regulatory environment on responsible banking activities and performance of banks. The ordinal regression findings showed there was a significant and positive effect of responsible banking activities and regulatory environment on bank performance. Further, findings indicated a negative and significant effect of management support on adoption of responsible banking and bank performance. Lastly, findings established a positive and insignificant effect of strategic planning on the bank performance. The study recommends that commercial banks should improve alliances and collaborations that can support meeting of sustainable banking standards within the banking industry. The study also recommends that commercial banks should continuously review their adoption of responsible activities that can support development of green finance within the industry. Further banks should review their internal operations, improve coordination, positioning and adherence to regulations which can all lead to better performance.

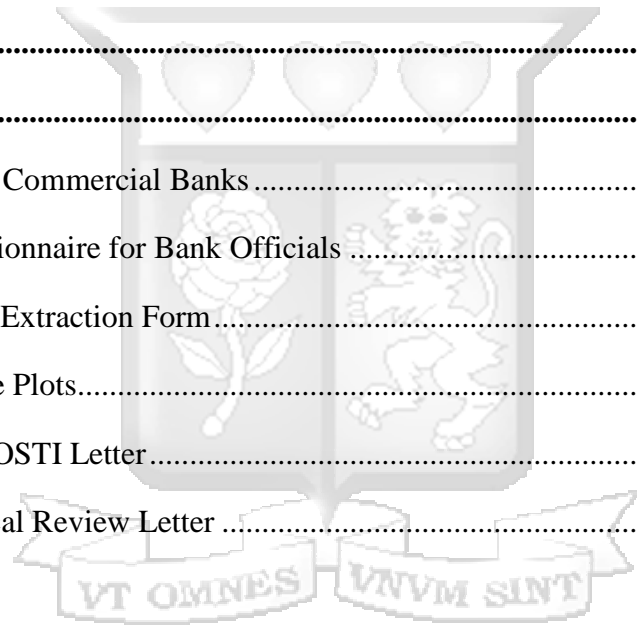
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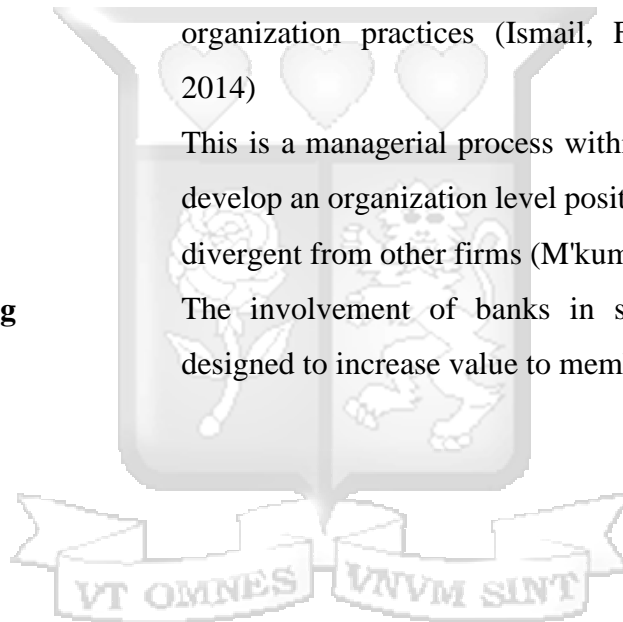


LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
ATM	Automatic Teller Machine
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CMA	Capital Markets Authority
CRF	Climate Risk Fund
CSR	Corporate Social Responsibility
ESG	Environmental, Social, and Governance
IBBL	Islami Bank Bangladesh Limited
IFC	International Finance Corporation
GABV	Global Alliance for Banking on Values
HRM	Human Resource Management
KBA	Kenya Bankers Association
NGO	Non-Governmental Organization
NIM	Net Interest Margin
NSE	Nairobi Securities Exchange
RMP	Relative Market Power hypothesis
ROA	Return on Assets
ROE	Return on Equity
SCP	Structure-Conduct-Performance
SDG	Sustainable Development Goals
SPSS	Statistical Package for Social Sciences
UN	United Nations

OPERATIONAL DEFINITION OF TERMS

Commercial Banks	This refer to financial institutions that are in charge of provision of banking services within a country (Gachimu & Njuguna, 2017).
Financial Performance	This is measured as the ability of the firm to meet its financial returns objectives (Aladwan, 2015).
Firm-Level Characteristics	These are the internal factors that are at the discretion of the management team and affect the normal operations of the firm (Gatsi & Gadzo, 2013).
Management Support	This involves fostering key decisions, commitment and facilitating the involvement of employees in organization practices (Ismail, Faudziah, & Rapiah, 2014)
Strategic Position	This is a managerial process within the organization to develop an organization level positioning strategy that is divergent from other firms (M'kuma, 2015).
Responsible Banking	The involvement of banks in sustainable initiatives designed to increase value to members of the society.



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Vast documented literature indicates that commercial banks play an enormous role towards promoting the growth of global economies (Nsambu, 2014). Commercial banks play a pivotal role in channelling fund to savings, investments and financing activities thus underscoring their critical role in economies (Maredza, 2015). In today's, world where sustainability is the new order of doing business commercial banks have been reorganizing their operations to meet the criteria for sustainability. Far, from attaining sustainability banks, have been proactive since the 2008 financial crisis in contributing to new ways of acquiring financial strength through ethical practices, broader community collaborations and engaging in social environmental practices (Jeucken, 2010). Rather than focussing on profits and the bottom-line, managements in modern banks are shifting their focus to promoting responsible banking practices within their institutions. Responsible banking is the involvement of banks in projects and initiatives that aim to promote social and environmental well-being (UNEP Finance Initiative, 2019). It can be used interchangeably with social, ethical, sustainable or alternative banking Dufays (2012).

Globally, there has been intense debate on the emergence of climate change, social responsibility and the role corporate actors can play in enhancing their environmental performance and attainment of sustainable goals (Mahmud, Biswas, & Islam, 2017). The desire to achieve social development goals has led to the emergence and adoption of sustainable banking practices (Weber & Acheta, 2016). Sustainable banking practices are those strategies that banks adopt to promote the realization of organizational goals, meet stakeholder needs while at the same time protecting, sustaining and enhancing the elements in its surrounding (Stephen & Skinner, 2013). Yip and Bocken (2018) define it as the delivery of financial products and services developed to meet people's needs while at the same time safeguarding the environment and generating profit returns. It involves carrying out risk analysis, identifying stakeholder needs and incorporating business practices that protect and enhance them rather than degrade or destroy them in a way that ensures the business does not sacrifice its financial obligations. The goal of responsible banking is to contribute to improvement of stakeholders' well-being with a long-term perspective

According to Zabawa and Kozyra (2020), eco-banking has been identified as one of the Corporate social responsibility practices adopted by banks in the European Union, defining it as a narrow scope of CSR which involve banks being concionus of the well-being of the environment. Within the banking industry, the author notes that environmental responsibility practices including green banking, eco-banking, climate banking, freen lines of credit and sustainable banking have gained precedence in Europe's top banks. All these banking practices provide a means for banks and financial corporations to participate in the global effort to address climate change and attaining the Sustainable Deveelopmet Goals (SDGs) (Zabawa & Kozyra, 2020). The study notes that despite the increased mandate from the Central Bank in Poland to drive commercial banks towards eco-banking there is no notable influence of the environmental involvement on the financial results of the banks.

Green credit policies were instituted in 2007 in an effort to reduce credit offering to companies that consume large amounts of energy and cause significant environmental pollution, while at the same time promoting investment in environmentally sustainable companies (Zhang, Yang & Bi, 2011). Green credit lines are financial tools designed with the aim of moving investment towards environmentally sustainable initiatives; hence nurtuting and developing sustainable green lending. Chan-Fishel (2007) affirms that banks in China have introduced environmental policies, strategies, and assessment systems for evaluation of credit scores of their clients in accordance with provision of the Chinese government-led Green Credit Policy. The International Finance Corporation (IFC) (2018) indicates that despite recording a growth in green lines of credit at approximately 1.5\$ trillion, most of the developing countries lack the necessary regulatory and supervisory mechanisms to integrate environmental and green banking practices in their systems. Park and Kim (2020) contend that commercials bank have been striving to implement reasonable banking practices but this has resulted in mixed financial returns to commercial banks in the short-term.

In recent years, the banking industry has been undertaking concrete steps aimed at supporting the adherence to sustainability goals. This is being achieved through addressing sustainability aspects through prudential regulation and banking policies (Drexhage & Murphy, 2010). According to Olaka and Osoro (2015), the East African community has seen a drastic expansion in the banking industry driven by openness of the local economies and robust macro policies. The Global Alliance for Banking on Values (GABV), 2012 report indicates that sustainable banking can lead to more profitable institutions and less risk than the conventional banks. The study indicates that sustainable banks recorded growth levels of 80.52% as

compared to 21.38% in conventional banks, deposits grew by 87.74% versus 27.28% while tier I capital for sustainable banks stood at 12.2% as compared to 10% for conventional banks. The results also show that sustainable banks had return on assets of 0.44% versus 0.33% and return on equity 7.26% and 6.06% in conventional banks respectively. Subsequent analysis by GABV in 2013 and 2014 have showed consistent results indicating that sustainable banking has a significant effect on financial returns of commercial banks (Global Alliance for Banking on Values, 2014). The Kenyan banking sector has witnessed an improvement in the net assets of the banks by 9.2% between 2015 and 2016, with gross loans increasing by 11.57% and liquidity growing to an average of 38.3% (Central Bank of Kenya, 2017). Further, the pre-tax profit in the banking industry dropped by 5.03% in the year 2015, however the industry was able to witness a significant increase of profit before tax to Ksh 147.4 billion which reflected a 10.0% rise in the year 2016 (CBK, 2017). Locally, there has been minimal examination of how responsible banking activities impact financial performance of commercial banks hence need for critical review of the phenomena.

1.1.1 Drivers of Responsible Banking Activities

Ferreira, Jalali and Ferreira (2016) indicates that responsible banking is critical to the future development of the financial industry. Despite this there is minimal understanding of the key drivers of the banks ability to consider sustainability of its operations. This creates a relative importance to identify the key determinants of the banks choices towards responsible activities. Rahman and Barua (2016) conducted an examination of the framework for the adoption of Green Banking among Bangladesh commercial banks and notes that general performance of the banking institutions, ownership structure, lack of awareness, implementation costs and conflicting regulatory frameworks affected the adoption of sustainable green banking practices. Fayeze, Nurul and Ashraf (2013) suggested that economic factors, stakeholder factors, environmental interest, policy guidelines and legal factors had a great influence on the level of adoption of sustainable banking activities. Deloitte (2017), in an analysis of Nigerian banks reported that the top most common triggers for sustainable banking efforts include reputational benefits, commitment towards fulfilling regulatory requirements, operational benefits, and employee engagement (to promote loyalty and increase firm attractiveness). Other drivers identified include cost reduction, increased access to financing opportunities, requirement from investors, the personal initiative of the CEO, the need to expand into new markets, the need for product and service innovation, competition from other financial institutions, and pressure from the parent firms, consumers and NGOs.

KPMG (2020) contends that adoption of responsible banking approaches is key to improving reputation, mitigating portfolio risks, enhancing market positions and risk-adjusted returns. The report indicates that most commercial banks have failed in implementation of responsible banking and ESG due to lack of internal resources, poor managerial competences, designing of new guidelines and limited ESG data to verify performance. Kumar and Prakash (2019) opines that sustainability in the Indian banking sector is related to the core operations of the institutions such as financial literacy, financial inclusion and the energy efficiency. The researchers note that environmental management, support of executive management and development of green products and services determine adoption of sustainable banking. The International Finance Corporation- IFC (2015) revealed that lack of knowledge among stakeholders, costs of adoption and lack of existing regulatory framework affect the adoption of green banking practices.

Carlucci, Schiuma, Jalali and António (2018) in a holistic examination of sustainable banking revealed that social concern, strategic position, internal factors, human resources, commitment to clients and environmental concern were the key determinants of adoption of sustainable banking practices. Oliveira, Azevedo and Silva (2019) indicates that economic factors do not affect adoption of responsible banking. However, legal factors, strategic planning, industry self-regulation and organizations commitment to stakeholders have a significant effect on adoption of responsible banking. Bukhari, Hashim and Amran (2019) study indicates that top management pressure, customer pressure, competitor pressure and community pressure have a significantly positive influence on green banking adoption. From the above review of studies it is evident that the level of management support, regulatory environment and strategic positioning are key drivers of responsible banking within commercial banks. Hence this study examined how they impact the financial performance of commercial banks.

1.1.2 Bank Performance

Any given firm has four measures of performance, these include customer-oriented performance, organizational effectiveness, human resource performance and financial performance (Cherny & Madan, 2009). Financial performance is defined as one of the mathematical measures to determine if a firm is making profit (Aladwan, 2015). It also defined as a measurement of how well an organization is generating value for its stakeholders. This is through analysis of combination of financial ratios of the banks in the banking industry (Ahmad & Hassan, 2007). Performance sought to ascertain whether entities are efficient in resource

use. Performance can be measured in terms of financial results or using non-financial parameters (Al Karim & Alam, 2013).

Financial performance is an indicator on how firms use assets from its operation to and generate revenues (Aladwan, 2015). Abeysekera (2010), describes financial performance as how much money related objectives are proficient while yet remaining an essential part of hazard administration in issues funds. Bhattacharyya (2011) found that the organization's financial performance is the viable utilization of assets in an association in doing its everyday tasks and producing income. Anachoni and Jagongo (2019) contend that the measures of profitability can either be book value based or market value based. They contend that accounting ratios such as Tobin's Q, return on equity-ROE and return on assets- ROA can be used to measure firm's performance. Gatsi and Gadzo (2013) indicates that financial ratios, market performance measures and efficiency measures can assess the financial performance of entities. Kana (2017) posits that ROA, ROE, net interest margin (NIM) and market share have been adopted in measuring the financial performance of commercial banks. This study relied on financial and non-financial measures of performance of commercial banks including .

1.2 Statement of the Problem

Commercial banks in Kenya have been considered as the foremost engine of growth in the economy as they provide the necessary stimulus for economic development through financial intermediation (Njoroge, 2017). The recent shocks experienced in the Kenyan economy due to interest rate capping have led to slowed growth due to a 'flight to safety' to Government securities by banks (Njoroge, 2017). This has necessitated commercial banks to re-examine their structures and operations in order to generate more revenue and maintain their performance (Anachoni & Jagongo, 2019). Despite increased evidence of the importance of adopting responsible banking initiatives to support financial performance this has not been adequately implemented in Kenyan banks. Almaleeh (2018) contends that sustainability activities are a crucial factor in ensuring that firms create long term value to mitigate against systemic risks.

Contrary to the above, Shah, Wu and Korotkov (2019) concluded that there is insufficient evidence to support whether sustainable banks are efficient and productive compared to their counterpart banks who have not adopted ESG. However, in a local study Mathuva, Barako and Wachira (2017) empirically found that ESG disclosures are positively associated with stock market liquidity and firm value. Conversely, the study found that there is a negative association

between ESG and financial performance. The study was however not focussed on commercial banks in Kenya. Furthermore, the study considered a time period when responsible banking activities had not been advanced in the banking industry. This lack of clear consensus on available empirical evidence on the influence of responsible banking activities on financial performance of the institutions provides a clear gap that this study sought to explore.

