Corporate Sustainability and Financial Performance of Manufacturing Firms in Uasin Gishu County, Kenya

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Abstract: In the contemporary production environment, manufacturing operations must take into account not only profit, but also environmental and social performance, in order to ensure the long-term development of the company. This study sought to establish the relationship between corporate sustainability and financial performance of manufacturing firms in Uasin Gishu County, Kenya. The study was guided by four objectives namely; to determine the effect of environmental practices on Financial performance of manufacturing firms; to examine the effect of corporate accountability on financial performance of manufacturing firms; To examine the moderating influence of government policy on the relationship between corporate sustainability and financial performance of manufacturing firms and to assess the effect of social justice of corporate sustainability on financial performance of manufacturing firms. The study adopted descriptive survey design. The study population consisted of 3344 employees of all the 12 registered manufacturing firms in Uasin Gishu County by the KAM (Kenya Association of Manufactures), from which a representative sample of 357 employees was drawn. A structured questionnaire was used in data collection. The data was analyzed using both descriptive and inferential statistics. The findings of the study indicated that environmental practices had a statistically significant influence on financial performance (R = 0.688 > 0.5, p = 0.001< 0.05). The study also established that corporate accountability had a statistically significant influence on the on financial performance (R = 0.718 > 0.5, p = 0.001 < 0.05). Further, the study established that social justice had a statistically significant influence on the financial performance of manufacturing firms (R = 0.660 > 0.5, p = 0.008 < 0.05). Lastly, the results revealed that government policy had a statistically significant influence on the relationship between corporate sustainability and financial performance. The study recognizes that the variables used for this study are not exhaustive and therefore suggests that future research should include more triangulation utilizing other intervening and moderating variables as well as using alternative measures of all the study variables. Future research should also conduct longitudinal studies that would provide definite information about cause-and-effect relationships as well as the changes in study variables over time. The study is further envisaged to add critical knowledge for academia which would inform top management in decision making process that could be used in policy formulation in the manufacturing sector as well as the government’s regulations on manufacturing firms.

Keywords: Corporate Sustainability, corporate accountability, Manufacturing firms, government policy, Social Justice, Kenya

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I. Introduction

The relationship between corporate social responsibility (CSR) and corporate financial performance (CFP) has been subject to extensive empirical enquiry. Yet the body of evidence that has accumulated about the nature of the relationship is equivocal. A commonly identified reason for the diverse and contradictory results is measurement issues pertaining to both concepts of interest. Some studies detect a positive relationship, while various others find negative, no or even curvilinear (e.g., U-shaped) relationships. Despite this diversity, based on their meta-analyses, Margolis, Elfenbein, and Walsh (2007) and Orlitzky, Schmidt, and Rynes (2003) conclude that a positive relationship is more common than other types. The contribution of the manufacturing sector of the economy cannot be over emphasized when considering its role in building grounds for development, its employment potentials and financial impacts on the economy. Apart from laying solid foundation for the economy, it also serves as import substituting industry, providing ready market for intermediate goods. Thus, putting it in Aderibigbe’s(2014) idea; the manufacturing industry contributes significantly to the nation’s economic development by: increasing government revenue through tax; improving the standard of living; infrastructural growth; contribution to Gross National Products (GNP); employment generation; enhance manpower development; etc.

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In the manufacturing industry, the concern over corporate sustainability is greater than ever. In addition to facing high-pressure competition, manufacturers must increasingly pay attention to resource usage, waste treatment, air emissions, water pollution, employee welfare, and so on (Chen, 2015). Failing to manage these sustainability issues can substantially damage the image of the company and thus affect its financial performance. For instance, Apple Inc. has been blamed for using child labor in producing its iPhones and Macintosh computers; the Coca-Cola Company has been defamed for damaging local water resources in India; Dell Inc. has been criticized for disposing of electronic waste in an environmentally unfriendly way (Parmigiani et al., 2011). Chinese dairy manufacturers have suffered from environmental and safety crises (Chen et al., 2015). These companies’ misbehaviors in their environmental and social management have affected their company financial performance and destroyed their reputation in some cases. These examples indicate the importance of understanding corporate sustainability in the manufacturing firms and its relationship to the company’s reputation and financial performance.

Sustainable development represents an ethical concept related to fight against poverty and protect the environment simultaneously and when incorporated by the firm, it is called corporate sustainability (CS) and it contains three aspects: economic, environmental and social (Baumgartner and Ebner, 2010). Engagement in activities promoting sustainable development is increasingly analyzed as a source of competitive advantage (Lourenço, Branco, Curto and Eugénio, 2011). For example, some authors argue that “firms should pursue green management practices only when it is in their self-interest to do so” (Siegel, 2009, p. 14) or that decisions regarding engagement in such activities “should be considered as a form of strategic investment” (McWilliams et al., 2006). For managers to consider engaging in CS they need to have some kind of expectations that it will bring improved performance.

Kleindorfer et al. (2007) developed the concept of sustainable operations management, which is defined as integrating “the profit and efficiency orientation of traditional operations management with broader considerations of the company’s internal and external stakeholders and its environmental impact.” There has been a lack of consensus regarding the definition of sustainable supply chain management (Krause et al., 2009). The literature has emphasized the complex nature of supply chains and the difficulty in providing cross-industry framework due to the wide spectrum of issues affecting different sectors (Pullman et al., 2009).

Furthermore, there are different ways to measure company performance. A common categorization has been to divide performance into financial and non-financial performance (Iltner, 2008). Traditional accounting measurements of financial performance have included sales growth, return on equity (ROE), earnings before interest and taxes (EBIT), and return on investment (ROI), among others (Eldenburg et al., 2010). Such financial measurements often measure an organization’s profitability. On the other hand, innovation performance, market share, and other operational key performance indicators (KPIs) are usually applied to measure non-financial performance (Hyyönen, 2007). Moreover, in the sustainability research literature, scholars have argued that company performance should have a broad scope that includes a triple bottom line, instead of only focusing on a single aspect of company performance, such as financial performance. More specifically, company performance refers to environmental performance, social performance, economic performance, operational performance, and innovation performance.

In light of these developments, the perspectives on manufacturing companies’ operations have expanded from economic to environmental and social aspects in current trends. Manufacturing companies are not only aiming to improve operations in terms of flexibility, delivery, quality, and cost, but also attempting to be competitive in terms of environmental and social issues (Caniëlset al., 2013; Vachon and Klassen, 2008). For companies operating in a competitive global environment, studying sustainability issues is necessary and should be prioritized in the decision-making processes by company management. Otherwise, companies will not be able to maintain their competitive advantage in the long run (López et al., 2007). However, there is still a question as to whether investments in environmental management practices and other corporate social responsibility (CSR) initiatives offer direct returns in terms of improvements to a company’s performance.