Ginovsky (2009) asserts that all banks have to launch new banking products and services that promote sustainable practices. However, an industry examination has shown that only a paltry nine banks had fully adopted the UNEP-FI guidelines in Kenya (Kariuki, 2015), showing the infancy of the implementation in Kenya's banking industry. Further, according to Makworo, Muhoho and Mugambi (2019), studies investigating the implementation of responsible banking in Kenya is lacking, and therefore policy makers still lack concrete evidence on the sustainability of responsible banking initiatives. This study intends to provide a fresh outlook of the industry, especially in the context of global social issues that have emerged after the Covid-19 pandemic. However, after publication of the Kenya Banking Association guidelines on sustainable banking there has been mixed implementation of the guidelines with the banks almost fully embracing the sustainable banking guidelines. This study is unique in that it presents an early outlook on the bank's financial performance post-the adoption of responsible banking to offer more conclusive evidence on their impact on bank performance. This will be key to enhancing implementation and compliance to internationally recognized responsible banking standards. This study filled the gap by conducting an examination of the drivers of responsible banking-related initiatives and their effects on financial performance of commercial banks in Kenya.

1.3 General Objective

The main objective of the study was to conduct an examination of the drivers of responsible banking-related initiatives and their effects on bank performance in Kenya

1.3.1 Specific Objectives

The study sought to address the following specific objectives:

- i. To investigate the impact of the adoption of responsible banking-related initiatives on bank performance in Kenya.
- ii. To examine the effect of management support on the bank performance in Kenya.
- iii. To determine the effect of effect of regulatory environment on the bank performance in Kenya.

iv. To determine the effect of strategic positioning on the bank performance in Kenya.

1.4 Research Hypotheses

H₀₁ There is no significant effect of the adoption of responsible banking-related initiatives on the bank performance in Kenya.

H₀₂ There is no significant effect of management support on the bank performance in Kenya.

H₀₃ There is no significant effect of regulatory environment on the bank performance in Kenya.

H₀₄ There is no significant effect of strategic position on the bank performance in Kenya.

1.5 Scope of the Study

The geographical scope of the study was limited to an examination of registered commercial banks in Kenya in Nairobi City County. The study contextually focussed on the extent of adoption of sustainable banking, drivers of adoption of responsible banking and the impact on the financial performance of commercial banks in Kenya. The sample scope of the study was focussed on examination of the 41 commercial banks in Kenya identified as pioneers of adoption of responsible banking activities in Kenya. The study adopted a quantitative approach grounded on a positivism research philosophy with cross-sectional data being employed in the analysis.

1.6 Significance of the Study

There are few consensus points when it comes to the relationship of ESG performance and financial performance hence there is a need to explore this relationship in the banking sector in Kenya to understand the value drivers of ESG and add to the body of knowledge is sustainable banking for the banks, regulators and investors. To investors the study results was of benefit to group and individual investors who wish to channel their funds to banking institutions that have implemented sustainable activities. This will help them in making informed investment decisions. Further, the findings of the study were pivotal to existing investors in assessing the level of responsible banking and financial performance of the banking industry. The results will also help to strengthen the available to investors in making future decisions on their investment options in the banking industry.

To the regulator the results of the study was instrumental in re-evaluating the available guidelines on adoption of responsible banking activities through identification of the key drivers to adoption and the impact of the adoption of responsible banking on the financial performance of the institutions. The study results will further be integral to the Capital Markets Authority in designing sustainable guidelines for other industries within the Kenyan economy. This can be critical in helping companies in the country to be cognizant of the environment challenges and enhance their responsibility to consumers, stakeholders and the environment.

The study will further be beneficial to future scholars reviewing the sustainable banking activities within Kenyan commercial banks as a source material. The study findings will also expand the available information on the level of responsible banking adoption within the commercial banking industry which is minimal.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presented an overview of the related literature to the themes of the research. The chapter covered the theoretical review, the empirical review of previous studies and the summary of the various research gaps. The research further presented a conceptual framework and summary of the study chapter.

2.2 Theoretical Literature

Theoretical framework is a set of concepts and ideas showing the proposed relationships among these concepts or variables (Serem, Boit, & Wanyama, 2013). The study was grounded on the market power theory which entails how banks rely on their relative market power and their structure-conduct to undertake activities geared towards maintaining their industry influence.

2.2.1 The Market Power Theory

The market power theory argues that an increase in the allocative synergies gives the firm significant and positive private benefits since assuming all other factors do not change (*Ceteris paribus*) (Liebeler, 1977). That's is firms with larger market power charge high prices and earn bigger profit margins through consumer surplus appropriation (Harris, 1988). According to Berger (1995), this theory holds on two major approaches to define market power: Relative Market Power hypothesis (RMP) and Structure-Conduct-Performance (SCP). The philosophy is typically practical in moneylending and it positions that the market structure of a banking industry influences individual banks' performance.

RMP hypothesis explains that profitability for individual profitable financial institutions is influenced by market segment (Khan & Hanif, 2019). The supposition fundamental to this premise is that, established financial institutions with the capacity to differentiate their products have the ability to influence the industry's market prices and make more profits as corporates. They do this by exercising their market power that affords them high non modest incomes (Jeon & Miller, 2005). Minor financial institutions do not have the capability to impact the rates and proliferation returns (Berger, 1995). The SCP methodology alternatively, positions that when customers are highly concerted in a banking market, they create potential market power for the banks and increase bank profitability. Banks that operate in highly concentrated markets will potentially make very high profits. This is because they have the viable option of

charging high interest rates through monopolistic or collusive approaches; or lowering their rates charged on bank deposits (Bhatti & Hussain, 2010).

This model is applicable to the research as it describes some of the underlining drivers that impact the financial performance of the commercial banks. The theory argues that the performance of commercial banks is not only established internally but also externally. External forces other than internal forces determine commercial banks financial performance. External forces like environmental factors can similarly influence the how commercial banks perform (Khan & Hanif, 2019). The concept is hence relevant to the study as it informs the dependent variable of the study which is financial performance of commercial banks.

2.2.2 Institutional Theory

Karbhari, Alam and Rahman (2020) notes that the foundations of this theory emerge from the works of Weber (1958) and attempts to provide a deeper understanding the of social structures of corporate governance. However, social constructs have since led to the firm establishment of the institutional theory which has been applied in multiple contexts such as politics, banking and education to examine how institutions influence and are influenced by the social environment. The theory stresses on isomorphism, rational myths, and legitimacy (Kabue & Kilika, 2016). This theory provides a deeper understanding of how expected norms, routines and processes are embedded and established as guidelines that firms have to follow and report their level of compliance. According to this theory, the forces surrounding an organization have a significant impact on how the organization will structure itself, resulting in the creation of an organizational culture (Galaskiewicz & Wasserman, 2014). Carruthers (2015) provides evidence of firms copying practices instituted in other companies while some governments compel firms to adhere to internationally recommended standards of operation.

Chua and Rahman (2011) note that the institutional theory can be used to explain why companies may be distinct entities but have similar organizational structures and cultural elements. The theory also proposes a strong relationship exists between external culture and internal cultural practices, asserting that it is necessary to consider the social and cultural environment when making corporate decisions; highlighting the importance of the management in determining sustainable practices to institute and comply to. This theory associates the actions of an entity with the need to appear as a responsible player in the social environment. Mansell (2013) notes that by increasing the legitimacy of an organization before the stakeholders, then the organization will become more accepted by members of the society; hence become sustainable.

This theory advocates for increased institutional isomorphism; with more institutions committing towards conforming to commonly used strategies, structures, and practices established as standards of operation. Chua and Rahman (2011) argue that isomorphism, or compliance to expected standards increased organizational acceptance. This theory is instrumental in this study in that it explains the different drivers of responsible banking practices, the drive for compliance to disclosure of social responsibility information, and how these practices then become part of the organizational culture. Depending on the management, these practices can be sources of legitimacy and improve the banks' competitive positioning. This theory can, therefore, be used in explaining how organizations develop key competencies over time that act as a source of competitive advantage, and how firms adopt to the environment around them. It will be key in establishing the how level of management, regulatory framework and operating environment impact organizational decisions and outcomes.

2.3 Empirical Review

This section conducted a critical review of various studies focusing on the drivers of responsible banking and the financial performance of commercial banks in Kenya.

2.3.1 Responsible Banking Related Activities

The responsible banking principles developed by UNEP-FI were intended to accelerate the banking sector's contribution to achievement of the sustainable development goals and the Paris Accord (Nath, Nayak, & Goel, 2014). To this end, the UNEP-FI identified six key pillars to underpin this strategy: (1) Alignment – of a firm's business strategy to individual needs and societal goals consistent with the Sustainable Development Goals-SDGs (2) Impact and target setting – to increase the positive impacts and reduce negative impact on people and the environment from a risk management perspective (3) Client and customers – work responsibly with clients to encourage sustainable practices and create shared value for current and future generations (4) Stakeholders – proactively encourage relevant stakeholder participation in achieving societal goals (5) Governance and culture – commitment to the principles through effective governance and a culture of responsible banking, (6) Transparency and accountability – periodically review the individual and collective implementation of these principles to assess transparency and contribution to societal goals (UNEP Finance Initiative, 2019).

Sustainability has been looked at from the perspective of environmental, social and governance factors which give legitimacy to a business and set a threshold at which if not met, business would be forced out of the market by stakeholders (Thedéen, 2016). There is therefore the

question of whether sustainability is profitable as investors balance between return and sustainability targets. The importance of Environmental, Social, and Governance factors - ESG therefore stems from the fact that traditional financial statements do not necessarily show the intrinsic factors that influence the firm's ability to create value in the long term (Almaleeh, 2018). As the world moves towards fulfilling the SDG promise there are various innovative initiatives that have underlined the march to 2030. Environment, social and governance factors have become the key pillars towards this bid to eradicate poverty and protect the planet. Investors, especially after the global financial crisis shifted the attention to assets under management linked to some form of ESG (Huijgevoort, 2015).

Responsible banking requires that banks integrate environmental, social and governance considerations into planning and decision-making processes, carry out environmental risk analysis to root out associations that contribute to environmental and social decadence (Yip & Bocken, 2018). The banks can also pledge to comply with recommended legal and regulatory requirements, especially in relation to recognition of human rights. It also involves implementing and continually auditing the performance of a formal environmental protection program, make reuse and recycling a guiding principle in working towards goal realization. Since responsible banking addresses social development goals, it is paramount that banks build relationships with stakeholders – including the government, the scientific community, educational institutions, public interest groups and the general public - to promote the development and communication of innovative solutions to industry environmental problems (Ruiz, Esteban, & Gutiérrez, 2014). This will encourage and present development of new products and services that are co-friendly and promote the well-being of the society. They would also encourage their employees to participate in responsible banking by providing standardized training on the concept to heighten their awareness of, and pride in responsible banking issues.

Banks that have championed responsible banking have approached the subject by prioritizing on activities that promote high energy efficiency and financial inclusion, human and labor rights, economic empowerment of the youth and women, waste management, green building initiatives, climate change matters, health, job creation, deforestation, poverty reduction, anti-corruption initiatives among others (Deloitte, 2017). They are instituting measures to reduce and encourage energy efficiency within their premises, branches, and ATMs, providing accessible credit options by leveraging on emerging mobile technologies and their applications, introduce products designed to encourage women participation in financial activities, reduce

use of paper resources through automation, encourage reuse and recycling, and adhering to international human and labor rights by protecting employees from harassment, promoting a positive workplace culture among others. The banks are also promoting reduction of greenhouse gas emission by encouraging provision of loan products to green businesses and carrying out internal risk assessment to reduce business deals with partners who contribute to environmental pollution. The Deloitte (2017) study involved more than 20 commercial banks that had incorporated responsible banking. As at 2016, these banks had N5.12 trillion in gross revenue across Nigeria and West Africa. By incorporating such practices and sensitizing their employees on the importance of responsible banking, and reporting on the progress made, the banks are displaying the intention to make long-term commitment to ensuring commitment to responsible banking.

The global banking sector is increasingly under pressure to enhance sustainability and transparency in operations in recognizing their exposure to a raft of ESG risks and opportunities (Otterström, 2019). The banks are now adopting international environmental and social standards such as the International Finance Corporation (IFC) and Equator Principles which provide a guide towards different aspects of sustainable banking. Central Banks across Europe have underscored the need for banks to align their lending and project finance practice to ESG. To this effect, the Bank of Italy and Banque de France have increased their emphasis on sustainability by giving priority in investment choices to banks that integrate ESG into their investment criteria (Maria & Lucia, 2019). Further to this, in 2019 the Dutch Central Bank became the first bank to inculcate ESG analysis the responsible banking principles into their analysis (Miralles-Quirós, Luis, & Hernández, 2019). Banks have recognized the need to have ESG practices incorporate into their practices mainly due to the reputational, value creation and financing attachments that have become increasingly vital in the stakeholder chain in improving their capital sourcing and project finance prospects (Miralles-Quirós, Luis, & Hernández, 2019).

According to Maria and Lucia (2019) in exploring the economic consequences of incorporation of responsible banking to European banks, banks which invest in activities with a positive environmental, social and governance effect tend to improve economic performance. Kariuki (2015) in exploring the impact of the sustainable banking in Kenya for the overarching effects of sustainable finance including adoption of ESG criteria to reverberate in the banking system noted that cooperation and engagement of all stakeholders, that is, CBK, CMA, KBA, NSE and sustainability experts in exploring the eco-system to facilitate banks in adoption of

sustainable banking is vital. It is widely believed that institutions which implement sustainable and responsible banking principles will realize a wide range of benefits and regulators believe that these principles set out the path towards promotion of sustainable development in Kenya and they are establishing frameworks, guidelines and mandates to that banks have to follow to implement sustainable business operations and products (KPMG, 2020). This study relied measure the adoption of responsible-banking activities based on the UNEP-FI six key components.

H₀₁ There is no significant effect of the adoption of responsible banking-related initiatives on the bank performance in Kenya

2.3.1 Management Support and Bank Performance

Masum, Azad and Beh (2016) explored the role of human resource management practices in bank performance. The study relied on primary and secondary data collected from commercial banks in Bangladesh over the period 2004-2013. The results indicate that foreign banks have been able to attain scale efficiency as compared to the local commercial banks. The research notes that improving HRM practices is key to enhancing the commercial banks' competition within the modernized environment. The study shows that managers who have acute task allocation capability and involve employees in decision making can sustainably direct their firms towards increased operational efficiency. The study, however, does not examine how environmental factors drive adoption of human resource management practices.

Weber and Chowdury (2020) sought after the relationship between corporate sustainability performance and financial performance among Bangladeshi banks. The study specifically wanted to determine the role played by managers in ensuring compliance to the Bangladesh Environmental Risk Management Guideline and how it impacts bank profitability. The data sourced secondary data from publicly available reports between 2012 and 2016. Financial reports were sourced from annual statements of 56 registered commercial banks. Panel regressions were applied to analyze Granger causality between the variables. The study reported that management orientation towards increased adoption of sustainability practices resulted in higher profit generation. Further, profitable banks and bigger banks provisioned more finances towards sustainable practices. However, there was no correlation between higher financial performance and sustainability performance, the banks were rather driven by the need to improve their legitimacy position. The study only used secondary data and did not investigate how the regulatory requirements influence managerial decision towards adoption of sustainable practices.

Ismail, Faudziah and Rapih (2014) examined the effect of institutional factors on organizational performance through performance measures of commercial banks in Libya. The study relied on structured responses collected from 154 commercial bank branches. The study utilized quantitative analysis techniques. The results indicate that there is a positive association between coercive pressures (supervision, legislation, maintenance and encouragement) and the non-financial performance of commercial banks. The study further indicates that normative pressure (participation in workshops and training) does not have a significant effect on organization performance of commercial banks. The study however fails to examine how external factors such as the regulatory environment impact the financial performance among Kenyan banks.

Oye (2020) conducted an analysis of impacts of operational risk management practices on banks' financial performance in Nigeria. The study relied on panel data that covered the period 2008-2017 with linear multiple regression being adopted. The study findings show that operational risk management has a significant effect on the financial performance of the firms. The study reveals that sound operational practices, deployment of adequate resources, improved coordination and task allocation are critical to improved financial performance of the banks. The study however does not focus on other drivers of responsible banking such as regulatory environment and strategic positioning.

Itumo (2013) studied the relationship between efficiency and financial performance of commercial banks in Kenya. The study adopted a descriptive research design with secondary data covering the period 2007-2012. The results indicate that level of efficiency had a positive effect on the ROA of commercial banks. The study indicates that technical efficiency, cost-efficiency and improving advisory roles within commercial banks is key to improving the financial performance of the institutions. The study however does not consider ROE or market share performance of the banks.

Watiri and Okello (2018) conducted an assessment of middle management strategic initiatives on performance of commercial banks in Nakuru Town. The research collected data from 83 commercial bank managers using structured research questionnaires. The study indicates that autonomous of the middle level-managers actions had a significant effect on bank performance. The study notes that improved space for decision making, shared responsibilities, knowledge management and information sharing is key to improved performance. The study however does not incorporate financial performance measures in the analysis. Sirma, Misoi and Omillo

(2019) examined the effect of top management support on operational performance of commercial banks in Nandi County, Kenya. The study targeted 177 commercial bank employees within the county and relied on structured questionnaires in the data collection process. The study indicates that adoption of top-down approach, regular communication and review of quality management system positively improved the level of bank effectiveness and continuity. The study notes that creating shared values and fairness among employees within the banks resulted in improved performance. The study relies on non-financial measures while this study analyzed the financial performance of registered banks.

The above studies provide evidence of the important role of the management in initiating and coordinating a financial institution towards attaining its goals. However, these studies focussed on different managerial and institutional factors that influence bank performance. This study specifically analyses those factors that are associated with banks that work towards responsible banking and their contribution to both financial and non-financial performance among Kenyan commercial banks.

H₀₂ There is no significant effect of management support on the on the bank performance in Kenya

2.3.2 Regulatory Environment and Bank Performance

Weber (2017) investigated the relationship between corporate sustainability initiatives and financial performance among Chinese banks. The study sought to investigate how sustainability regulations impact financial institutions' profit generation ability. The study sought secondary data and conducted panel regression and Granger causality in determining what causes the initiatives and how they impact financial returns. The study showed an increase in financial, environmental and social performance throughout the study period. Further, the study determined a bi-directional causality between financial performance and sustainability performance, indicating an increase in sustainable performance with increased income. The study concluded that application of Equator Principles, reconstruction of loan portfolios, social management through the balanced scorecard and internal social management result in improved bank returns.

Similarly, Xun (2012) investigated the application of stakeholder model as a business strategy for corporate social responsibility among Chinese banks. The study affirmed that integrating environmental and social considerations into business strategies is key to improving product and service development and delivery resulting in an increase in assets and net profits. These

two studies highlighted the importance of government intervention in promoting implementation of sustainable banking initiatives within Chinese financial institutions. However, the studies specifically focussed on the impact of the implementation of Green Credit policy. The current will investigate factors such as management orientation and market positioning as drivers of responsible banking and their impact on bank performance.

Süleyman, Mehmet and Hüseyin (2015) conducted a research on the effects of regulations on the performance of banks in the Turkish Banking Industry. The study employed regression analysis and data envelopment analysis in the examination. The results show that regulations in the banking industry were key to improved bank soundness, management quality and monitoring of commercial banks. The study notes that tighter regulations, strong supervision, changes to capital requirements and introduction of new reforms have a positive impact on the efficiency of Turkish banks. This study focused on the impact of regulation on goal realization. The current study will incorporate other drivers of performance that include strategic position and management support.

Sultana (2020) investigated the role played by the Bangladeshi government in promoting sustainable banking. The study used simple random sampling technique and sought secondary data reported by Islami Bank Bangladesh Ltd (IBBL) on published internal green banking development reports. The study carried out a five-year comparative analysis of the bank's statement and applied a year-wise growth rate to determine the year-wise progress of the bank's green banking efforts. The study noted that after the government compelled banks to sincerely and thoughtfully adopt green banking practices, IBBL responded by increasing green investment financing, developing a Climate Risk Fund to (CRF) finance activities such as minimize pollution, carbon emission and to counter climate change disasters. The bank also increased green marketing initiatives to create awareness among its clients on the importance of adopting green concept in their product, production, and packaging activities. The banks also instituted eco-friendly inhouse behavior to lessen carbon emission; advertising was also facilitated through use of online media. The study focused on an Islamic institution while the current investigates commercial bank performance.

Olaf (2016) conducted a study the impact of green banking guidelines on the sustainability performance of Chinese banks. The study conducted a review of listed commercial banks in China and indicates that sustainability regulations have been key in fostering the banking industry stability. The study notes that formulating implementation guidelines will help banks

in making decisions for green banking policies adoption in China. The study does not consider the implication of the regulations on the financial performance of the banks which was the focus of the current study.

Musengimana and Mulyungi (2018) conducted an examination of the effects of prudential regulations on financial performance of commercial banks in Rwanda. The study utilized a descriptive research design and sampled 77 employees drawn from the commercial banks. The study results reveal that prudential regulations contribute to 75.8% of the variations in financial performance of the banks. The study notes that compliance to capital requirements, liquidity requirements, risk assessment and monitoring of commercial bank loans are key to improved financial performance. The study however does not examine the how regulations affect banks market share and only considered financial returns among commercial banks in Rwanda.

Mwongeli (2016) studied the effect of regulations on financial performance of commercial banks in Kenya. The study focused on the effect of prudential guidelines of 2013 and how they impact financial performance. The study relied on research data for the period 2010-2015 with chi-squares utilized to estimate association of the variables. The study indicates that compliances with minimum capital requirement and compliance to stipulated guidelines had a positive effect on the financial performance of commercial banks. The study however does not examine how the regulatory environment affects the market share of commercial banks which this study analyzed. Osano and Gekara (2018) studied the effect of government regulations on profitability of commercial banks in Kenya. The study focused on 42 commercial banks in Kenya, relied on secondary data in the analysis and qualitative data. The study concluded that forex exposure cap negatively affects profitability of commercial banks in Kenya. The results indicate that liquidity regulation, interest cap regulation and capital adequacy requirements had a positive effect on the profitability of commercial banks. The study however does not examine how regulations impact the market share of commercial banks which this study sought to analyze.

Haret and Simiyu (2017) analyzed the external financial environment drivers and financial performance of Islamic banks in Kenya. The research employed a census survey of the 2-fully fledged Islamic banks in Kenya and collected responses from 33 top and middle managers. The study findings indicate that regulatory drivers, economic, demographic and technological factors had a significant effect on the financial performance of the banks. The study indicates that adhering to shariah law prescriptions, compliance with financial reporting standards and

centralized risk management frameworks are key to fostering performance of commercial banks. The study only focuses on Islamic banks while this research examined financial performance of commercial banks in Kenya.

H₀₃ There is no significant effect of regulatory environment on the on the bank performance in Kenya

2.3.3 Strategic Position and Bank Performance

Ghahramani, Rezvani and Rahnavard (2015) examined new service development and its financial performance in Iran banking industry. The study utilized questionnaires to collect research data from 118 managers drawn from various banks in Iran. The study employed structural equation modelling to test the study hypothesis. The results indicate that cross-functional teams and learning orientation within the bank enhanced marketability of the bank services. The study shows that customer involvement and service launch preparation did not significantly influence financial performance. The study was however not conducted locally hence need for current examination.

Igbudu, Garanti and Popoola (2018) investigated the effect of sustainable banking practices on customer loyalty among customers in commercial banks in North Cyprus. The study also sought to determine whether customer's perspective of sustainable banking influences their loyalty thus serving as a blueprint for the eradication of unsustainable practices in the banking sector. Data analysis was facilitated by confirmatory factor analysis (CFA) and structural equation modeling (SEM). Findings showed that sustainable banking practices improves customer's loyalty and bank corporate image, showing a positive correlation between customer perception on banks' position on the environment and loyalty. The study thus established that instituting sustainable practices improves the firm's strategic position in terms of favorable image; this increases loyalty and promotes long-term strategic goal realization among financial institutions. The study focused on the impact of responsible banking initiatives on customer loyalty. The current study investigated financial and market share growth aspects of bank performance.

Tan, Chew and Hamid (2017) carried out an exploratory case study on Maybank Group Malaysia to investigate how service quality implementation shapes its sustainable banking initiatives and competitive positioning. The study adopted purposive sampling in selection of banking managers who were the main respondents. An interview guide was conducted on 35 managers from various bank branches and positions. The study determined that Maybank

emphasized on the three pillars of sustainable development: the social, environmental and economic dimensions to direct its management decisions through credit risk management and participating in formulation and compliance of socially responsible guidelines. It also determined that the company invests a portion of its profits on philanthropic projects to enhance community and environmental well-being and promotes sustainable green economic development by developing green technology education, investment products and opportunities. These practices have seen the bank becoming strategically positioned as a champion of sustainable banking, resulting in increased competitive edge in the market.

Blankson, Ketron and Darmoe (2017) studied the role of positioning in the retail banking industry of Sub-Saharan Africa. The study employed an in-depth case study analysis with observations and interviews being utilized in the data collection. The study indicates that service position strategies have been highly adopted by retail banks while value for money, brand names and country of origin positioning being considered among banks. The study indicates that employing multiple positioning strategies significantly influenced the competitiveness of banks. The study however did not establish effect of positional strategies on financial performance of banks.

Gachimu and Njuguna (2017) analyzed the relationship between strategic positioning and financial performance of commercial banks in Kenya. The study utilized both primary and secondary research data. The results of the study indicate that market segmentation practices, product focus, technological innovation and location strategies had a significant effect on the competitiveness of the commercial banks. The study indicates that utilization of technological innovations had the highest influence on the financial performance of the commercial banks. This study focused on general strategic positioning practices while the current study seeks to determine sustainable strategic positioning practices and their impact on firm performance.

M'kuma (2015) analyzed the association between strategic positioning and competitive advantage in banking industry in Kenya. The study adopted a descriptive private sector bank. The study employed a survey research design with 250 managers being targeted in the research. Correlation analysis was used to determine association of variables. The study indicates there is a significant association between strategies positioning and competitiveness of private banks. The study indicates that deploying cost reduction practices, innovation approaches, embracing new technologies and nature of products being offered is key to competitiveness of private

commercial banks. The study focussed only on private banks while this research examined how drivers of responsible banking affect financial performance of all commercial banks in Kenya.

Kamau and Wafula (2015) examined the effects of strategic positioning of service delivery on customer satisfaction at FINA Bank Kenya. The study employed a descriptive research design with population of the study being bank customers and staff members. The study utilized questionnaires and interview schedules in the data collection. The study indicates that strategic positioning through; customer segmentation, brand benefits, product classification and technology advancement were key to improved customer satisfaction in the bank. The study investigated customer satisfaction, while the current study examined financial outcomes, customer, and market share growth.

H₀₄ There is no significant effect of strategic position on the on the bank performance in Kenya

2.4 Summary of Research Gaps

The above studies have explored the different effects of different drivers of responsible banking on financial performance of financial institutions. However, these studies show certain variations with the constructs off the current study. The study by Weber and Chowdury (2020), for instance, established a positive association between adoption of sustainability practices and profit generation in a study that relied on secondary data sources and failed to assess regulatory influence on adoption of sustainability practices. This was the similar case for studies by Oye (2020) and Ismail, Faudziah and Rapiyah (2014). The studies by Watiri and Okello (2018) and Sirma, Misoi and Omillo (2019) did not investigate the financial outcomes of these strategies, instead investiatiing non-financial measures of performance.

Weber (2017) and Xun (2012) found a a bi-directional causality between financial performance and sustainability performance. However, these studies investigated this relationship in regards to the Chinese economy where the government plays a key role in enforcing regulations and standards; they did not investigate managerial orientation and positioning strategies. These studies, together with Süleyman, Mehmet and Hüseyin's (2015) study advocate for increased government oversight to promote compliance and adherence to sustainable banking principles. Igbudu, Garanti and Popoola (2018) found a positive association between sustainable banking practices, desirable corporate image, customer loyalty and customer loyalty among customers of Maybank. The study failed to investigate the financial outcomes of sustainable banking practices. Further, while Gachimu and Njuguna (2017) found a positive relationship between

technological innovations and financial performance, the study did not investigate non-financial outcomes of strategic positioning. This study aims to investigate these research gaps in the context of the Kenyan market. A summary of various gaps identified in the review is listed in table 2.1 below.

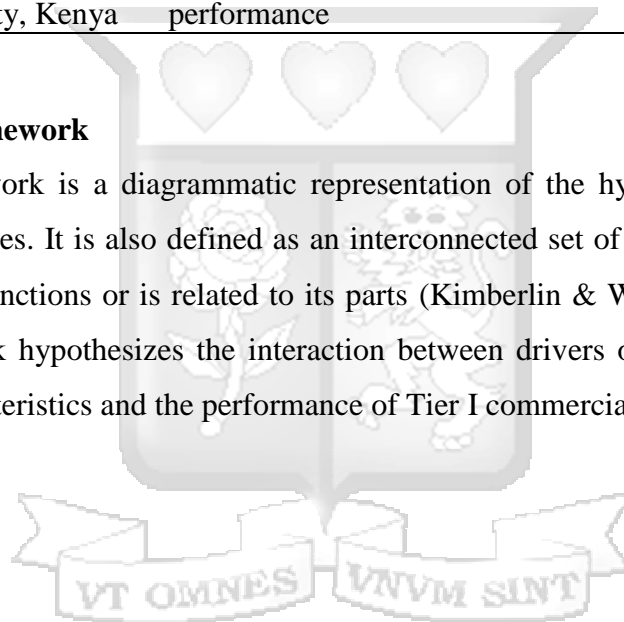
Table 2.1 Summary of Research Gaps

Author	Title	Findings	Research Gap	How Gap was Addressed
Gachimu and Njuguna (2017)	Relationship between strategic positioning and financial performance of commercial banks in Kenya	The study indicates that utilization of technological innovations had the highest influence on the financial performance of the commercial banks	The study did not assess how strategic positioning impacts non-goal financial realization.	The study considered all the operational commercial banks in Kenya
Kiragu, Gikiri and Iminza (2015)	Effect of bank size on occupational fraud in commercial banks in Kenya	The findings revealed that there exists a negative significant correlation between bank size and occupational fraud risk in banks	The did not consider association between responsible-banking and financial performance of commercial banks in Kenya.	The study incorporated responsible banking activities in the modelling
Mwongeli (2016)	Effect of regulations on financial performance of commercial banks in Kenya	The study indicates that compliances with minimum capital requirement has a positive effect on the financial performance of commercial banks	The study however does not examine how the regulatory environment affects the market share of commercial banks which this study analyzed.	The study captured regulatory environment influence on bank performance
Olaf (2016)	Impact of green banking guidelines on the sustainability performance of Chinese banks	The study notes that formulating implementation guidelines will help banks in making decisions for green banking policies adoption in China	The study does not consider the implication of the regulations on the financial performance of the banks which is the focus of the current study.	The research took into consideration the effect of regulations and responsible banking activities on performance

Oye (2020)	Impacts of operational risk management practices on banks' financial performance in Nigeria	The study findings show that operational risk management has a significant effect on the financial performance of the firms	The study however does not focus on other drivers of responsible banking such as regulatory environment and strategic positioning	The study considered the drivers of responsible banking within the country
Sirma, Misoi and Omillo (2019)	Effect of top management support on operational performance of commercial banks in Nandi County, Kenya	The study notes that creating shared values and fairness among employees within the banks will result in improved performance	The study relies on non-financial measures while this study analyzed the financial performance of commercial banks.	The study utilized both secondary and primary research data in analysis of bank performance

2.5 Conceptual Framework

A conceptual framework is a diagrammatic representation of the hypothesized interaction between study variables. It is also defined as an interconnected set of ideas regarding how a given phenomenon functions or is related to its parts (Kimberlin & Winterstein, 2008). The conceptual framework hypothesizes the interaction between drivers of responsible banking activities, firm characteristics and the performance of Tier I commercial banks in Kenya.