An important stream of research tries to establish a business case for sustainable activities by empirically testing the relationship between corporate sustainability and firm financial performance. Researchers try to analyze whether firms which are perceived as sustainable out-perform or under-perform firms which are not perceived in the same way. Some mixed results can be found. There is evidence both of a negative relation (López et al., 2007), no relation (Curran and Moran, 2007; García-Castro et al., 2010; Surroca et al., 2010) and a positive relation (Lo and Sheu, 2007; van Dijken, 2007; Consolandi et al., 2009; Cheung, 2010; Wagner, 2010) between CSP and corporate financial performance (CFP). Despite the fact that various studies carried out on the effects of corporate sustainability on performance of manufacturing firms, very few if any have been conducted in the in UasinGishu County, Kenya which has vast manufacturing firms and the potential of many other firms in the near future. This study sought to examine the influence of corporate sustainability and financial performance of manufacturing firms in UasinGishu County, Kenya.
1.1 Research Objectives
1.1.1 General Objectives
The general objective of this study was to examine the influence of corporate sustainability on financial performance of manufacturing firms in Uasin Gishu County, Kenya

1.1.2 Specific Objectives
The specific objectives of this study were:

i. To determine the influence of environmental practices on financial performance of manufacturing firms in Uasin Gishu County.

ii). To examine the influence of corporate accountability on financial performance of manufacturing firms in Uasin Gishu County.

iii). To evaluate the influence of social justice on financial performance of manufacturing firms in Uasin Gishu County.

II. Literature Review and Hypotheses Development
2.1 Theoretical Framework
This study was anchored on the Stakeholder Theory as proposed by Freeman (1984). This theory states that the purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services (Clarkson, 1995) or to serve as a vehicle for coordinating stakeholder interests (Evan and Freeman, 1988). Stakeholder theory was first presented as managerial theory. Accordingly, the corporation ought to be managed for the benefit of its stakeholders: its customers, suppliers, owners, employees and local communities, and to maintaining the survival of the firm (Evan and Freeman, 1988).

The decision making structure is based on the discretion of the top management and corporate governance, and frequently it is stated such governance should incorporate stakeholder representatives. Stakeholder theory of corporate sustainability is related to the belief that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract (Jones, 1980). Thus, stakeholder theory takes into account individuals or groups with a stake in the company including shareholders, employees, customers, supplier and local community. According to Freeman (1984) the stakeholder concept provides a new way of thinking about strategic management. By paying attention to strategic management, executives can begin to put a corporation back on the road to success. However, it is also a normative theory which requires management to have a moral duty in order to protect the corporation as a whole and, connected with this aim, the legitimate interests of all stakeholders (Friedman, 1970). Evan and Freeman (1988) stated that management, especially top management, must look after the health of the corporation, which involves balancing the multiple claims of conflicting stakeholders.

The term stakeholder was meant by Friedman (1970) to generalize the notion of stockholder as the only group to whom management need to be responsible. ‘Stakeholder’ can be taken in two senses. In a narrow sense, the term stockholder includes those groups who are vital to the survival and success of the corporation (Freeman and Reed, 1983). In a wide sense, it includes any group or individual who can affect or is affected by the corporation (Freeman, 1984). Thus, stakeholders are identified by their interests in the affairs of the corporation and its assumed that the interests of all stakeholders have intrinsic value (Donaldson and Preston, 1995).

The base legitimacy of the stakeholder theory is on two ethical principles; principle of corporate rights and principle of corporate effects (Freeman and Reed, 1983). Both principles take into account the Kant’s dictum respect for persons. The former establishes that the corporation and its managers may not violate the legitimate rights of others to determine their future. The latter focused on the responsibility for consequences by stating that the corporation and its managers are responsible for the effects of their actions on others. There is the problem of solving conflicting interests between stakeholders. Several authors, accepting the basic stakeholder framework, have used different ethical theories to elaborate different approaches to the stakeholder theory, and specifically to solve conflicting stakeholder demands. It has been proposed, among others, the following theories: Feminist Ethics (Burton and Dunn, 1996), the Common Good Theory (Argandoña, 1998), the Integrative Social Contracts Theory (Donaldson and Dunfee, 1999) and the Doctrine of the fair Contracts (Freeman, 1994). Freeman accepted these pluralistic ethical approaches by presenting stakeholder model as a metaphor where different ethical theories find room.

In spite of the variety and complexity of approaches related to corporate sustainability, there are some proposals which have become mainstream theories on corporate sustainability. Among the theories are; resource dependency theory, the theory of social costs, agency theory and relational theory.

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2.2 Empirical Literature and Hypothesis Development

2.2.1 Environmental Practices and Financial Performance

Environmental practices refer to the integration of the environment protection requirements into the commercial activity in fulfilling the present needs and aspirations without compromising those of the future (Siegel, 2009). The arguments that for some time have been presented for CS arise, at least in part, from the classical idea that the objective of business is to maximize shareholder wealth and that a firm should engage in socially responsible activities only if it allows value to be created. Siegel (2009) contends that “firms should pursue green management practices only when it is in their self-interest to do so”. In this perspective, decisions regarding CS are considered as a form of strategic investment (McWilliams et al., 2010). Rather than being seen as a cost, CS is perceived as a valuable resource which can be used to improve the future performance of the firm. The business case for CS can be defined as “a strategic and profit-driven corporate response to environmental and social issues caused through the organization’s primary and secondary activities” (Salzmann et al., 2009).

Theoretical evidence from previous studies show that a considerable amount of attention has been given to environmental issues in academic researchers in the past years and the link between environmental practices and performance of firms has been widely discussed which results into different views (Nyirenda et al., 2013; Clarkson et al., 2011; Barnet, 2007; Cho & Patten, 2007; Ahmed et al., 1998; Ahmed et al., 2003). One of the debated points of view is that the implementation of sustainable environmental manufacturing practices is integral to the performance of manufacturing companies as it provides a long-term economic gain to companies (Ahmed et al., 2011; Hartmut & Kara, 2009; Clarkson et al., 2011) by inducing cost savings and increasing sales. Another engaging view of environmental sustainable practices is that it is a mere investment on practices that increase the cost of manufacturing companies as firms incur extra cost while implementing this environmentally friendly practices (Cho & Patten, 2007) and thus, reduces firms’ profitability, while some studies found that there is no existing relationship between the two concepts (Watson et al., 2004; Link & Naveh, 2006). Thus, the relationship between sustainable environmental practices and firm performance remains inconclusive (Schoenherr & Talluri, 2012; Arafat, Warokka, & Dewi, 2012; Lopez-Gamero, Molina-Azorin, & Claver-Cortes, 2009). To clarify this inconclusive assertion in previous studies, an empirical study is needed for further investigation in this domain and this is the gap this study seeks to fill in by determining the effect of sustainable environmental practices on firm performance.

In a similar vein, previous studies such as Schoenherr and Talluri (2012) found a positive relationship between sustainable environmental practices and plant efficiency while Lai and Wong (2012) affirmed a positive relationship between environmental management and operational performance in green logistics. The relationship between environmental practices and operational performance was also confirmed by Tooru (2001). It is generally believed that a trade-off exists between environmental proactiveness and firm’s productivity (Porter & Van der Linde, 1995). The pursuit of environmental goals is usually associated with increased cost at the beginning of the implementation of sustainable environmental manufacturing practices; however, it results into benefits such as cost savings and better financial performance in the long run (King & Lenox, 2001). The concept of SEMP is directed towards environmental practices such as reduction of energy consumption, carbon emission reduction and waste minimization which lessen environmental degradation caused by manufacturing industries and thus improve firm’s environmental performance. Gibson et al (2010) conducted a study on the impact of environmental management practices on the financial performance of a South African mining firm. Using multiple regression statistics, the return on equity of Green-Steel SA is regressed on three environmental management practices (carbon reduction, energy efficiency, and water usage). The result show there was no significant relationship between the variables and this lend credence to information gathered from Green-Steel environmental reports that Green-Steel’s environmental management practices are driven mostly by a desire to abide by regulations and also by a moral obligation to use environmental management practices to mitigate climate change impact.

Nhâm (2012) conducted an empirical study of firm environmental and financial performance of small and medium manufacturing firms in Vietnam using the World Bank 2005 data on “Productivity and the Investment Climate”. The analytical results indicated that better pollution control neither improves nor undermines financial success. Similarly, Hart and Ahuja (2016) observed that pollution prevention and emission reduction initiatives have positive impacts on a firm’s return on assets (ROA), return on sales (ROS) and return on equity (ROE). This research was realized over a period of two years, at 127 manufacturing, mining, and production firms drawn from the Standard and Poor’s 500 list of Corporations. The results showed that emission reductions enhance better operating financial performance. Russo and Fouts (2011) analyzed 243 firms that had been rated for environmental compliance by Franklin Research and Development Corporation (FRDC) over a two-year period (1991-92). The study determined that a firm’s return on assets (ROA) improves as a firm’s environmental performance improves. Therefore, it is expected that manufacturing firms in Kenya with superior environment practices are likely to be profitable; thus the following null hypothesis is formulated:

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H3: There is no significant relationship between environmental practices and financial performance of manufacturing firms in UasinGishu County

2.2.2 Corporate Accountability and Financial Performance

Corporate sustainability refers to creating long-term consumer and employee value in the manufacturing firm by creating an innovative strategy aimed towards the natural environment and taking into consideration every dimension of how a firm operates in the social, cultural, and economic environment (Karthik, 2016). A study conducted on framework for research on corporate accountability reporting, by established that effective corporate accountability reporting can internalize certain externalities into firms’ resource-allocation decisions, although doing so will not always serve shareholders’ interests

Sannaert al (2015) studied the relationship between corporate sustainability performance and financial performance in a new contextual setting in Sweden as well as investigating the impact of board diversity on the relationship established that a positive relationship between corporate sustainability and financial performance.

The most recent Meta-analyses analyzing the relationship between corporate sustainable performance (CSP) and corporate financial performance confirms the idea that they are positively linked (Orlitzky et al., 2008; Margolis and Walsh, 2007; Wu, 2006; van Beurden and Gössling, 2008). However, although there may be some evidence of a positive association, assessments are complicated in view of the imperfect nature of the studies (criticisms of omission of controls, lack of causality and other methodological problems) as well as of the range of qualitative factors which contribute to financial performance, including employee morale, corporate image, reputation, public relations, goodwill and popular opinion (Lantos, 2010).

Humera et al (2011) in their studies showed that leverage and growth have a positive relationship with Tobin’s Q, which confirms a significant effect in measuring performance of the firm. It means that firms with having good corporate governance measures perform well as compared to the firms having no or less corporate governance practices.

Eccles et al (2009) established that corporations that voluntarily adopted sustainability policies by 1993 termed as high sustainability companies exhibit by 2009, distinct organizational processes compared to a matched sample of firms that adopted almost none of these policies termed as low sustainability companies. The boards of directors of these companies are more likely to be formally responsible for sustainability and top executive compensation incentives are more likely to be a function of sustainability metrics. Moreover, high sustainability companies are more likely to have established processes for stakeholder engagement, to be more long-term oriented, and to exhibit higher measurement and disclosure of nonfinancial information.

Brian (2012) studied the impact of corporate sustainability reporting on firm valuation. In his studies he analyzed the effects during the Great Recession to note if there was any change in the effects on a year-by-year basis due to macroeconomic differences. This study finds that not only is superior corporate sustainability reporting positively correlated with increased firm value, but also that the degree of the impact greatly drops during the recession. These findings suggest that sustainability could be an advantageous business tool during stable economic times but not nearly as important in terms of increasing firm value during times of recession.

Margolis and Walsh (2007), Orlitsky et al. (2007), provide more recent surveys of the empirical research on the relation between CS and firm performance. Results from this research generally indicate a positive but weak correlation between the two. These reviews also suggest that the empirical results, while positive overall, may prove to be illusory given the imperfect nature of the studies (problems related to the measurement both of CS and financial performance, criticisms of omission of controls, lack of causality and other methodological problems).

Niclas et al (2015) studied examines the relationship between demographic diversity on boards of directors with firm financial performance. This relationship is examined using 1993 and 1998 financial performance data (return on asset and investment) and the percentage of women and minorities on boards of directors for 127 large US companies. Correlation and regression analyzes indicate board diversity is positively associated with these financial indicators of firm performance.

In a more recent survey of the empirical research, Beurden and Gössling (2008) consider that there is clear empirical evidence for a positive correlation between corporate social and financial performance. They argue that authors who contend the opposite refer to outdated material. The majority of the studies analyzed by these authors found a positive relationship between corporate social performance (CSP) and corporate financial performance (CFP) (68%), whereas 26% show no significant relationship between CSP and CFP. Only two studies (6%) show a negative relationship between CSP and CFP.

However, more recent research still provides mixed results. There is evidence both of a negative relation (López et al., 2007), no relation (Curran and Moran, 2007; García-Castro et al., 2010; Surroca et al., 2010) and a positive relation (Lo and Sheu, 2007; van Dijken, 2007; Consolandi et al., 2009; Cheung, 2010; Wagner, 2010) between CSP and CFP (López et al., 2007) analyzed whether there are significant differences in performance between firms which adopted sustainability practices, ratified by their belonging to the DJSI, and
firms not included in the DJISI because they have not fulfilled its requirements. They analyzed the link between the accounting-based performance indicators and CS, and found that short-term negative impact on performance is produced. Curran and Moran (2007) used the announcements of the constituents of the UK 50 Index as the proxy for CSR. They tested whether inclusion in, or deletion from, the FTSE Good Index results in a positive (negative) impact on share price. Their results showed a trend that positive announcements led to positive movements in share price (daily returns) and negative announcements lead to negative movements in share price. However, these results were not statistically significant.