Independent Variables

Dependent Variable

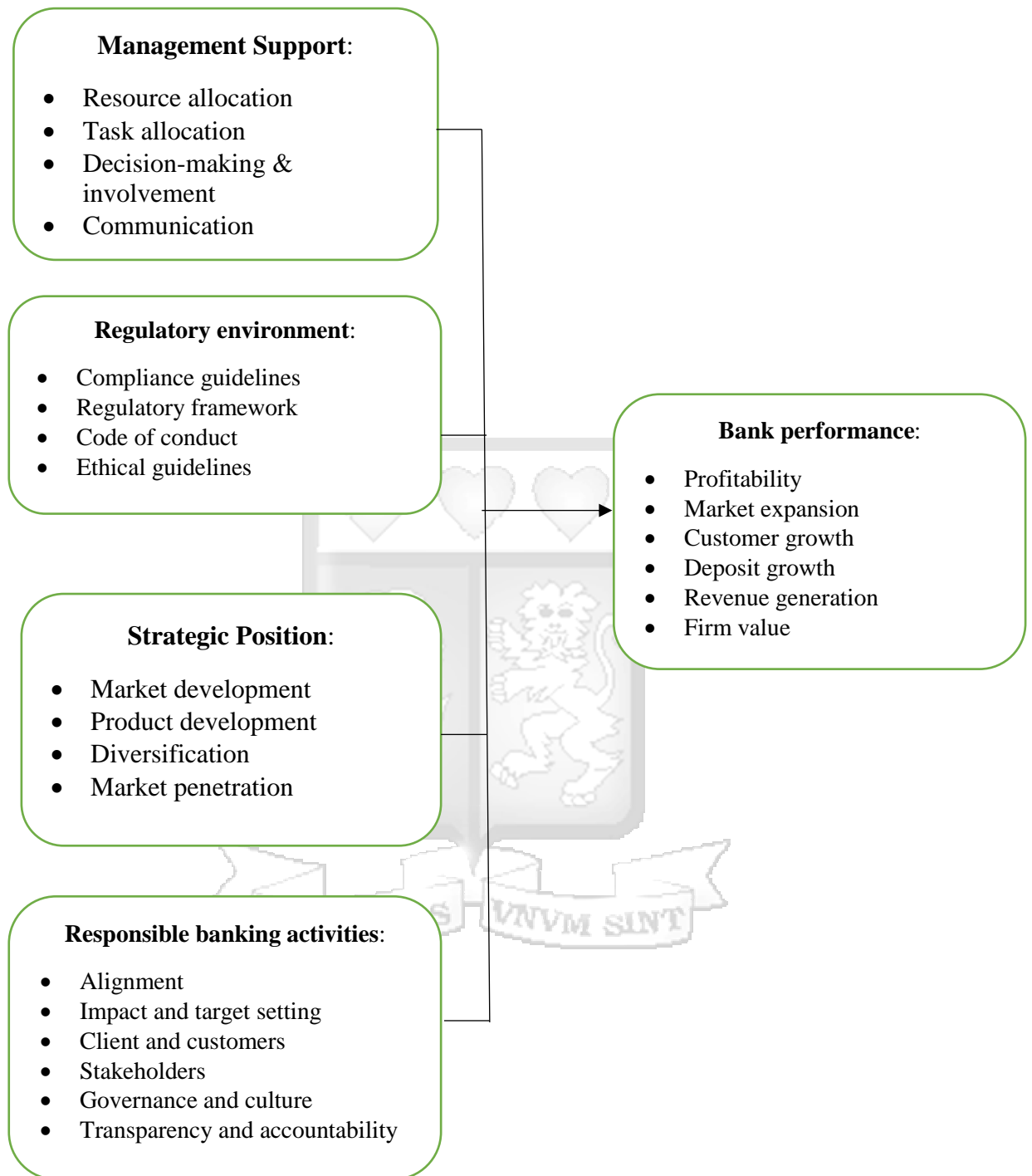


Figure 2.1 Conceptual Framework

The main aim of the study was to examine the drivers of responsible banking activities and their influence on the financial performance of commercial banks. The study conceptualized responsible banking activities in line with UNEP-FI guidelines. The drivers of responsible

banking activities were assessed in terms of management support, strategic positioning and regulatory environment.

Table 2.2 Operationalization of Study Variables

Variable	Indicators	Measurement scale	Data analysis
Management Support	<ul style="list-style-type: none"> • Resource allocation • Task allocation • Decision-making & involvement • Communication 	Ordinal scale	Descriptive analysis Correlation analysis Regression analysis
Regulatory environment	<ul style="list-style-type: none"> • Compliance guidelines • Regulatory framework • Code of conduct • Ethical guidelines 	Ordinal scale	Descriptive analysis Correlation analysis Regression analysis
Strategic position	<ul style="list-style-type: none"> • Market development • Product development • Diversification • Market penetration 	Ordinal scale	Descriptive analysis Correlation analysis Regression analysis
Responsible banking activities	<ul style="list-style-type: none"> • Alignment • Impact and target setting • Client and customers • Stakeholders • Governance and culture • Transparency and accountability 	Ordinal scale	Descriptive analysis Correlation analysis Regression analysis
Financial performance	<ul style="list-style-type: none"> • Profitability • Market expansion • Customer growth • Deposit growth • Revenue generation • Firm value 	Ordinal scale Secondary data	Descriptive analysis Correlation analysis Regression analysis

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlined and explained the step-by-step procedure that was followed to carry out the research study. The chapter starts by stating the philosophy that anchored the study and explaining the research design that was adopted, followed by the target population, and sampling design. The chapter further captured the data collection instrument, research procedures, research quality and also the methods of data analysis and presentation of findings.

3.2 Research Philosophy

The research philosophy to be adopted for this dissertation study was positivistic. Bryman and Bell (2011) states that positivism involves the study social reality by incorporating natural science's approaches. This study therefore adopted the hypothesis based on the present systems with regard to the method of positivistic philosophy. The philosophy was adopted since it can support the testing and establishing or invalidated by statistical as well as quantitative approaches in order to give solutions to the purposes of the study and achieve the research goals (Namusonge, 2010). Hence, this philosophy was key to anchoring this study that relied on quantitative techniques in the analysis of the interaction between the research variables.

3.3 Research Design

According to Kothari (2004), a research design encapsulates decisions in respect of what, where, when, how much, and by what means regarding a certain research study. A descriptive research design was adopted in the context of this study. A descriptive study is concerned with describing specific characteristics of a certain subject (Kothari, 2008). Such a study is interested in specific predictions with narration of facts. The present study was interested in examining the drivers of responsible banking activities and their influence on the financial performance of commercial banks in Kenya.

3.4 Target Population and Sampling Design

3.4.1 Population of the Study

The target population refers to all the subjects or entities that share common characteristics that or of interest to the research (Kimberlin & Winterstein, 2008). The unit of analysis in this study was the registered commercial banks as ranked by the Central Bank of Kenya (2018). There are currently 41 operational banks in Kenya who will form the population of this study. The unit of analysis was drawn from the banks that compliance and governance managers, strategy

managers, head of operations and financial managers. The bank officials were selected for the study as senior officials they are expected to have reasonable knowledge on the adoption of responsible banking, the drivers of the adoption and the financial impact to the banking institutions.

Table 3.1 Target Population

Category	No. of banks	Proportion
Governance Managers	41	20%
Strategy Managers	41	20%
Head of Operations	41	20%
Risk and Compliance Managers	41	20%
Financial Managers	41	20%
Total	205	100%

3.4.2 Sampling Design and Sample Size

The sampling frame consists of the set of units from which a sample is drawn by the researcher (Namusonge, 2010). In the ideal case, the sampling frame should coincide with the population of interest. It is defined as the source material or device from which a sample is drawn (Kimberlin & Winterstein, 2008). The sampling frame for this study was drawn from the 205 senior managers from the 41 commercial banks in Kenya. Serem, Boit and Wanyama (2013) posits that sampling is a process by which a subset of the population is selected and studied in order to obtain information regarding a phenomenon. This selected subset is a sample. The sample size for the study was determined using the Yamane formula as shown below.

n =sample size,

N = population size

e =level of precision.

$$n = \frac{N}{1 + N(e)^2}$$

$$\frac{205}{1 + 205 (0.05)^2} = 135$$

The sample size for the study was 135-officials drawn from the 41commercial banks which was fully representative of the study sample.

3.5 Data Collection Instruments

These are the methods and instruments purposed to collect relevant information from the respondents (Kothari, 2008). The researcher made use of both primary and secondary sources of data. To collect primary data, the researcher used a structured questionnaire and a data extraction form to collect secondary data. Questionnaires provide the researcher with relatively easy accumulation of data that is objective and relatively easy to analyze (Serem, Boit, & Wanyama, 2013). The structured questionnaire was comprised of the background information and statements on the independent variables of the study. The study further made use of a data extraction form to collect financial data from the audited statements of the commercial banks as well as the annual report from the Central Bank of Kenya. The study collected financial performance data for the period 2015-2019.

3.6 Data Collection Procedures

Data collection procedures are the various methods or techniques that the researcher utilizes in the collection of research data (Kimberlin & Winterstein, 2008). In collecting primary data using the structured questionnaires the study utilized a mixed approach that relied primarily on drop and pick method in accessing the bank officials in their places of work. Further, to avoid limitations brought about by COVID-19 the study employed Google forms to collect data from participants who were working remotely. In collecting the secondary data, the study accessed the financial results of the commercial banks from the Central Bank Annual Supervision reports and the Capital Markets Authority repository. The study ensured that all approvals are acquired before collecting the research data.

3.7 Data Analysis and Presentation

Data analysis is the deliberate process of looking through and summarizing data with the intention of extracting useful information and developing logical conclusions (Mwituria, 2012). The study relied on SPSS 25 to conduct the quantitative analysis. The study employed descriptive analysis to summarize the responses obtained from the study through frequencies, means, standard deviation and variances. The study employed correlation analysis to determine the type of association between the variables of the study. To determine the magnitude of relationship between study variables the research employed ordinal regression analysis.

A generalized regression model was used to examine the interaction between the research variables. The study conducted exploratory factor analysis before conducting the regression analysis. The following regression model was adopted;

$$\text{Bank Performance} = b_0 + b_1 \cdot \text{mgt_Supp} + b_2 \cdot \text{reg_env1} + b_3 \cdot \text{reg_env2} + b_4 \cdot \text{strat_pos1} + b_5 \cdot \text{strat_pos2} + b_6 \cdot \text{resp_bank1} + b_7 \cdot \text{resp_bank2} + b_n \cdot \text{controls} + e$$

Where BP denotes performance of commercial banks (measured by financial and non-financial measures)

mgt_Supp denotes management support of commercial banks

reg_env1,2 denotes regulatory environment of commercial banks

strat_pos1,2 denotes strategic position of commercial banks

resp_bank1,2 denotes responsible banking activities of commercial banks

$b_1 - b_4$ is coefficients

ϵ is the error term

3.8 Research Quality

To test the reliability and validity of the research instrument, piloting of the questionnaire was done. This according to Mwituria (2012), means that a trial to prove to oneself whether the questionnaire is obtaining the results that the study requires to make correct conclusions. According to Cooper and Schindler (2010), a pilot test is conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. The study conducted a pretest of the research instrument among thirteen (10% of sample size) officials from commercial banks in Kenya.

3.8.1 Reliability Tests

Jack and Clarke (1998) define reliability as a as the consistency when answering research questions. A common measure of reliability is the use of Cronbach 's Alpha which ranges on a scale of 0 to 1. A high reliability is indicated by a number that is close to one than it is to zero. The study nevertheless, used a threshold of 0.7 as the standard of reliability such that a coefficient below 0.7 indicated that the sub constructs will not be reliable in capturing the

variable. The study conducted a pretest of the instrument with 11 staff members drawn from the population of the research. The results indicated Cronbach Alpha scores as follows; management support ($\alpha = .715$), regulatory environment ($\alpha = .780$), strategic position ($\alpha = .830$) and responsible banking activities ($\alpha = .880$). This indicated that the study variables were able to meet the internal consistency threshold.

3.8.2 Validity Tests

Validity is used by the researcher to check whether questionnaire is measured what it intended to measure (Bryman & Cramer, Quantitative Data Analysis with SPSS for Windows: a guide for Social Scientists., 1997). The degree to which the tool correlated to other theoretical propositions which is the construct validity was examined by the supervisors who is well versed with the topic of study. The pilot study response guided on content and criterion validity checks as the respondents was asked to comment on the tool. This ensured content validity, which is the adequacy of coverage of the topic. They also expected to comment on the relevance and any bias that could be on the tool to increase the criterion validity of the same (Mwituria, 2012).

3.8.3 Diagnostic Tests

The study further tested the quality of the research by conducting various diagnostic test. The study adopted autocorrelation, collinearity and normality tests.

3.8.3.1 Multicollinearity Tests

According to Bryman and Bell (2011), multicollinearity occurs when two or more variables are highly correlated thus creating shared variance between variables. Multicollinearity tends to reduce the efficiency of the estimates for the parameters. As multicollinearity increases, the net effect of each independent variable on the dependent variable decreases. To determine whether multicollinearity levels would pose a challenge to the study, regression analysis was conducted to generate the Variance Inflation Factor (VIF) value. A VIF of above 10 was interpreted by the researcher as indicating problems with multicollinearity.

3.8.3.2 Normality Tests

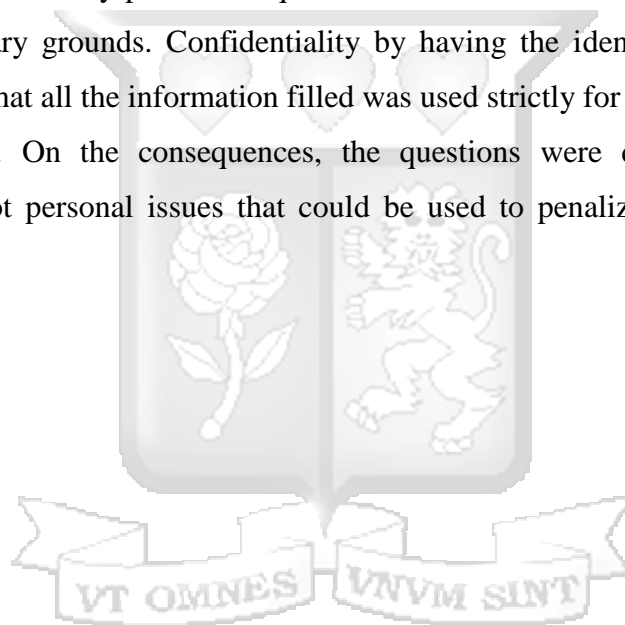
Multiple regression assumes that the variables have normal distributions (Osborne & Waters, 2002). This means that errors are normally distributed, and that the plot of the values of the residuals will approximate the normal curve (Keith, 2006). The study employed normal p-p plots of the standardized residuals to estimate the normality of the research data.

3.8.3.3 Autocorrelation Tests

Autocorrelation is the correlation between the values of a variable and the lagged values of that same variable (Bryman & Cramer, 1997). This situation arises whereby historical values influence time series data. Autocorrelation effects models by increasing their base value, leading to the generation of invalid results. The Durbin-Watson statistic was used to assess for serial correlation in the empirical model.

3.9 Ethical Considerations

Ethical considerations in research should be done in terms of informed consent, confidentiality, and consequences (Serem, Boit, & Wanyama, 2013). The three considerations were dully addressed through having a Research Permit from NACOSTI, clearance for research from the university, and an introductory part of the questionnaire that indicated that the questionnaire was filled on voluntary grounds. Confidentiality by having the identity of the respondent optional and the fact that all the information filled was used strictly for research purposes, and this was adhered to. On the consequences, the questions were designed to focus on organizational and not personal issues that could be used to penalize the respondent as a consequence.



CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

The fourth chapter presented the response rate of the study and the descriptive analysis of the obtained responses. The chapter further presented the factor analysis, correlation analysis, and the regression results of the research.

4.2 Response Rate

The study was conducted across the registered commercial banks in Kenya, with a sample of 135 expected to be representative of the research population. The study obtained 102 response (76%) response rates, with only 33 (24%) of the sample respondents not participating in the research. This response rate was deemed suitable for utilization in establishing the quantitative association between the study variables.

4.3 Demographic Information

The study reviewed the participant's demographic aspects such as gender, age, education level, experience in the banking industry, and management level. A summary of the results is presented below.

Table 4.1 Summary of Demographic Information

	Category	Frequency	Percentage
Gender	Male	56	54.9
	Female	46	45.1
Age	Below 29	32	31.4
	30-40 Years	31	30.4
	41-50 Years	36	35.3
	61 years and above	3	2.9
Education	Graduate	77	75.5
	Postgraduate	25	24.5
Service Experience	0-2 years	15	14.7
	3-6 Years	36	35.3
	7-9 Years	43	42.2
	Over 10 years	8	7.8
Job Category	Governance Managers	5	4.9
	Strategy Managers	11	10.8
	Head of Operations	39	38.2
	Risk and Compliance Managers	16	15.7
	Financial Managers	31	30.4

The findings noted that 54.9% of the participants were male staff members within commercial banks, with 35.3% of the respondents being between the ages 41-50 years and only 2.9% of the respondents being over 61 years of age. The results revealed that 75.5% of the respondents had attained a graduate-level education, with 42.2% having at least 7-9 years of service experience within the banking industry.

The findings also showed that 38.2% of the participants were heads of operations, 30.4% of the respondents were financial managers, and 10.8% were strategy managers within commercial banks. The above results indicated that commercial banks have a diverse employee pool with both genders represented in the sample participants. The findings also pointed to education and technical experience diversity within the personnel, as demonstrated by the representation of employees with divergent education qualifications and work experience. The results further indicated that the participants pooled in the study were from diverse job categories, which were key to improving the responses obtained from the personnel members.

4.4 Descriptive Analysis

The study applied descriptive analysis in the presentation of the responses obtained from the Likert scale questions. The study had adopted questions with a scale ranging from strongly agree to strongly disagree. The research employed means and standard deviations (a measure of response distribution from the average response).

4.4.1 Financial Performance of Commercial Banks

The study applied structured questions to assess the cross-sectional performance of commercial banks and reviewed the secondary performance of the banks further using ROA and ROE with data extracted for the period 2015-2019.

Table 4.2 Financial Performance of Banks

	N	Sum	Mean	Std. Deviation
The banks have been able to achieve a sustained improvement in their profit margins and firm value	102	286.00	2.8039	1.39333
The commercial banks have attained a continuous expansion in their market outreach	102	244.00	2.3922	1.42229
There has been a general growth in the number of customers being served by the commercial banks	102	239.00	2.3431	1.45218

There is an improvement in the banks capacity to mobilize deposits and generate revenue from new products and services	102	388.00	3.8039	1.41449
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The findings indicated there was agreement that is an improvement in the bank's capacity to mobilize deposits and generate revenue from new products and services (mean = 3.8039, std. dev = 1.41449). Results also showed moderate agreement that banks have achieved a sustained improvement in their profit margins and firm value (mean = 2.8039, std. dev = 1.3933). The analysis also showed disagreement that there was a general growth in the number of customers served by commercial banks (mean = 2.3431, std. dev = 1.41449).

Table 4.3 Analysis of Financial Data

	ROE	ROA
Total	337.244	1733.03
Mean	1.774968	9.121211
Maximum	75	47.2
Minimum	-32.15	-132.7
Median	1.605	10.5
Standard Deviation	6.653839	20.02072
Skewness	6.129251	-2.55007
Kurtosis	80.48108	13.60086

The study results denoted that, on average, the return on equity across the commercial banks within the study period average at 1.77%, with a minimum of -32.15% within the same period. The findings showed that, on average, the return on assets was 9.12%, while the maximum ROA within the period was at 47.2% within the period considered in the study (2015-2019) since the inception of responsible banking activities in Kenya.

4.4.2 Management Support of Commercial Banks

The first driver for responsible banking examined was the management support with participants offered 7-statements on a Likert scale. The results for the mean and standard deviation are presented below.

Table 4.4 Management Support Descriptive

	N	Sum	Mean	Std. Deviation
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The bank management ensures specific roles and responsibilities are assigned to staff with the right skills	102	363.00	3.5588	1.23940
The bank management is keen on capacity building among the employees to enhance their knowledge and professional development	102	448.00	4.3922	.82242
The bank management has set up a strategic team to facilitate the design and execution of responsible banking activities.	102	222.00	2.1765	1.19745
The bank management has established appropriate systems and structures to ensure coordination and control is achieved in the institution	102	435.00	4.2647	.99431
The management consistently reviews the existing systems and processes to ensure there are aligned to the sustainable goals of the institution	102	409.00	4.0098	1.09450
The bank management has developed a clear line of communication to link all business units and share the institution goals and mission	102	394.00	3.8627	1.25105
The bank management has developed structures to ensure employees are involved in department-level decision making	102	360.00	3.5294	1.41215

The responses indicated that the bank management had developed a clear line of communication to link all business units and share the institution's goals and mission (mean = 3.86, dev = 1.25). The findings demonstrated strong agreement that bank management is keen on capacity building among the employees to enhance their knowledge and professional development (mean = 4.39, dev = .82). Finally, the results presented revealed strong agreement that bank management has established appropriate systems and structures to ensure coordination and control is achieved in the institution (mean = 4.26, dev = .99).

4.4.3 Regulatory Environment of Commercial Banks

The first driver for responsible banking examined was the regulatory environment, with participants offered 6-statements on a Likert scale. The results for the mean and standard deviation are presented below.

Table 4.5 Regulatory Environment Descriptive

	N	Sum	Mean	Std. Deviation
The bank continuously monitors the adherence to the code of conduct guidelines by the regulator	102	368.00	3.6078	1.48362

The bank ensures there is strict compliance to the regulatory requirements and mechanisms prescribed	102	375.00	3.6765	1.36550
The bank engages with regulators and policymakers to advocate for regulations and policies that are in line with the goals and objectives	102	401.00	3.9314	1.25280
The bank constantly reviews the internal control mechanisms to ensure they are aligned to emerging banking standards	102	286.00	2.8039	1.39333
The banks' operational strategies are influenced by how a bank moves forward to streamline its operations to the regulations in place	102	244.00	2.3922	1.42229
The bank ensures it meets its' fiduciary role to clients	102	239.00	2.3431	1.45218

Findings noted agreement (mean = 3.61, dev =1.48) that the bank continuously monitors the adherence to the code of conduct guidelines by the regulator. The results indicated moderate agreement that the bank constantly reviews the internal control mechanisms to ensure they align with emerging banking standards (mean = 2.80, dev =1.39). The research also agreed that the bank ensures strict compliance with the regulatory requirements and mechanisms prescribed (mean = 3.68, dev = 1.37).

4.4.4 Strategic Position of Commercial Banks

The third driver for responsible banking examined was the strategic position, with participants offered 6-statements on a Likert scale. The results for the mean and standard deviation are presented below.

Table 4.6 Strategic Position Descriptive

	N	Sum	Mean	Std. Deviation
The bank has cemented its market position through employing segmentation practices	102	223.00	2.1863	1.32553
The bank constantly reviews its product offering to explore and enhance the product range	102	220.00	2.1569	1.34786
The bank is constantly reviewing and incorporating emerging technologies in the internal banking operations	102	233.00	2.2843	1.37429
The bank has enhanced its presence in the country through expansion of branch network and digital banking operations	102	416.00	4.0784	1.12299

The bank routinely reviews the brand image of the bank and fine-tunes the bank reputation based on available market information	102	395.00	3.8725	1.22411
The bank reviews the strategy mix to ensure the strategies being pursued are in line with the long-term goals of the institution	102	351.00	3.4412	1.44588

The findings noted moderate agreement among participants that the bank reviews the strategy mix to ensure the strategies being pursued are in line with the institution's long-term goals (mean = 3.44, dev =1.45). The results showed disagreement that the bank constantly reviews its product offering to explore and enhance the product range (mean = 2.16, dev = 1.34). The study also indicated disagreement that the bank is constantly reviewing and incorporating emerging technologies in the internal banking operations (mean = 2.28, dev = 1.37).

4.4.5 Adoption of Responsible Banking-Related Initiatives in Commercial Banks

The study further examined the adoption of responsible banking-related initiatives as formulated by the United Nations and Kenya Bankers Association within commercial banks in Kenya. The results obtained are presented in the table below.

Table 4.7 Adoption of Responsible Banking-Related Initiatives Descriptive

	N	Sum	Mean	Std. Deviation
The banks' strategy is aligned to the attainment of sustainable development goals through shared responsibility	102	374.00	3.6667	1.39542
The business decision making within the commercial banks takes into consideration the environmental and social impacts	102	370.00	3.6275	1.42065
The bank is keen on developing new products and services that encourage and support more sustainable business models	102	406.00	3.9804	1.25059
The bank is raising awareness and engaging clients on the sustainable banking activities	102	377.00	3.6961	1.37004
The bank is building capacity among bank employees to better engage with clients and customers about sustainable finance	102	381.00	3.7353	1.40668
The bank has been undertaking collaborations with stakeholders and regulators to better accomplishment of sustainable practices	102	371.00	3.6373	1.46773
The bank ensures that sustainability values and ethos are enshrined in the culture of the institution	102	359.00	3.5196	1.50728

The bank continuously reviews the governance structure to ensure it is aligned to emerging sustainability standards	102	393.00	3.8529	1.38161
The bank ensures there is compliance with reporting standards and regulatory disclosures	102	388.00	3.8039	1.41449

The study results showed agreement that the bank ensures that sustainability values and ethos are enshrined in the institution's culture (mean = 3.52, dev = 1.50). The findings noted that the bank ensures compliance with reporting standards and regulatory disclosures (mean = 3.80, dev = 1.41). The study results indicated agreement that the bank's strategy is aligned to the attainment of sustainable development goals through shared responsibility (mean = 3.67, dev = 1.39). The study also showed agreement that the bank has been undertaking collaborations with stakeholders and regulators to better the accomplishment of sustainable practices (mean = 3.63, dev = 1.47).

4.5 Factor Analysis

Factor analysis was performed to summarize the data set and regroup variables into a limited set of factors based on a shared variance to interpret the relationships and patterns (Kline, 2014). The principal component analysis involved using the eigenvalue rule, varimax rotation to determine the number of components to retain. The KMO index ranges between 0 and 1, with an index of 0.6 and above being considered suitable for factor analysis. Bartlett's Test of Sphericity, on the other hand, tests the significance of the data. In this test, a significance level of $p < 0.05$ is required for factor analysis to be considered suitable (Brown, 2009).

4.5.1 Kaiser-Meyer-Oklin Measure for Sampling Adequacy and Bartlett's Test of Sphericity

The suitability of data for factor analysis was tested for each variable in the model using the Kaiser-Meyer-Oklin Measure for Sampling Adequacy (KMO Index) and Bartlett's Test of Sphericity (Yong & Pearce, 2013).

Table 4.8 Variable Suitability Tests for Factor Analysis

Variable	Suitability Tests		
Management Support	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.780
	Bartlett's Test of Sphericity	Approx. Chi-Square	210.091
		df	21

		Sig.	.000
Regulatory Environment	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.728
	Bartlett's Test of Sphericity	Approx. Chi-Square	301.123
		df	15
		Sig.	.000
Strategic Positioning	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.753
	Bartlett's Test of Sphericity	Approx. Chi-Square	429.878
		df	15
		Sig.	.000
Responsible Banking Activities	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.848
	Bartlett's Test of Sphericity	Approx. Chi-Square	822.953
		df	36
		Sig.	.000
Bank Performance	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.722
	Bartlett's Test of Sphericity	Approx. Chi-Square	191.748
		df	6
		Sig.	.000

The findings show that all the variables had a KMO value of above 0.6 and Bartlett's Test Sig of less than .05. The results showed that management support (KMO = .833, Sig = .00<.05), strategic positioning (KMO = .764, Sig = .00<.05) and responsible banking activities (KMO = .800, Sig = .00<.05) and the bank performance were all suitable for factor analysis (KMO = .722, Sig = .00<.05)

4.5.2 Factor Analysis for Management Support

The first variable to be considered for factor analysis was management support, and the findings of the principal component analysis are presented below.

Table 4.9 Component Analysis for Management Support

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %
1	3.162	45.169	45.169	3.162	45.169	45.169
2	.998	14.262	59.432			
3	.906	12.948	72.379			
4	.721	10.298	82.678			
5	.593	8.475	91.153			
6	.331	4.724	95.877			
7	.289	4.123	100.000			

Extraction Method: Principal Component Analysis.

	Component 1
The bank management ensures specific roles and responsibilities are assigned to staff with the right skills	.750
The bank management is keen on capacity building among the employees to enhance their knowledge and professional development	.505
The bank management has set up a strategic team to facilitate the design and execution of responsible banking activities.	-.179
The bank management has established appropriate systems and structures to ensure coordination and control is achieved in the institution	.650
The management consistently reviews the existing systems and processes to ensure there are aligned to the sustainable goals of the institution	.765
The bank management has developed a clear line of communication to link all business units and share the institution goals and mission	.811
The bank management has developed structures to ensure employees are involved in department-level decision making	.804

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

The results indicated that the variable management support fitted into a single component, with 45.169% of the variations in the variable fitted into the first component.

Factor loading is the correlation between the observed score and the latent score; Yong and Pearce (2013) indicated that the minimum threshold for the factor rotation should be 0.4. The study showed that all the statements except for one did meet the threshold for inclusion in the

analysis. Thus, the selected statement was contained in the first component and retained for further inclusion in the inferential analysis.

4.5.3 Factor Analysis for Regulatory Environment

The second variable to be considered for factor analysis was the regulatory environment, and the findings of the principal component analysis are presented below.

Table 4.10 Component Analysis for Regulatory Environment

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %
1	3.013	50.215	50.215	3.013	50.215	50.215	2.366	39.431	39.431
2	1.589	26.484	76.699	1.589	26.484	76.699	2.236	37.269	76.699
3	.520	8.659	85.358						
4	.452	7.538	92.896						
5	.277	4.612	97.509						
6	.149	2.491	100.000						

Extraction Method: Principal Component Analysis.

	Component	
	1	2
The bank continuously monitors the adherence to the code of conduct guidelines by the regulator	.591	.564
The bank ensures there is strict compliance to the regulatory requirements and mechanisms prescribed	.703	.532
The bank engages with regulators and policymakers to advocate for regulations and policies that are in line with the goals and objectives	.720	.520
The bank constantly reviews the internal control mechanisms to ensure they are aligned to emerging banking standards	.641	-.503
The banks' operational strategies are influenced by how a bank moves forward to streamline its operations to the regulations in place	.788	-.480
The bank ensures it meets its' fiduciary role to clients	.788	-.484

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

The results of the principal component analysis indicated that only two factors were extracted, accounting for 76.699% of the changes in the variable regulatory environment. The above table indicates the items fitted across the two components. The minimum threshold accepted for the inclusion of items is a factor value of 0.4. The higher the value across each row is considered to be composed within the column shaded in bold. The findings indicated that all the statements

were included in the first factor. Further, the high factor loading scores mean that the regulatory environment is accounted for by all the items considered in the first component; these were retained for the inferential analysis therein.

4.5.4 Factor Analysis for Strategic Position

The third variable to be considered for factor analysis was strategic positioning, and the findings of the principal component analysis are presented below.

Table 4.11 Component Analysis for Strategic Position

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %
1	3.506	58.432	58.432	3.506	58.432	58.432	2.664	44.408	44.408
2	1.462	24.366	82.797	1.462	24.366	82.797	2.303	38.389	82.797
3	.433	7.218	90.016						
4	.315	5.252	95.267						
5	.189	3.154	98.422						
6	.095	1.578	100.000						

Extraction Method: Principal Component Analysis.

	Component	
	1	2
The bank has cemented its market position through employing segmentation practices	.827	-.469
The bank constantly reviews its product offering to explore and enhance the product range	.845	-.455
The bank is constantly reviewing and incorporating emerging technologies in the internal banking operations	.831	-.405
The bank has enhanced its presence in the country through expansion of branch network and digital banking operations	.724	.514
The bank routinely reviews the brand image of the bank and fine-tunes the bank reputation based on available market information	.681	.576
The bank reviews the strategy mix to ensure the strategies being pursued are in line with the long-term goals of the institution	.656	.525

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

The results of the principal component analysis indicated that only two factors were extracted, accounting for 82.797% of the changes in the variable strategic positioning. The study further conducted factor loading, which correlates the observed score and the latent score. Generally, the higher, the better since the square of factor loading can be directly translated as item reliability.

The minimum threshold accepted for the inclusion of items is a factor value of 0.4. The higher the value across each row is considered to be composed within the column shaded in bold. From the above, the factor loading for sub-variables in component one was all higher than in the second factor and was thus applied in the study. This indicated that only factors in component 1 were retained for further analysis of the variable strategic position.

4.5.5 Factor Analysis for Responsible Banking Activities

The last variable to be considered for factor analysis was the adoption of responsible banking activities, and the findings of the principal component analysis are presented below.

Table 4.12 Component Analysis for Responsible Banking Activities

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.216	57.959	57.959	5.216	57.959	57.959	4.980	55.330	55.330
2	2.048	22.754	80.713	2.048	22.754	80.713	2.284	25.383	80.713
3	.521	5.789	86.501						
4	.307	3.408	89.909						
5	.277	3.077	92.987						
6	.245	2.722	95.709						
7	.187	2.080	97.789						
8	.115	1.272	99.061						
9	.084	.939	100.000						

Extraction Method: Principal Component Analysis.

	Component	
	1	2
The banks' strategy is aligned to the attainment of sustainable development goals through shared responsibility	.303	.769

The business decision making within the commercial banks takes into consideration the environmental and social impacts	.355	.842
The bank is keen on developing new products and services that encourage and support more sustainable business models	.333	.781
The bank is raising awareness and engaging clients on the sustainable banking activities	.903	-.142
The bank is building capacity among bank employees to better engage with clients and customers about sustainable finance	.906	-.211
The bank has been undertaking collaborations with stakeholders and regulators to better accomplishment of sustainable practices	.921	-.153
The bank ensures that sustainability values and ethos are enshrined in the culture of the institution	.883	-.103
The bank continuously reviews the governance structure to ensure it is aligned to emerging sustainability standards	.895	-.164
The bank ensures there is compliance with reporting standards and regulatory disclosures	.907	-.103

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

The results of the principal component analysis indicated that only two factors were extracted, accounting for 80.713% of the changes in the variable responsible banking activities. The retained components were rotated to obtain a pattern of loadings that could be easily interpreted. This was based on the value of the factor loading. According to Rahn (2010), a factor loading equal to or greater than 0.4 is considered adequate.

Yong and Pearce (2013) indicated that the minimum threshold for factor rotation should be 0.4. All the statements attracted coefficients of more than 0.4; hence all the statements were retained for analysis based on their distribution across the two components, as shown by selecting the sub-variables per each factor in Table 4.10 above. The findings showed that most of the statements in responsible banking activities were accounted for in factor 1 as shown by the high loadings, while only 3 items were considered in the second component.

4.5.6 Factor Analysis for Bank Performance

The dependent variable to be considered for factor analysis was the bank performance, and the findings of the principal component analysis are presented below:

Table 4.13 Component Analysis for Bank Performance

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %
1	2.601	65.027	65.027	2.601	65.027	65.027
2	.766	19.138	84.166			
3	.484	12.110	96.276			
4	.149	3.724	100.000			

Extraction Method: Principal Component Analysis.

	Component 1
The banks have been able to achieve a sustained improvement in their profit margins and firm value	.792
The commercial banks have attained a continuous expansion in their market outreach	.899
There has been a general growth in the number of customers being served by the commercial banks	.911
There is an improvement in the banks capacity to mobilize deposits and generate revenue from new products and services	.579

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

The principal component analysis indicated that only one factor was extracted, accounting for 65.027% of the changes in the variable financial performance. The retained components were rotated to obtain a pattern of loadings that could be easily interpreted. This was based on the value of the factor loading. According to Rahn (2010), a factor loading equal to or greater than 0.4 is considered adequate.

Factor loading is the correlation between the observed score and the latent score; Yong and Pearce (2013) indicated that the minimum threshold for the factor rotation should be 0.4. The study showed that all the statements met the threshold for inclusion in the analysis. Further, the high factor loading scores mean that the bank performance is accounted for by all the items considered. The selected component was retained for the inferential analysis therein.

4.6 Correlation Analysis

The study utilized Spearman correlation to establish the association between the independent and dependent variables. The retained components from factor analysis were utilized in the correlation tests.

Table 4.14 Correlation Results

			Managem ent Support	Regulatory Environme nt	Strateg ic Plannin g	Responsib le Banking	Bank Performan ce
Spearman's rho	Managem ent Support	Correlati on Coefficie nt	1.000				
		Sig. (1- tailed)	.				
		N	102				
Regulatory Environme nt	Regulatory Environme nt	Correlati on Coefficie nt	.693**	1.000			
		Sig. (1- tailed)	.000	.			
		N	102	102			
Strategic Planning	Strategic Planning	Correlati on Coefficie nt	.422**	.608**	1.000		
		Sig. (1- tailed)	.000	.000	.		
		N	102	102	102		
Responsible Banking	Responsible Banking	Correlati on Coefficie nt	.450**	.557**	.621**	1.000	

	Sig. (1-tailed)	.000	.000	.000	.	
	N	102	102	102	102	102
Bank Performance	Correlation Coefficient	.442**	.810**	.696**	.636**	1.000
	Sig. (1-tailed)	.000	.000	.000	.000	.
	N	102	102	102	102	102

** . Correlation is significant at the 0.01 level (1-tailed).

The study results indicated there was a moderate positive and significant effect of management support ($R_h = .442$, $Sig = .000 < .05$), there was a strong positive and significant effect of regulatory environment ($R_h = .810$, $Sig = .000 < .05$), strategic position ($R_h = .696$, $Sig = .000 < .05$) on the performance of commercial banks. The findings also showed a strong positive and significant effect of responsible banking activities on the performance of Kenyan commercial banks ($R_h = .636$, $Sig = .000 < .05$).

4.7 Diagnostics Analysis

4.7.1 Collinearity Tests

To determine whether multicollinearity levels would challenge the study, regression analysis was conducted to generate the Variance Inflation Factor (VIF) value. The results of the VIF tests are presented in Table 4.17.

Table 4.15 Collinearity Results

Model	Collinearity Statistics		
	Tolerance	VIF	
1			
	(Constant)		
	Management Support	.467	2.139
	Regulatory Environment	.337	2.967
	Strategic Position	.485	2.060
	Responsible Banking	.566	1.766

a. Dependent Variable: Bank Performance

The researcher interpreted a VIF of above 10 as indicating problems with multicollinearity. The results showed that the study variables had met the VIF threshold since they had VIF scores below 10. This implied there are no collinearity issues in the research.

4.7.2 Autocorrelation Tests

Autocorrelation effects models by increasing their base value, leading to the generation of invalid results. The Durbin-Watson statistic was used to assess for serial correlation in the empirical model.

Table 4.16 Autocorrelation Results

Model	Std. Error of the Estimate	Durbin-Watson
1	1.96622	2.222

a. Predictors: (Constant), Responsible Banking, Management Support, Strategic Position, Regulatory Environment

b. Dependent Variable: Bank Performance

The Durbin-Watson statistic should lie between 1.5- 2.5 to ascertain no autocorrelation problems in the study model. The findings showed a D-W statistic of 2.222, which met the given threshold; hence no serial correlation errors were detected in the model.

4.7.3 Normality Tests

This means that errors are normally distributed and that the plot of the values of the residuals will approximate the normal curve (Keith, 2006). The study employed normal p-p plots of the standardized residuals to estimate the normality of the research data. The figure below shows that the residuals mirror the normal curve, which indicates that normality has been ascertained within the study observations.

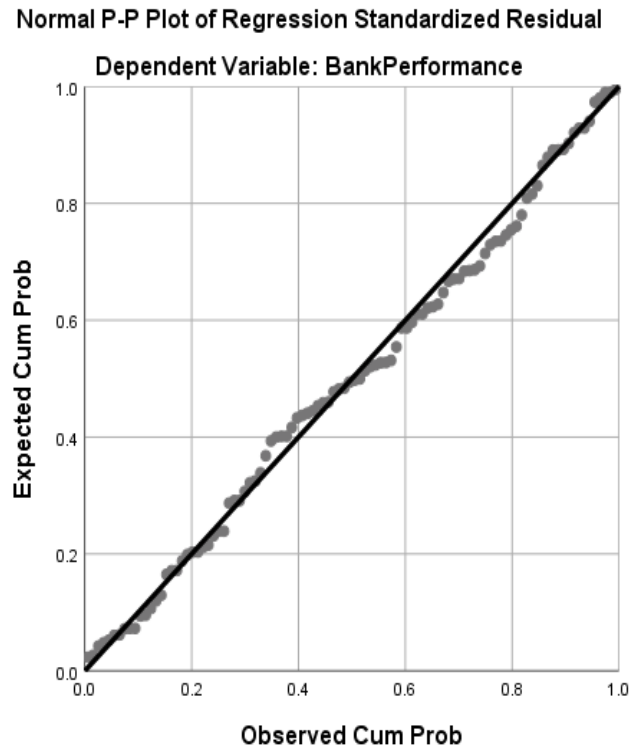


Figure 4.1 Normal P-P Plot

4.7.4 Heteroscedasticity Tests

Heteroscedasticity in a study usually happens when the variance of the errors varies across observations. The study applied the Breusch Pagan tests.

Table 4.17 Heteroscedasticity Results

Test	Chi2(1)	Prob > Chi2
Breusch-Pagan	5.268	0.259

Source: Researcher (2021)

Breusch-Pagan is used to examine the null hypothesis that heteroskedasticity not present (homoskedasticity) if the significance is less than .05. Further, A large chi-square value greater than 9.22 would indicate the presence of heteroscedasticity. From the above, the Chi2(1) = 5.268, Sig = .259, indicates no heteroscedasticity concern within the data set.

4.8 Regression Analysis

The SPSS ordinal procedure (Polytomous Universal Model-PLUM) was used to perform the regression analysis to examine the drivers of responsible banking-related initiatives and their effects on bank performance in Kenya. The results for the overall ordinal regression analysis for all the variables are shown in this section.

Table 4.18 Overall PLUM Model Fitting Information

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	792.169			
Final	.000	792.169	4	.000

Link function: Complementary Log-log.

The overall model fitting results of the PLUM regression in Table 4.23 compared the results generated from the Complementary Log-log function. The findings showed that the -2 Log-Likelihood (-2LL) with the intercept only considered yielded 792.169, while the independent variables considered the -2LL were .000. The difference in the chi-square statistic ($792.169 - .000 = 792.169$) is statistically significant since the Sig = $.000 < .05$. Thus, the study held a significant relationship between the dependent variable (bank performance) and independent variables (drivers of responsible banking-related initiatives) in the complementary Log-log link function.

Table 4.19 Overall PLUM Goodness-of-Fit

	Chi-Square	df	Sig.
Pearson	3633.928	5564	1.000
Deviance	662.642	5564	1.000

Link function: Complementary Log-log.

Table 4.24 are the Goodness of fit tests that show the consistency levels between the observed data and the fitted model. The test's null hypothesis is that the observed data is consistent with the estimated values in the model fitted. From the above results, the study was able to accept the null hypothesis and affirmed that the observed data was consistent with the estimated values in the model since the Sig-values $1.000 > .05$

Table 4.20 Overall PLUM Pseudo R-Square

Cox and Snell	1.000
Nagelkerke	1.000
McFadden	1.000

Link function: Complementary Log-log.

The Table 4.25 results were based on the Pseudo R-squared, showing the research model had a strong predictive power. This can be based on the Cox and Snell Pseudo R-squared likelihood which was 1.00, affirming the model predicts the outcome perfectly. Similarly, the Nagelkerke full model results and the McFadden Pseudo R-squared were at 1.00, showing perfect predictive power of the fitted model.

Table 4.21 Overall PLUM Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.
Threshold	Bank Performance =1	-3.564	.430	68.668	1	.000
Location	Management Support	-.445	.165	7.260	1	.007
	Regulatory Environment	.946	.154	37.581	1	.000
	Strategic Position	.228	.120	3.634	1	.057
	Responsible banking activities	.242	.111	4.768	1	.029

Link function: Complementary Log-log.

The study further analyzed the parameter of the research estimates, which showed the significance of the predictor variables. The threshold coefficients represent the intercepts of the dependent variable at different categories and are not of statistical difference in this research. As such, the parameter estimates of the predictor variables are discussed in this section. The location parameters were positive in three variables showing that regulatory environment, strategic planning, and responsible banking activities increase the likelihood of higher value of response in the bank performance. However, the value for management support was negative, indicating that a change may lead to a likelihood of lower bank performance. Thus;

In testing the hypotheses;

H₀₁ There is no significant effect of the adoption of responsible banking-related initiatives on the bank performance in Kenya

The results showed the location parameter for responsible banking activities had positive ($X_4 = .242$, Wald = 4.768, Sig = .029 < .05), indicating that responsible banking activities increase the likelihood of higher values in the bank performance. Thus, it's concluded that responsible banking activities have significant and positive predictive power on the bank performance.

In testing the hypotheses;

H₀₂ There is no significant effect of management support on the on the bank performance in Kenya

Under the location parameter, management support was negative ($X_1 = -.445$, Wald = 7.260, Sig = .007<.05), indicating that management support decreases the likelihood of higher values in the bank performance. Thus, it's' concluded that management support has significant and negative predictive power on the bank performance.

In testing the hypotheses;

H₀₃ There is no significant effect of regulatory environment on the on the bank performance in Kenya

Further, the location parameter results showed that the regulatory environment was positive ($X_2 = .946$, Wald = 37.581, Sig = .000<.05), indicating that the presence of a regulatory environment increases the likelihood of higher values in the bank performance. Thus, it's' concluded that the regulatory environment has significant and positive predictive power on bank performance.

In testing the hypotheses;

H₀₄ There is no significant effect of strategic position on the on the bank performance in Kenya

Findings of the location parameter results showed that strategic position was positive ($X_3 = .228$, Wald = 3.634, Sig = .057>.05), indicating that strategic position does not significantly lead to higher values in the bank performance. Thus, it's' concluded that the regulatory environment has insignificant and positive predictive power on the bank performance.

Table 4.22 Test for Parallel Lines

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Null Hypothesis	.000			
General	.000 ^b	.000	228	1.000

The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.

a. Link function: Complementary Log-log.

b. The log-likelihood value is practically zero. There may be a complete separation in the data. The maximum likelihood estimates do not exist.

The analysis of the test of parallel lines (proportional odds) was used to determine the adequacy of the model. The model null hypothesis was stated that the slope coefficients in the model are the same across the response categories. The $p\text{-value}=1.00>.05$ indicated no significant difference for the corresponding slope coefficients across the response categories, meaning that the model assumption of parallel lines was not violated in the model with the complementary Log-log link function.