García-Castro et al. (2010) used the most complete KLD panel data available at the time (1991–2005). Their results suggest that KLD does not impact performance. They argue that the positive relationship found in most of the previous research on the link between SP and FP becomes a non-significant or even a negative relationship when endogeneity is properly taken into account. Surroca et al. (2010) used an international database provided by Sustainalytics Responsible Investment and analyzed 599 companies from 28 countries. Their results indicated that there was no direct relationship between CS and financial performance, rather an indirect relationship that relies on the mediating effect of a firm’s intangible resources.

Lo and Sheu (2007) examine whether corporate sustainability has an impact on market value using large US non-financial firms from 1999 to 2002. They used listing in the DJISI USA as the proxy for corporate sustainability and the Tobin’s q as the proxy for firm value. Their key finding is that sustainable firms are rewarded with higher valuations in the market place. Dijken (2007) analyzed performance of 90 shares of the US Dow Jones Sustainability Index by comparing their return with the relevant indexes, with the respective industry and on a risk-adjusted basis, for the six years and the ten years ended 30 June 2006. In the studies it was established that stocks from companies with high CSP outperformed the market and their peers over extensive periods of time, with reasonably low risk.

Consolandi et al (2009) examined whether the Dow Jones Sustainability Stoxx Index (DJSSI), an index for European corporations, results in a stock market reaction. Their results, which namely show positive (negative) excess returns for companies included in the DJSSI over the period considered, suggest that the evaluation of the CSR performance of a firm is a significant criterion for asset allocation activities. Cheung (2010) analyzed the impacts (measured in terms of stock returns, risks and liquidity) of index inclusions and exclusions on corporate sustainable firms by studying a sample of US stocks that are added to or deleted from the Dow Jones Sustainability World Index over the period 2002–2008. Findings suggest that US investors do value CS, but in a temporary way. The study on impact of the pursuit of sustainability on the financial performance of the firm by Adams et al (2014) explores how companies define sustainability, how they manage it, why they engage in activities related to sustainability, and how they assess as well as communicate this engagement. Corporate sustainability is thought to have the potential not only for shareholder value creation, but in addition, the intangible nature of sustainability efforts, makes the replication by competitors considerably more difficult to accomplish. This study further seeks to determine if firms with relatively high sustainability metrics are better able to achieve superior stock performance. Hence, it is hypothesized that, firms that are prone to corporate accountability initiatives are more likely to profitable in the long run. The following null hypothesis is formulated.

\[ H_2: \text{There is no significant relationship between corporate accountability and financial performance of manufacturing firms in Uasin Gishu County.} \]

2.2.3 Social Justice and Financial Performance

According to Zingales (2009) social justice refers to the fair and proper administration of laws conforming to the natural law that all persons, irrespective of ethnic origin, gender, possessions, race, religion, etc., are to be treated equally and without prejudice. The impact of social conduct on the firm’s strategic posture has long been debated. Neoclassical economics and several management theories assume that the corporation’s objective is profit maximization subject to capacity (or other) constraints. The key agent in such models is the shareholder, acting as the ultimate residual claimant who provides the necessary financial resources for the firm’s operations (Zingales, 2009). Supporting organizational theories of the firm have significantly evolved, from a neo-classical outlook (Friedman, 1970) to more descriptive frameworks such as stakeholder theory (e.g. Freeman 1984), and financial strategy or specific managerial theories (Merton, 1987; McGuire et al., 1988; Waddock and Graves, 1997). In parallel to this evolving theoretical perspective, numerous empirical studies have examined the impact of SP on FP. The results of these studies are largely contradictory, however some (e.g. Kurtz and DiBartolomeo, 1996) conclude to the inexistence of a SP-FP relationship. Others detect a significant positive (Wang and Choi, 2010) or negative (Garcia-Castro et al., 2010) relationship in specific circumstances. This study hold that these inconsistencies may in large part be attributable to methodological issues. Among these are (i) rigid, simplistic forms for the assumed relationship, (ii) restricted time frames, and (iii) ad hoc associations with specific background variables hampering meaningful comparisons. Some organizational theories focus on the firm’s financial strategy. The risk management perspective views SP as its

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systematic risk (Boutin-Dufresne and Savaria, 2004; Lee and Faff, 2009), as well as a means of preserving reputation and goodwill (Godfrey, 2005; Godfrey et al., 2009). In a context of imperfect information, attention to CSR is viewed as favoring transparency and expanding the investor base (Merton, 1987; Barnea et al., 2005; Mackey et al., 2007).

According to Miller (1999) social justice determines resource allocation to individuals by institutions. Miller identifies three key principles which connect to the notion of social justice. Most theorists would agree that social justice is a desirable standard that holds institutions accountable. Social justice is a concrete term embedded in culture. For instance, the United Nations General Assembly approved on 26 November 2007, starting in 2009, 20 February as the World Day of Social Justice. The United Nations highlight that social justice should enable all to bear fair fruits of economic growth. This covers political, economic, and social justice. According to the United Nations, social justice involves equality of rights, opportunities and equity in living conditions. In defining concrete elements, the body goes on to emphasizes distribution of income and assets, opportunities for work and remuneration, access to knowledge, health services with fair civic and political participation.

Kipruto (2013) in his studies on the effect of corporate social responsibility on financial performance of commercial banks in Kenya found that CSR is good for the financial performance of commercial banks in Kenya. Consequently, it’s expected that to the extent a firm can create superior social justice through enhanced CSR, the more it is likely to attain sustainable financial performance. The relevant null hypothesis is stated as:

\[ H_0: \text{There is no significant relationship between social justice and financial performance of manufacturing firms in Uasin Gishu County.} \]

### III. Research Methodology

#### 3.1 Research Design

The study adopted a descriptive research design, to gather information about the present existing condition as fronted by Creswell (2002). Descriptive survey design is an oriented methodology used to investigate populations by selecting samples to analyze and discover occurrences (Oso&Onen, 2009). Due to the extensive nature of the study; the design would be used to sample a part of the population to gather data that can be generalized on the entire study population. The design was chosen because of its relative cost effectiveness and the ability to bring an understanding of the entire population from a sample. The design was appropriate for carrying out a holistic, in depth and comprehensive investigation where much emphasis was placed on the analysis of corporate sustainability on financial performance of manufacturing firms in Uasin Gishu County.

#### 3.2 Target Population

The target population for this study comprised of 3344 employees drawn from 12 manufacturing firms in Uasin Gishu as listed by Kenya Association of Manufactures website as at December 2017. The target population distribution is shown in Table 3.1 below.