4.9 Summary

The study sought to determine the influence of drivers of responsible banking activities on the financial performance of commercial banks. The study reviewed the financial performance of commercial banks between 2015-2019, with main drivers contextualized as the management support, regulatory environment, strategic positioning, and responsible banking-related activities. The study employed exploratory factor analysis to determine the dimensionality of the study variables. The ordinal regression findings showed a significant and positive effect of responsible banking activities regulatory environment on the bank performance. Further, findings indicated a negative and significant effect of management support on the bank performance. Lastly, findings established a positive and insignificant effect of strategic planning on the bank's performance.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The fifth chapter presents the discussion of the study findings and the conclusions drawn from the results. The chapter also presented the recommendations, policy, and practical as well as suggestions for further research.

5.2 Discussion

The study results are discussed in line with the research objectives and linked to the empirical literature reviewed in chapter two.

5.2.1 Management Support and Bank Performance

The review of the study responses showed that most commercial bank managers have ensured that specific roles and responsibilities are assigned to staff with the right skills. The study also noted that commercial banks are keen on capacity building among the employees to enhance their knowledge and professional development. The results are consistent with Masum, Azad, and Beh (2016), who opined that undertaking task allocation, improving decision making, and enhancing human resource practices is central to improved efficiency in commercial banks. The participants reflected that bank management has set up a strategic team to facilitate the design and execution of responsible banking activities. Findings indicated consensus that the management has established appropriate systems and structures to ensure coordination and control is achieved in the institution. The findings resonate with earlier arguments advanced by Ismail, Faudziah, and Rapih (2014), who noted that coercive practices within the management, the participation of employees in training, and encouragement of staff members could be vital to better performance. The results are consistent with postulations of the Market Power Theory which posits that managerial synergies of bigger banks are key to promoting firm performance showing how high management quality supports compliance to universally recognized standards. The institution theory shows how the practices endorsed by managers in bigger firms slip into operations of smaller companies and eventually become standard industry practices.

The review of the results indicated that the management consistently reviews the existing systems and processes to ensure there are aligned to the sustainable goals of the institution. Watiri and Okello (2018) were of the view that continuously reviewing the actions of the management, improving responsibility-sharing and decision making improves bank performance. The study also noted agreement that bank management has developed a clear line

of communication to link all business units and share the institution's goals and mission. The findings also noted consensus among bank personnel that the management has developed structures to ensure employees are involved in department-level decision-making. Oye (2020), in their study on commercial banks, revealed that operational practices, better coordination, and reviewing task allocation and firm structures are vital to the performance of banks. The study results showed there was a significant effect of management support on the performance of commercial banks. The findings resonate with Itumo's (2013) study that established that reviewing the technical efficiency of the banks is key to better financial performance.

5.2.2 Regulatory Environment and Bank Performance

The review of research showed agreement that the commercial banks continuously monitor the adherence to the code of conduct guidelines by the regulator and ensure strict compliance with the regulatory requirements and mechanisms prescribed. The study results are consistent with Süleyman, Mehmet, and Hüseyin (2015), who opined that review of the regulatory environment is central to better soundness of commercial banks, management quality, and better monitoring of the banking firms. The study also indicated agreement among responses that banks collaborate with regulators to ensure regulations and policies that are in line with the goals and objectives of banks. The findings of the research are supported by Olaf (2016), who noted that reviewing guidelines for sustainable regulations can be key to better decision-making within commercial banks and attaining green banking policies.

The findings noted consensus that the bank constantly reviews the internal control mechanisms to ensure they are aligned to emerging banking standards. Haret and Simiyu (2017) noted that reviewing regulatory standards and financial reporting guidelines is supportive of effectiveness within commercial banks. The study also showed agreement that the bank ensures that operational strategies are influenced by how a bank moves forward to streamline its operations to the regulations in place, and banks meet its' fiduciary role to clients. The results resonated with Mwongeli (2016), who established that compliance with prudential guidelines and regulations is essential to commercial banks.

The results indicated that regulatory environment has a positive and significant influence on the performance of commercial banks. The other assertion of the Market power theory is that firm practices are influenced by internal and external market drivers. The study showed that the regulatory framework is key to promoting adoption of sustainable practices among commercial banks, therefore supporting this assertion. These findings are consistent with Musengimana and Mulyungi (2018), who suggested that prudential regulation does

significantly improve the financial performance of commercial banks. Similarly, Osano and Gekara (2018) noted that government regulations positively improved the profitability of commercial banks in Kenya.

5.2.3 Strategic Position and Bank Performance

The study opined that respondent were in consensus that the bank had cemented its market position through employing segmentation practices. The findings also showed agreement that the bank constantly reviews its product offering to explore and enhance the product range. Ghahramani, Rezvani, and Rahnavard (2015), in a review of Iranian commercial banks, also noted that involving customers in new product and services launch, reviewing new market development, and creating functional teams is critical to bank efficiency. The research noted agreement that the bank is constantly reviewing and incorporating emerging technologies in the internal banking operations and has enhanced its presence in the country through the expansion of branch networks and digital banking operations. The findings resonated with Blankson, Ketron, and Darmoe (2017), who showed that service positioning, ensuring value for money, and brand positioning are central to commercial banks. Gachimu and Njuguna (2017) also indicated that segmentation practices could be ideal for strengthening commercial banks' competitiveness.

The study also noted agreement that commercial banks routinely review the brand image of the bank and fine-tunes the bank reputation based on available market information. M'kuma (2015) noted that reviewing product development and incorporating technologies in brand management and positioning is instrumental to private commercial banks. The findings showed agreement that the banks check the strategy mix to ensure the strategies being pursued are in line with the long-term goals of the institution. The regression analysis showed that the strategic position has a positive and insignificant influence on the performance of commercial banks. The study findings are consistent with the hypothesis of the institutional theory which associates isomorphism with competitive positioning. Kamau and Wafula (2015) also noted that positioning is a key strategic strength for commercial banks in advancing bank positions. However, while the institutional theory posits a strong relationship between strategic positioning and firm performance, the current study found an insignificant impact of strategic positioning measures on performance.

5.2.4 Responsible Banking Activities and Bank Performance

The analysis indicated that banks have been aligning their strategies to sustainable development goals, and the decision-making incorporates environmental and social impacts. The findings

also showed that banks are developing new products and services to enhance their sustainable models. The results indicated that banks are consistently raising awareness among clients on sustainable banking activities and building capacity among employees and clients. The study also showed that banks are also undertaking collaborations to enhance sustainable practices and ensure sustainable values and ethos are maintained within the bank culture. The study also indicated that the bank reviews governance structures and ensures compliance with reporting standards and regulatory disclosures. The study findings indicated that responsible banking activities have a positive and significant influence on the financial performance of banks. The results are in agreement with Kumar and Prakash (2019), who pointed out that adopting sustainable banking practices have been key to better financial performance. Carlucci, Schiuma, Jalali, and António (2018) noted that the adoption of sustainable banking practices is essential to better performance within commercial banks. Bukhari, Hashim, and Amran (2019), ensuring that commercial banks achieve their responsible banking goals will be essential to meeting the profitability goals of commercial banks.

5.3 Conclusions

The study concluded that the drivers of responsible banking activities have a significant relationship with the financial performance of commercial banks in Kenya. The results of the regression indicated that management support has a significant negative influence on the performance of commercial banks. The research further concluded that better resource allocation, improvement in task allocation, decision making, and communication can be instrumental to long-term bank performance. The findings showed that a strategic position has an insignificant positive influence on the performance of Kenyan banks. The findings also revealed that new market development, product development, and diversification practices have not significantly led to better performance of commercial banks.

The study further concluded that the regulatory environment significantly influences the performance of banks. The study also established that compliance with regulatory guidelines, enforcement of ethical guidelines, and code of conduct are critical to extended bank performance. The study established that responsible banking activities do have a significant positive influence on the financial performance of commercial banks. The study concluded that alignment, impact and target setting, client and customers, stakeholders, governance, and culture as well transparency and accountability are key to the better financial performance of commercial banks.

5.4 Recommendations

5.4.1 Contribution to Knowledge

In connection with the study results, the findings have affirmed that responsible banking activities are vital to the bank performance. The findings have also shown that firm characteristics are key to improved bank performance. This study has opened up insights on how emerging responsible and sustainable banking practices can expand bank performance. This has expanded the existing literature on the determinants of bank performance. Secondly, the study further did highlight how firm characteristics; management support, strategic position and regulatory environment are key to bank performance. This forms a critical benchmark for future expansion of studies focussing on bank performance in Kenya. Theoretically, the study has amplified available evidence on the applicability of the market power theory which opines that external and internal practices are key to strengthening the performance of an institution. Thus, the findings reaffirm thus expanding adoption of the theory in future finance work.

5.4.2 Policy Recommendations

The study recommends that in collaboration with private institutions and other representative bodies, the CBK can support commercial banks in reviewing their preparedness for the adoption of responsible banking activities. This will be instrumental to commercial banks attaining sustainable banking benchmarks and move towards transitioning the Kenyan economy to a sustainable one. Further, the CBK can play a pivotal role in supporting the development of green finance through leveraging the banking institutions' network. This will ensure customers and stakeholders are well served, and banks can align their policies and objectives towards sustainable standards. The study also recommends that the government can engage other policymakers regionally to develop regulations and business requirements that can help in supporting the regional attainment of sustainable banking guidelines.

5.4.3 Practical Recommendations

The research recommends that commercial bank management teams should review their capacity-building objectives to ensure that banks can be able to attain efficiency from the staff team. Then further bank management teams should review the structure and systems in place to support the coordination and alignment of internal business structures, which can improve the profitability of the banks. The study also noted that banks could continuously review their internal communication systems to make sure that the bank can help meet the institutional goals as well as enhance decision-making among the employees.

The study recommends that commercial banks can review their monitoring and evaluation framework to ensure compliance with regulatory guidelines and requirements. This will ensure that the bank's internal controls are supportive of meeting the organization's goals and objectives. The research recommends that the bank should improve its operational strategies, which are critical to enhancing operational efficiency, which is vital to better financial performance. The survey also recommends that commercial banks should improve their market positioning and creation of customer-centric products that can foster product provision and meeting of customer needs. The study recommends that through investment in new digital branches, commercial banks can improve outreach and network expansion, which can be instrumental to the improved customer base, market share, and fostering service accessibility. This will help lead the banks to better financial performance.

5.5 Limitations of the Study

The research was limited only to select aspects of firm characteristics hence future research work can be conducted incorporating factors not considered in the study. This will enhance the generalizability of the study findings. The study further faced limitations during data collection due to closure of banking offices in the wake of the surge in Covid-19 cases in the country. This forced the study to dominantly seek the participation of the respondents through electronic data collection channels. The study was further limited to cross-sectional data in the analysis of the bank performance, further examinations can be conducted using panel data to cover the banks that have fully embraced responsible banking activities.

5.6 Suggestion for Further Research

The study was limited to the review of responsible banking; however, KBA has noted that there have been limited regulatory requirements to ensure sustainable banking is adopted through the industry. Further exploratory research should be conducted to review the preparedness of CBK regulations for sustainable banking in Kenya. The study also recommends that further research work should be conducted to review the impact of green finance products on the profitability of commercial banks in Kenya.

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APPENDICES

Appendix I: List of Commercial Banks

1. ABSA Bank Kenya Plc
2. African Banking Corporation Limited
3. Bank of Africa Kenya Limited
4. Bank of Baroda (K) Limited
5. Bank of India
6. Charterhouse Bank Limited
7. Chase Bank (K) Limited
8. Citibank N.A Kenya
9. Consolidated Bank of Kenya Limited
10. Co-operative Bank of Kenya Limited
11. Credit Bank Limited
12. Development Bank of Kenya Limited
13. Diamond Trust Bank Kenya Limited
14. DIB Bank Kenya Limited
15. Ecobank Kenya Limited
16. Equity Bank Kenya Limited
17. Family Bank Limited
18. First Community Bank Limited
19. Guaranty Trust Bank (K) Ltd
20. Guardian Bank Limited
21. Gulf African Bank Limited
22. Habib Bank A.G Zurich
23. I & M Bank Limited
24. Imperial Bank Limited
25. Jamii Bora Bank Limited
26. KCB Bank Kenya Limited
27. Mayfair Bank Limited
28. Middle East Bank (K) Limited
29. M-Oriental Bank Limited
30. National Bank of Kenya Limited
31. NCBA Bank Kenya PLC



32. Paramount Bank Limited
33. Prime Bank Limited
34. SBM Bank Kenya Limited
35. Sidian Bank Limited
36. Spire Bank Ltd
37. Stanbic Bank Kenya Limited
38. Standard Chartered Bank Kenya Limited
39. Trans-national Bank Limited
40. UBA Kenya Bank Limited
41. Victoria Commercial Bank Limited

Source: Central Bank of Kenya (2020)



Appendix II: Questionnaire for Bank Officials

This questionnaire is an attempt to assess the *“Examination of The Drivers of Responsible Banking-Related Initiatives and Their Effects on Financial Performance of Commercial Banks in Kenya.”* Please answer the questions honestly and diligently, following the instructions given. The answers you give were used for the research purpose only, and your identity was treated with uttermost confidentiality.

Section A: Bio-data

1. Gender

- Male
- Female

2. Age of Respondents

- Below 29 years
- 30-40 years
- 41-50 years
- 51-60 years
- 61 years and above

3. Education Level

- Graduate level
- Postgraduate Levels
- Other Specify

4. Years of service

- 0-2 Years
- 3-6 Years
- 7-9 Years
- Over 10 Years

5. Which level of management (department) do you operate in?

Governance Managers	
Strategy Managers	

Head of Operations	
Risk and Compliance Managers	
Financial Managers	

PART B: EXAMINATION OF THE DRIVERS OF RESPONSIBLE BANKING-RELATED INITIATIVES AND THEIR EFFECTS ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

Please tick the level of agreement of the following statements

1= Strongly disagree; 2= Disagree; 3= moderately agree; 4= Agree; 5=Strongly agree

No	Management Support	1	2	3	4	5
1.	The bank management ensures specific roles and responsibilities are assigned to staff with the right skills					
2.	The bank management is keen on capacity building among the employees to enhance their knowledge and professional development					
3.	The bank management has set-up a strategic team to facilitate design and execution of responsible banking activities.					
4.	The bank management has established appropriate systems and structures to ensure coordination and control is achieved in the institution					
5.	The management consistently reviews the existing systems and processes to ensure there are aligned to the sustainable goals of the institution					
6.	The bank management has developed a clear line of communication to link all business units and share the institution goals and mission					

7.	The bank management has developed structures to ensure employees are involved in department-level decision making					
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Please tick the level of agreement of the following statements

1= Strongly disagree; 2= Disagree; 3= moderately agree; 4= Agree; 5=Strongly agree

No	Regulatory Environment	1	2	3	4	5
1.	The bank continuously monitors the adherence to the code of conduct guidelines by the regulator					
2.	The bank ensures there is strict compliance to the regulatory requirements and mechanisms prescribed					
3.	The bank engages with regulators and policymakers to advocate for regulations and policies that are in line with the goals and objectives					
4.	The bank constantly reviews the internal control mechanisms to ensure they are aligned to emerging banking standards					
5.	The banks operational strategies are influenced by how a bank moves forward in an effort to streamline its operations to the regulations in place					
6.	The bank ensures it meets its' fiduciary role to clients					

Please tick the level of agreement of the following statements

1= Strongly disagree; 2= Disagree; 3= moderately agree; 4= Agree; 5=Strongly agree

No	Strategic Position	1	2	3	4	5
1.	The bank has cemented its market position through employing segmentation practices					
2.	The bank constantly reviews its product offering to explore and enhance the product range					
3.	The bank is constantly reviewing and incorporating emerging technologies in the internal banking operations					
4.	The bank has enhanced its presence in the country through expansion of branch network and digital banking operations					
5.	The bank routinely reviews the brand image of the bank and fine tunes the bank reputation based on available market information					
6.	The bank reviews the strategy mix to ensure the strategies being pursued are in line with long-term goals of the institution					

Please tick the level of agreement of the following statements

1= Strongly disagree; 2= Disagree; 3= moderately agree; 4= Agree; 5=Strongly agree

No	Responsible banking activities	1	2	3	4	5
7.	The banks strategy is aligned to the attainment of sustainable development goals through shared responsibility					
8.	The business decision making within the commercial banks takes into consideration the environment and social impacts					

9.	The bank is keen on developing new products and services that encourage and support more sustainable business models					
10.	The bank is raising awareness and engaging clients on the sustainable banking activities					
11.	The bank is building capacity among bank employees to better engage with clients and customers about sustainable finance					
12.	The bank has been undertaking collaborations with stakeholders and regulators to better accomplishment of sustainable practices					
13.	The bank ensures that sustainability values and ethos are enshrined in the culture of the institution					
14.	The bank continuously reviews the governance structure to ensure it is aligned to emerging sustainability standards					
15.	The bank ensures there is compliance with reporting standards and regulatory disclosures					

Please tick the level of agreement of the following statements

1= Strongly disagree; 2= Disagree; 3= moderately agree; 4= Agree; 5=Strongly agree

No	Financial performance	1	2	3	4	5
16.	The banks have been able to achieve a sustained improvement in their profitability margins and firm value					
17.	The commercial banks have attained a continuous expansion in their market outreach					

18.	There has been a general growth in the number of customers being served by the commercial banks					
19.	There is an improvement in the banks capacity to mobilize deposits and generate revenue from new products and services					

Thank you for your Time



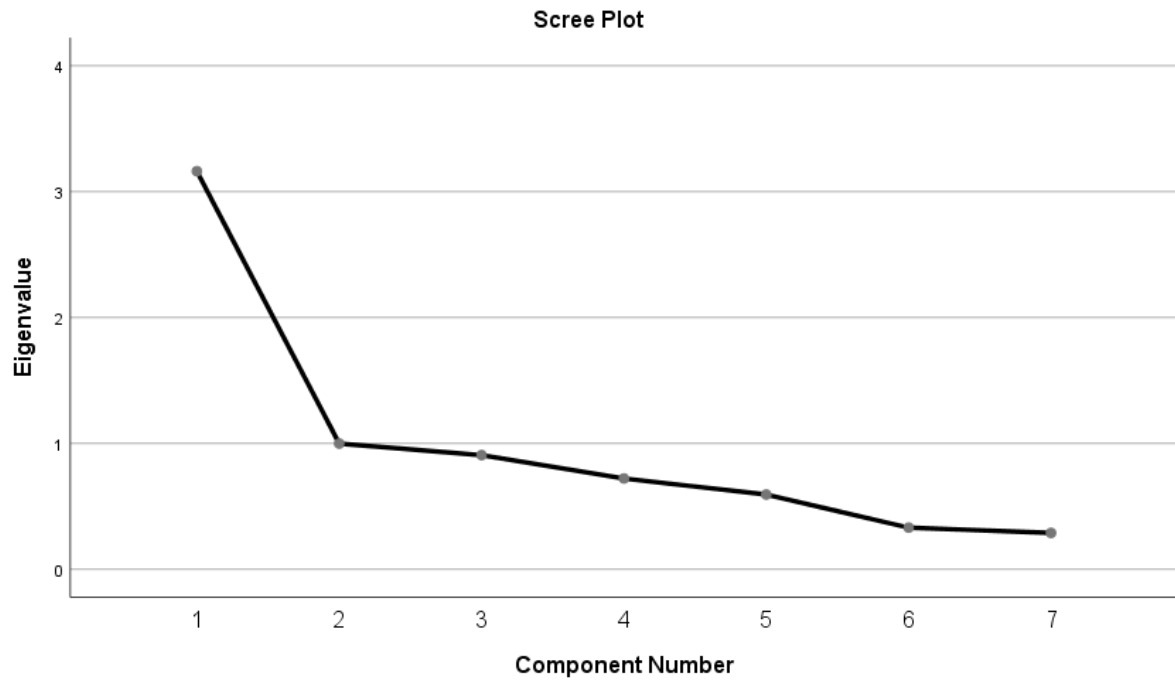
Appendix III: Data Extraction Form

The study relied on secondary data collected from both the audited annual financial statements of the commercial banks and the annual reports from the CBK.

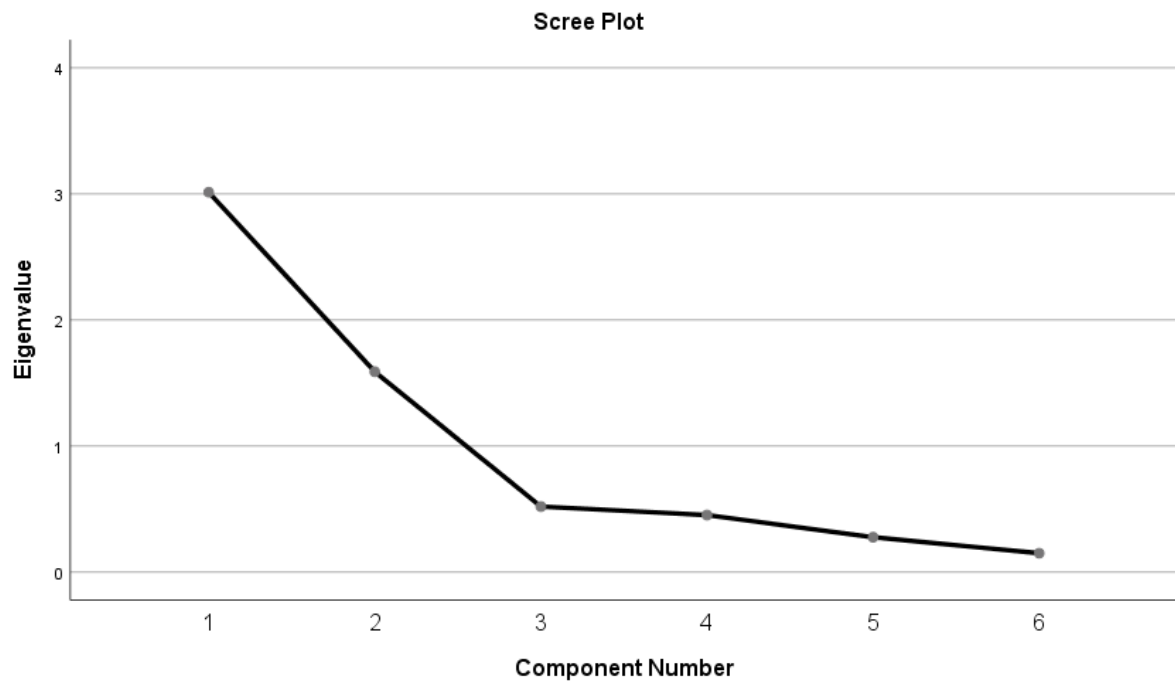
Year/Metric	2015	2016	2017	2018	2019
ROA					
ROE					



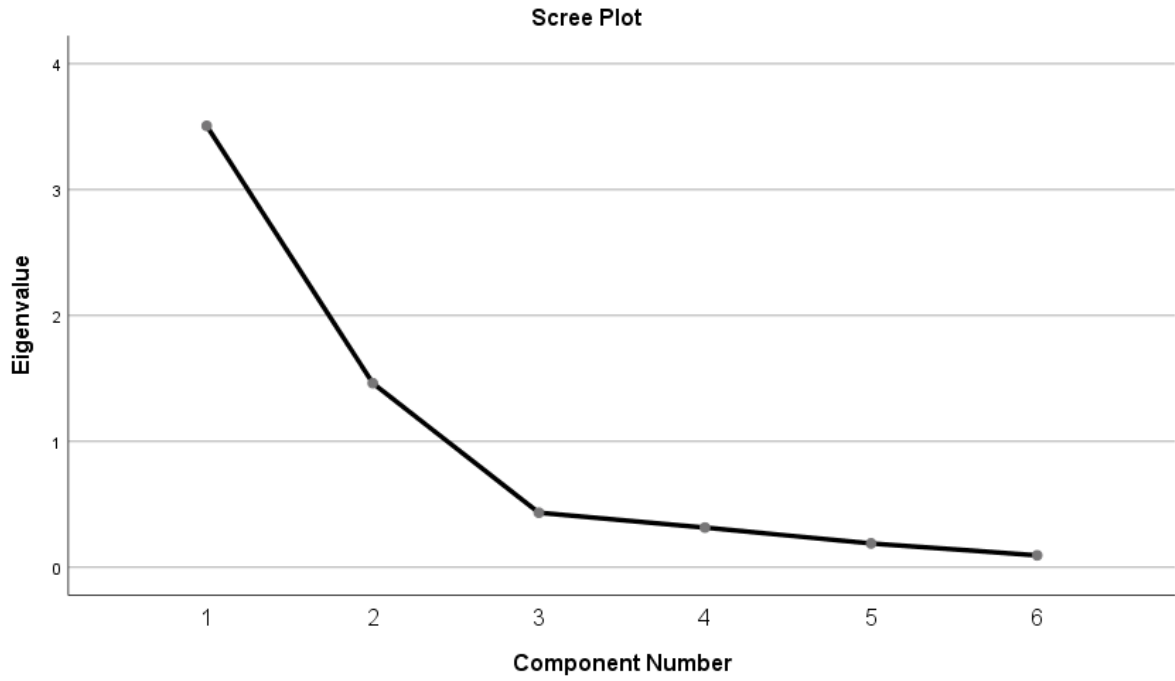
Appendix IV: Scree Plots Management Support



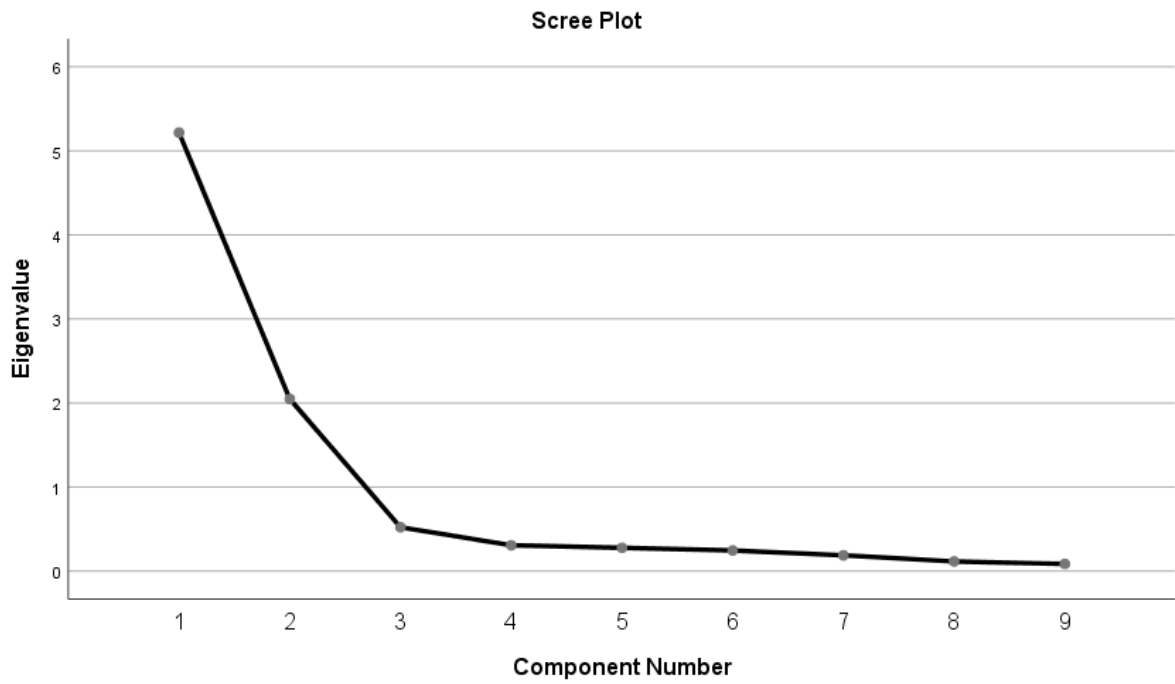
Regulatory Environment



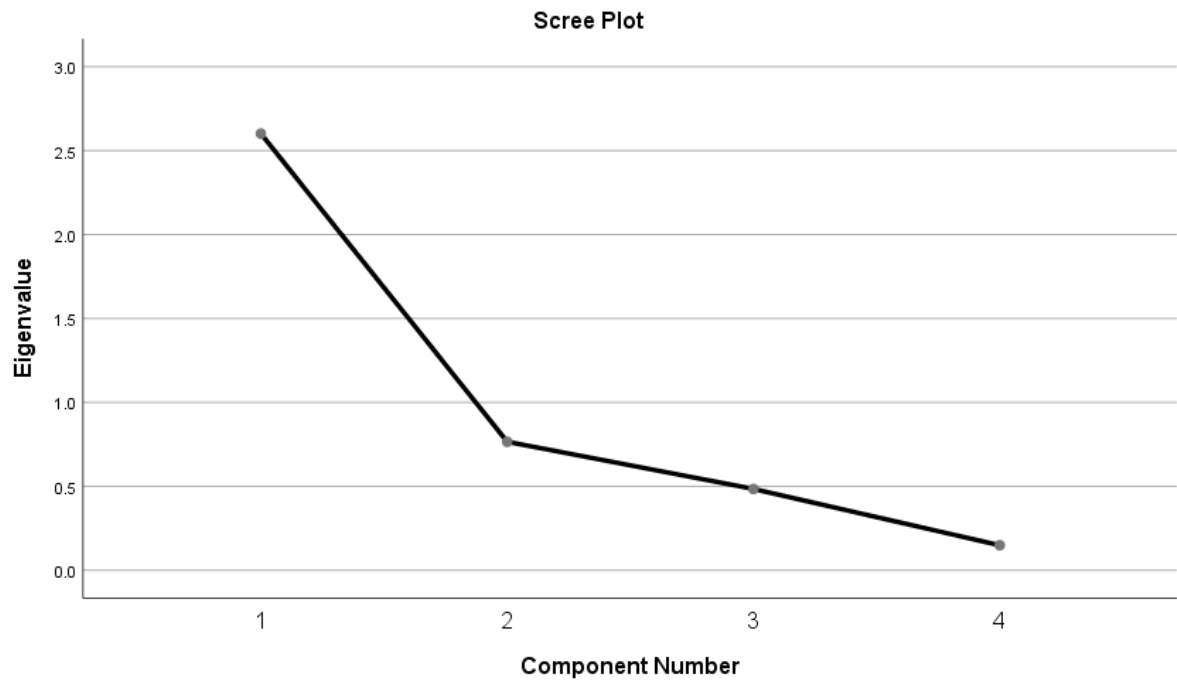
Strategic Position








Responsible Banking Activities



Bank Performance



Appendix V: NACOSTI Letter

 <p>REPUBLIC OF KENYA</p>	 <p>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION</p>
Ref No: 974478	Date of Issue: 15/July/2020
RESEARCH LICENSE	
	
<p>This is to Certify that Mr.. Denis Chege Gathu of Strathmore University, has been licensed to conduct research in Nairobi on the topic: EFFECT OF RESPONSIBLE BANKING ACTIVITIES DRIVERS AND FIRM CHARACTERISTICS ON THE FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA for the period ending : 15/July/2021.</p>	
License No: NACOSTI/P/20/5784	
974478 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code 
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Final Decision Certificate

This document certifies that the study:

"Drivers of Responsible Banking-Related Initiatives and Their Effects on the Financial Performance of Commercial Banks in Kenya"

Principal Investigator: Mr. Chege, Denis Gathu

Reference number: SU-IERC0919/20

Was reviewed and received the following status:

"approved"

Additional Comments:

Reviewer #1:

'The study is quite timely. Best regards'