<table>
<thead>
<tr>
<th>Name of the firm</th>
<th>No.of Employees</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coral Paints Ltd</td>
<td>300</td>
<td>Chemical and allied</td>
</tr>
<tr>
<td>Doinyo Lessos Creameries Ltd</td>
<td>225</td>
<td>Food and Beverages</td>
</tr>
<tr>
<td>Eldoret Grains Ltd</td>
<td>270</td>
<td>Food and Beverages</td>
</tr>
<tr>
<td>Fantex (K) Ltd</td>
<td>200</td>
<td>Textile and apparel</td>
</tr>
<tr>
<td>Handa (K) Ltd</td>
<td>280</td>
<td>Motor vehicle assemblers and accessories</td>
</tr>
<tr>
<td>Igo Holdings Ltd</td>
<td>325</td>
<td>Motor vehicle assemblers and accessories</td>
</tr>
<tr>
<td>Pyramid Packaging Ltd</td>
<td>322</td>
<td>Plastics and rubber</td>
</tr>
<tr>
<td>Raiplywoods (K) Ltd</td>
<td>320</td>
<td>Timber, wood and furniture</td>
</tr>
<tr>
<td>Savannah Saw Mills</td>
<td>280</td>
<td>Timber, wood and furniture</td>
</tr>
<tr>
<td>Shiv Enterprises (E) Ltd</td>
<td>295</td>
<td>Plastics and rubber</td>
</tr>
<tr>
<td>Squaredeal Uniforms Centre Ltd</td>
<td>215</td>
<td>Textiles and apparel</td>
</tr>
<tr>
<td>WarengNdovu Enterprises Ltd</td>
<td>312</td>
<td>Building, mining and construction</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3344</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: KAM (2017)

#### 3.2 Sampling procedure

The study used stratified random sampling technique since the population was not homogeneous and was subdivided into groups or strata to obtain a representative sample. Stratified random sampling involves dividing the population into homogeneous subgroups and then taking a simple random sample in each subgroup making it possible to make reliable estimates for each stratum as well as for the population as a whole(Cooper &
The population members have equal chances of being selected through stratified random sampling method.

### 3.2.1 Sample Size

The sample size for this study was calculated using the formula for finite population as provided by Yamane which is a well-established scientific formula for determining sample sizes. The sample size was calculated based on 95% confidence level thus giving an alpha of 0.05. The mode is stated as:

\[
n = \frac{N}{1+e^2N}
\]

Where:
- \(n\) = Sample size
- \(N\) = Study Population
- \(e\) = Tolerance at 95% confidence level i.e. 0.05

Basing on the above data, \(n\) was computed as follows:

\[
n = \frac{(3344)}{1+(0.05)^2(3344)} = 357
\]

This implies that 357 were selected as respondents for the study. The number of respondent in each category in the sample population was arrived at by considering the proportion of each stratum to the study population (see table 3.2 below.) For example, the first category in the sample table was arrived at by dividing the number of respondents in category one by the total population and then multiplying the result by the total sample population.

#### Table 3.2: Sample size

<table>
<thead>
<tr>
<th>Name of the firm</th>
<th>No. of Employees</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Coral Paints Ltd</td>
<td>32</td>
<td>Chemical and allied</td>
</tr>
<tr>
<td>DonnyoLessos Creameries Ltd</td>
<td>24</td>
<td>Food and Beverages</td>
</tr>
<tr>
<td>Eldoret Grains Ltd</td>
<td>29</td>
<td>Food and beverages</td>
</tr>
<tr>
<td>Fantex (K) Ltd</td>
<td>21</td>
<td>Textile and apparel</td>
</tr>
<tr>
<td>Handa (K) Ltd</td>
<td>30</td>
<td>Motor vehicle assemblers and accessories</td>
</tr>
<tr>
<td>Igo Holdings Ltd</td>
<td>35</td>
<td>Motor vehicle assemblers and accessories</td>
</tr>
<tr>
<td>Pyramid Packaging Ltd</td>
<td>34</td>
<td>Plastics and rubber</td>
</tr>
<tr>
<td>Raiplywoods (K) Ltd</td>
<td>34</td>
<td>Timber, wood and furniture</td>
</tr>
<tr>
<td>Savanah Saw Mills</td>
<td>30</td>
<td>Timber, wood and furniture</td>
</tr>
<tr>
<td>Shiv Enterprises (E) Ltd</td>
<td>31</td>
<td>Plastics and rubber</td>
</tr>
<tr>
<td>Squaredeal Uniforms Centre Ltd</td>
<td>23</td>
<td>Textiles and apparel</td>
</tr>
<tr>
<td>WarengNdova Enterprises Ltd</td>
<td>33</td>
<td>Building, mining and construction</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>357</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher, 2017

### 3.3 Data Collection Procedure

Data was collected using structured questionnaires, personally administered by the researcher and. The data was then processed and analyzed based on the objective and research question using Statistical Package for Social Sciences (SPSS) version 21. Questionnaires were used as the main tools for collecting data. The selection of this tool has been guided by the nature of data to be collected, the sample size, the target population characteristics, the time available as well as the objectives of the study.

### 3.4 Data Analysis and Presentation

Data gathered was prepared for analyzes by editing, handling blank responses, coding, categorizing and recording (Churchill and Iacabucci, 2004; Sekaran and Bougie, 2009). The following main descriptive statistics will summarize the data to indicate their explanatory capacity. Descriptive statistics in form of frequencies and means were presented in tables and used to organize, summarize and describe the characteristics of the respondents. Pearson Correlation Coefficient was meanwhile used to test the significance of the existing relationship between the variables. Descriptive statistics involved computation of mean scores, standard deviation, percentages, cross tabulation and frequency distribution which describe the demographic characteristics of the organization and the respondents. Measures of dispersion (SD) were used to test the normality of the data.
Factor analysis was used to reduce the set of study items to smaller number which can easily be interpreted. Inferential statistics was used to determine the relationships between environmental practices, corporate accountability, social justice, government policy and financial performance of manufacturing firms as well as testing the hypotheses. To establish the statistical significance of the respective hypotheses, ANOVA of F-tests as well as multiple linear regression analysis was conducted, appropriate at 95 percent confidence level (α=0.05). The questionnaire returned from the field was coded, edited and keyed into the computer to facilitate statistical analysis. Statistical package for social sciences (SPSS) version 20 was used to assist in analysis. Coefficient of determination ($R^2$) was used to determine the goodness of fit of different models by indicating whether the proportion of firm financial performance can be explained by all predictor variables is equal, greater than or less than the population of each predictor variable. As the study consists of a combination of independent, moderating and dependent variable, the effects of variables was tested using different regression analysis model $H_0$, $H_1$ and $H_3$ was tested using multiple linear regression analysis. Multiple regression is used as a technique to analyze continuous variable (Steel and Ovalle, 1984).

Model Specification

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where:

$Y =$ Aggregate mean score for financial performance

$\beta_0 =$ y-intercept/constant

$\beta_1 =$ Regression coefficient for environmental practices

$X_1 =$ Aggregate mean score for environmental practices

$\beta_2 =$ Regression coefficient for corporate accountability

$X_2 =$ Aggregate mean score for corporate accountability

$\beta_3 =$ Regression coefficient for social justice

$X_3 =$ Aggregate mean score for social justice

$\epsilon =$ Error term- random variation due to other unmeasured factors

IV. Results and Discussion

4.1 Descriptive Analysis

4.1.1 Descriptive Statistics for Environmental Practices

To determine the environmental practices, respondents were required to state their level of agreement with ten statements relating to Environmental Practices as corporate sustainability of manufacturing firms in Uasin Gishu County where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree. The relevant results are as shown in Table 4.1.

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>SD (Mean)</th>
<th>D (%)</th>
<th>U (%)</th>
<th>A (%)</th>
<th>SA (Mean)</th>
<th>Mean</th>
<th>Skewnes</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm is involved in tree planting</td>
<td>3.92</td>
<td>1.96</td>
<td>0.0</td>
<td>39.22</td>
<td>54.9</td>
<td>4.3922</td>
<td>-2.33</td>
<td>6.39</td>
</tr>
<tr>
<td>The firm create awareness on environmental conservation</td>
<td>5.88</td>
<td>1.96</td>
<td>0.0</td>
<td>45.1</td>
<td>47.06</td>
<td>4.2549</td>
<td>-2.09</td>
<td>6.62</td>
</tr>
<tr>
<td>The firm ensure safe disposal of wastes</td>
<td>1.96</td>
<td>0.0</td>
<td>0.0</td>
<td>47.06</td>
<td>50.98</td>
<td>4.4510</td>
<td>-2.35</td>
<td>10.31</td>
</tr>
<tr>
<td>The firm provide waste baskets for waste disposal</td>
<td>19.61</td>
<td>3.92</td>
<td>11.76</td>
<td>37.25</td>
<td>27.45</td>
<td>3.4902</td>
<td>-0.76</td>
<td>-0.78</td>
</tr>
<tr>
<td>The firm is involved in construction of bridges and drainage of stagnant water in the community</td>
<td>11.76</td>
<td>0.0</td>
<td>0.0</td>
<td>58.82</td>
<td>29.41</td>
<td>3.9412</td>
<td>-1.74</td>
<td>2.38</td>
</tr>
<tr>
<td>The firm is using renewable energy as alternative sources</td>
<td>1.96</td>
<td>0.0</td>
<td>9.8</td>
<td>52.94</td>
<td>35.29</td>
<td>4.1961</td>
<td>-1.43</td>
<td>4.44</td>
</tr>
<tr>
<td>The firm is seeking ways of reducing greenhouse gas emissions</td>
<td>7.84</td>
<td>1.96</td>
<td>0.0</td>
<td>35.29</td>
<td>54.9</td>
<td>4.2745</td>
<td>-2.03</td>
<td>3.58</td>
</tr>
<tr>
<td>The firm is involved in water conservation</td>
<td>3.92</td>
<td>0.0</td>
<td>1.96</td>
<td>45.1</td>
<td>49.02</td>
<td>4.3529</td>
<td>-2.30</td>
<td>7.19</td>
</tr>
<tr>
<td>Infrastructure has been put in place to enhance waste disposal &amp; recycling</td>
<td>0.0</td>
<td>0.0</td>
<td>5.88</td>
<td>11.76</td>
<td>82.35</td>
<td>4.7647</td>
<td>-2.32</td>
<td>4.47</td>
</tr>
<tr>
<td>Technology has been bought to enhance waste disposal &amp; recycling</td>
<td>13.73</td>
<td>1.9</td>
<td>0.0</td>
<td>25.49</td>
<td>58.82</td>
<td>4.1373</td>
<td>-1.62</td>
<td>1.19</td>
</tr>
</tbody>
</table>

Source: Research data, 2017

From Table 4.2, 28(54.9%) of the respondents strongly agreed and 20(39.22%) agreed that their firm is involved in tree planting (Mean=4.3922, SD=91823). Further, 24(47.06%) strongly agreed and 23(45.1%) agreed that the firm create awareness on environmental conservation (Mean=4.2549, SD=1.01672). The findings also revealed that half of the respondents strongly agree and 24(47.06%) agreed that their firm ensure safe disposal of wastes. Regarding firm provide waste baskets for waste disposal, 14(27.45%) strongly agree and 19(37.25%) with a mean of 3.4902 and standard deviation 1.44738. Besides, 15(29.41%) of the respondents strongly agreed and 30(58.82%) agreed that their firm is involved in construction of bridges and drainage of...
stagnant water in the community (Mean=3.9412, SD=1.17323). On firm is using renewable energy as alternative sources, 27(52.94%) agreed and 18(35.29%) strongly agreed that their firm is using renewable energy as alternative sources with a mean of 4.1961 and standard deviation .77510. In relation to firm seeking ways of reducing greenhouse gas emissions, 28(54.9%) strongly agree with a mean of 4.2745 and standard deviation of 1.13276.

The findings also revealed that 25(49.02%) and 23(45.1%) of the respondents strongly agree and agreed respectively that their firm is involved in water conservation (Mean=4.3529, SD=8.6772). On infrastructure, 42(82.35%) of the respondents strongly agreed that infrastructure has been put in place to enhance waste disposal & recycling with a mean of 4.7647 and standard deviation of .55094. Lastly, 30(58.82%) of the respondents strongly agreed that technology has been bought to enhance waste disposal & recycling with a mean of 4.1373 and standard deviation of 1.38592

4.1.2 Descriptive Statistics on Corporate Accountability

To determine the corporate accountability, respondents were required to state their level of agreement with six statements relating to corporate accountability as corporate sustainability of manufacturing firms in Uasin Gishu County where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree. The Relevant results are as shown in Table 4.3.

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>U (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm ensure efficient pricing of their products</td>
<td>11.76</td>
<td>0.0</td>
<td>0.0</td>
<td>27.45</td>
<td>60.78</td>
<td>4.2549</td>
<td>-1.94</td>
<td>2.58</td>
</tr>
<tr>
<td>The firm ensure market share is upheld</td>
<td>7.84</td>
<td>1.96</td>
<td>0.0</td>
<td>39.22</td>
<td>50.98</td>
<td>4.2353</td>
<td>-1.98</td>
<td>3.48</td>
</tr>
<tr>
<td>The firm ensure there is less borrowing costs incurred</td>
<td>3.92</td>
<td>0.0</td>
<td>0.0</td>
<td>41.18</td>
<td>54.9</td>
<td>4.4314</td>
<td>-2.58</td>
<td>8.69</td>
</tr>
<tr>
<td>The firm that practice CSR experience reduced turnover, recruitment, and training costs</td>
<td>0.0</td>
<td>0.0</td>
<td>3.92</td>
<td>41.18</td>
<td>54.9</td>
<td>4.5098</td>
<td>-0.68</td>
<td>-0.49</td>
</tr>
<tr>
<td>The firm ensure the stakeholders’ shares are protected</td>
<td>1.96</td>
<td>1.96</td>
<td>0.0</td>
<td>72.55</td>
<td>23.53</td>
<td>4.1373</td>
<td>-2.06</td>
<td>8.95</td>
</tr>
</tbody>
</table>

Source: Research data 2017

From Table 4.3, 31(60.78%) of the respondents strongly agree that their firm ensure efficient pricing of their products with mean of 4.255 and standard deviation of 1.27817. Similarly, 26(50.98%) of the respondents strongly agree that their firm ensure market share is upheld with a mean of 4.235 and standard deviation of 0.85452.

Regarding borrowing costs incurred, 28(54.9%) strongly agree that their firm ensure there is less borrowing costs incurred with a mean of 4.51 and standard deviation of 0.57871. On practice CSR experience reduced turnover, recruitment, and training costs, 28(54.9%) of the respondents strongly agreed with a mean of 4.549 and standard deviation of 0.50254. Lastly, 37(72.55%) of the respondents agreed that their firm ensure the stakeholders’ shares are protected with a mean of 4.137 and standard deviation of 0.69339

4.1.3 Descriptive Statistics on Social Justice

To evaluate the social justice, respondents were required to state their level of agreement with twelve statements relating to social justice as corporate sustainability manufacturing firms in Uasin Gishu County where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree. The Relevant results are as shown in Table 4.4

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>U (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is equal opportunities of employment and promotion in the industry sector</td>
<td>11.76</td>
<td>0.0</td>
<td>5.88</td>
<td>43.14</td>
<td>39.22</td>
<td>3.9804</td>
<td>-1.53</td>
<td>1.53</td>
</tr>
<tr>
<td>The firm ensure safe and secure environment</td>
<td>23.53</td>
<td>3.92</td>
<td>9.8</td>
<td>39.22</td>
<td>23.53</td>
<td>3.3529</td>
<td>-0.64</td>
<td>-1.08</td>
</tr>
<tr>
<td>Culture of ethics and integrity is upheld in the industries</td>
<td>9.8</td>
<td>0.0</td>
<td>1.96</td>
<td>54.9</td>
<td>33.33</td>
<td>4.0000</td>
<td>-1.73</td>
<td>2.48</td>
</tr>
<tr>
<td>Profits accrued from industry is fairly shared among stakeholders</td>
<td>3.92</td>
<td>0.0</td>
<td>0.0</td>
<td>68.63</td>
<td>27.45</td>
<td>4.1569</td>
<td>-2.36</td>
<td>9.08</td>
</tr>
<tr>
<td>The firm has established open and efficient communication channels with their customers</td>
<td>0.0</td>
<td>0.0</td>
<td>3.92</td>
<td>17.65</td>
<td>78.43</td>
<td>4.7451</td>
<td>-1.99</td>
<td>3.28</td>
</tr>
</tbody>
</table>
Employers treat employees and other stakeholders fairly and honestly 11.76 0.0 0.0 66.67 21.57 3.8627 -1.79 2.60
The firm is prompt and courteous in attending to queries and complaints 11.76 0.0 5.88 7.84 74.51 4.2157 -1.89 2.47
The firm sponsor local sports and cultural events 11.76 0.0 0.0 31.37 56.86 4.5098 -2.64 6.13
The firm air adequate standards of advertising and trading 7.84 0.0 0.0 17.65 74.51 4.3529 -2.16 3.90
The firm provide adequate supply of products or services to customers 7.84 0.0 1.96 0.0 27.45 62.75 4.6471 -3.12 10.09
The firm is providing additional vocational training places to the community 3.92 0.0 3.92 11.76 80.39 4.1373 0.030 .104
The firm recruiting socially include people with disabilities 0.0 0.0 9.8 66.67 23.53 4.3333 -1.90 2.17

Source: Research data 2017

From Table 4.4, 22(43.14%) of the respondents agreed and 20(39.22%) strongly agree that there is equal opportunities of employment and promotion in the industry sector (Mean=3.9804,SD=1.24081). Further, 20(39.22%) and 12(23.53%) of the respondents agreed and strongly agree respectively that their firm ensure safe and secure environment (Mean=3.5329, SD=1.49430). On ethics and integrity, 28(54.9%) of the respondents agreed that Culture of ethics and integrity is upheld in the industries with a mean of 4.0000 and standard deviation of 1.10223. Similarly, 35(68.63%) of the respondents agreed that profits accrued from industry is fairly shared among stakeholders with a mean of 4.1569 and standard deviation of 0.78416.

The manufacturing firm has established open and efficient communication channels with their customers as shown by 40(78.43%) of the respondents who strongly agree with a mean of 4.7345 and standard deviation 0.52319. With a mean of 3.8627 and standard deviation of 1.33666 the respondents agreed that employers treat employees and other stakeholders fairly and honestly. On attending to queries and complaints, 38(74.51%) of the respondents strongly agreed that their firm is prompt and courteous in attending to queries and complaints with a mean of 4.2157 and standard deviation of 1.26986. Further, 29(56.86%) of the respondents strongly agree that firm sponsor local sports and cultural events with a mean of 4.5098 and standard deviation of 1.13172, 34(66.67%) of the respondents agreed that Culture of ethics and integrity is upheld in the industries with a mean of 4.1569 and standard deviation of 0.78416.

The finding also revealed that 38(74.51%) of the respondents strongly agree that their firm air adequate standards of advertising and trading with a mean of 4.3529 and standard deviation of 1.14584. Similarly, 32(62.75%) of the respondents strongly agree that their firm provide adequate supply of products or services to customers with a mean of 4.6471 and standard deviation of 0.89047. On the firm is providing additional vocational training places to the community, 41(80.39%) of the respondents strongly agreed with a mean of 4.1373 and standard deviation of .56638. Lastly, 34(66.67%) of the respondents agreed that their firm recruiting socially include people with disabilities with a mean of 4.3333 and standard deviation of 1.33666

4.2 Influence of Environmental Practices on Financial Performance
To assess the influence of the firms’ environment practices on their financial performance, aggregate mean scores of the firm’s financial performance measures (dependent variable) were regressed on the aggregate mean scores of their environment practices measures (independent variable). The relevant results are presented in Table 4.4.

Table 4.4: Results of Regression of Environmental Practices on Financial Performance

| Model Goodness of Fit Statistics | | | | | | |
|---|---|---|---|---|---|
| R | 0.688 | 0.474 |
| R Square | 0.463 | (1.49) |
| Adj. R Square | | | 0.63 |
| Df | 1 | 5165 |
| F | 4.4 |
| Sig. | 0.000 |

<table>
<thead>
<tr>
<th>Regression Coefficients</th>
<th>Unstandardized</th>
<th>Standardized</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model (Constant)</td>
<td>-2.011</td>
<td>0.893</td>
<td>-2.253</td>
<td>0.029</td>
</tr>
<tr>
<td>Environmental Practices</td>
<td>0.390</td>
<td>0.209</td>
<td>6.643</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Aggregate Mean of Financial Performance
Level of significance, α = 0.05

The regression results in Table 4.4 reveal statistically significant positive linear relationship between environmental practices and organizational financial performance (β = 0.390, p-value = 0.000). Hence, Ho1 is rejected since β ≠ 0 and p-value < 0.05. The results also show that environmental practices had moderate explanatory power on organizational financial performance as it accounted for 47.4 percent of its variability (R Square= 0.474). The results are in line with past studies from Schoenherr and Talluri (2012) who found a
positive relationship between sustainable environmental practices and plant efficiency while Lai and Wong (2012) affirmed a positive relationship between environmental management and operational performance in green logistics.

### 4.3 Influence of Corporate Accountability on Financial Performance

To establish the influence of the firms’ corporate accountability on their financial performance, the aggregate mean scores of their financial performance measures (dependent variable) were regressed against the aggregate mean scores of the firms’ corporate accountability measures (independent variable). The relevant findings are presented in Table 4.5.

#### Table 4.5: Regression Results of Corporate Accountability on Financial Performance

<table>
<thead>
<tr>
<th>Model Goodness of Fit Statistics</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>R Square</td>
<td>Adj.R Square</td>
<td>DF</td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>0.718</td>
<td>0.515</td>
<td>0.506</td>
<td>(1,49)</td>
<td>52.130</td>
<td>.000&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>Regression Coefficients</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unstandardized Coefficients</td>
<td>Standardized Coefficients</td>
<td>t</td>
<td>Sig.</td>
<td></td>
</tr>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.105</td>
<td>0.397</td>
<td>-0.530</td>
<td>0.599</td>
<td></td>
</tr>
<tr>
<td>Corporate accountability</td>
<td>0.702</td>
<td>0.097</td>
<td>0.718</td>
<td>7.220</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Aggregate Mean of Financial Performance

Level of significance, α = 0.05

The regression results in Table 4.5 reveal statistically significant positive linear relationship between environmental practices and organizational financial performance (β = 0.702, p-value = 0.000). Hence, H<sub>2</sub> is rejected since β ≠ 0 and p-value < 0.05. The results also show that corporate accountability had significant explanatory power on organizational financial performance as it accounted for 50.6 percent of its variability (R<sup>2</sup> = 0.506).

These results confirm the findings by Ullah, Rehman and Waheed (2012) who revealed positive relationship between accountability with firm performance. This empirical study revealed very strong significant relationship between accountability and firm performance. It was observed that those companies which are accountable in their business affairs, they perform better than those that have not any system of accountability. It was observed that almost all manufacturing firms have proper mechanism of Accountability.

The results are in agreement with organizational recognition of being corporate accountable. For example from the US of a multi-stakeholder corporate accountability scheme is the Fair Labor Association (FLA), which is a US-based multi-stakeholder governance arrangement in which a number of high profile apparel and sportswear companies work together with universities and NGOs to promote compliance with core international labor standards within their global supply chains.

### 4.4 Influence of Social Justice on Financial performance

To determine the effect of social justice on the firms’ financial performance the aggregate mean scores of their financial performance (dependent variable) were regressed on the aggregate mean scores of the social justice measures (independent variable). The research findings are outlined in Table 4.6.

#### Table 4.6: Regression Results of Social Justice on Financial performance

<table>
<thead>
<tr>
<th>Model's Goodness of Fit Statistics</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>R Square</td>
<td>Adj.R Square</td>
<td>DF</td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>0.660</td>
<td>0.436</td>
<td>0.424</td>
<td>(1,49)</td>
<td>37.862</td>
<td>.000&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>Regression Coefficients</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unstandardized Coefficients</td>
<td>Standardized Coefficients</td>
<td>t</td>
<td>Sig.</td>
<td></td>
</tr>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-0.370</td>
<td>0.699</td>
<td>-0.530</td>
<td>0.599</td>
<td></td>
</tr>
<tr>
<td>Social justice</td>
<td>0.011</td>
<td>0.164</td>
<td>0.660</td>
<td>6.153</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Aggregate Mean of Financial Performance

Level of significance, α = 0.05

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The regression results in Table 4.6 reveal statistically significant positive linear relationship between social justice and organizational financial performance \((\beta = 0.011, \text{p-value} = 0.000)\). Hence, \(H_3\) is rejected since \(\beta \neq 0\) and \(\text{p-value} < 0.05\). The results also show that social justice had moderate explanatory power on organizational financial performance as it accounted for 43.6 percent of its variability \((R\ Square = 0.436)\). The findings are consistent with Meade (1973) who proposed how manufacturing firms need to relate together with its surrounding society by combining social justice, environmental practices, government policy and corporate accountability in making sure it complies and achieves its obligation in the financial performance.

V. Summary And Recommendation

The main objective of this study was to establish the influence of corporate sustainability on financial performance manufacturing firms in Uasin Gishu County, Kenya. The first objective of the study was to establish the influence of environmental practices on financial performance of manufacturing firms in Uasin Gishu County. To test the objective, the study set out the following null hypothesis; \(H_0\): There is no significant relationship between environmental practices and financial performance of manufacturing firms. The study used linear regression analysis to test the relationship between environmental practices and financial performance. From the results, there exists a statistically significant positive correlation between environmental practices and financial performance and it significantly account for 47.4% variance in financial performance of manufacturing firm in Uasin Gishu County. Hence, the study failed to accept the null hypothesis as there exists a significant relationship between environmental practices and financial performance of manufacturing firms in Uasin County.

The second objective of the study was to establish the influence of corporate accountability on financial performance. The study therefore had to formulate the following null hypothesis in order to test the second objective; \(H_0\): There is no significant relationship between corporate accountability and financial performance of manufacturing firms. Regression analysis was used to test the effect of corporate accountability on financial performance. From the results, there exists a statistically significant positive correlation between corporate accountability and financial performance and it significantly account for 50.6% variance in financial performance of manufacturing firm in Uasin Gishu County. Hence, the study failed to accept the null hypothesis as corporate accountability had a significant relationship with financial performance of manufacturing firm in Uasin Gishu County.

The third objective of the study was to establish the influence of social justice on financial performance manufacturing firms in Uasin Gishu County. The study set out the following null hypothesis; \(H_0\): There is no significant relationship between social justice and financial performance of manufacturing firms. From the results, there exists a statistically significant positive correlation between social justice and financial performance and it significantly account for 43.6% variance in financial performance of manufacturing firm in Uasin Gishu County. Therefore, the study failed to accept the null hypothesis as social justice had significant relationship with financial performance of manufacturing firm in Uasin Gishu County.

5.1 Recommendations
The following recommendations were made out of the study findings:

i). Manufacturing firms should embrace environmental conservation practices since they positively affect financial performance of manufacturing firms in Uasin Gishu County.

ii). Manufacturing firms should observe and uphold corporate accountability since it has positive effect on financial performance of manufacturing firms in Uasin Gishu County.

iii). Manufacturing firms should actively be involved in reorganization and promotion of social justice since it affects the financial performance of manufacturing firms in Uasin Gishu County.

References


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