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Relationship between Social Media Usage and the Performance of Selected Microfinance Institutions in Meru County

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Abstract

In the world today social media platforms have snowballed and sparked both opportunity and concern on how its use affects the financial performance of microfinance institutions. The study aimed to determine the relationship between social media usage and the performance of selected microfinance institutions in Meru County. The study used descriptive design. The study established that social media is practically applicable because of how easy it is in usage and how many customers prefer it to the traditional way banks and financial institutions have been operating. This study thus recommends that there should be a paradigm shift that will enable microfinance institutions operate competitively and perform better financially. This cannot be realized if the leadership is stuck in the old ways of doing things.

Keywords: *Social Media Usage, Performance, Microfinance Institutions, Meru County*

1.0 Introduction

Social media is the most trending mode of communication on its own and many people have had to depend on its existence for interaction in a magnitude not imagined before across the globe. Societies have had to accept its transformational nature in creating a new way of life creating a paradigm shift in business models as well. Looking at how social media started as a tool for social interaction, it has now fallen over to companies embracing its force and adopting its use to spur growth in terms of finances. The outreach of social media has stood up to its calling in several users as well as cost-effectiveness within a very short time. Yet a large chunk of financial service providers are still trying to find ways of making their businesses profitable. It's also prudent to put it that the growth of any business in this way calls for laws and regulations to govern such situations which financial service providers should be privy to (Fuchs, 2017).

However, Ali and Khan (2013) acknowledge that the adoption and implementation of social media in mostly the traditional banks has been a bit slower. Those solutions given have not been implemented based on the main bank operations but as a departmental program in a not so well taken care of attitude. What these banks have forgotten is that there are various opportunities this social media gives not only to clients but affect production. Pragmatic business firms are developing new ways of doing business that is affecting the way business is done globally. Occasionally, the traditional industries and corporates with much

bureaucracy these days have awakened to the fact that innovation is a must to survive. These innovations must be adopted quickly, incorporated, and implemented.

It's been reported time and again that China and parts of India have developed and enjoyed the benefits that social media provides. This has seen an increase in its usage in this part of the world compared to Africa. Yet it's also observed in equal terms that despite this growth in usage many of the financial service providers haven't adopted its use either. KPMG (2018) report suggested that banking industries in Kenya have failed to capture the social media usage phenomenon which is a tool that can help to check on trending, engage with customers, create lasting relationships, and provide timely services.

Rozzani et al. (2013) noted that social media has caught the attention of financial institutions which are now drawing fresh blueprints that aim at harnessing the great power of social media. However, Gakii (2017) study notes that DTMFIs are no exception and are actively using these channels to better serve their customers as well as recruit new members, make their presence felt, sell their products as well as mine massive amounts of data that effectively are now giving these institutions a better guide for making managerial decisions.

Microfinance institutions are regulated by the Central Bank of Kenya in Kenya where The Microfinance Act 2008 and Microfinance Regulations distributed therein give further details about the legally recognized, regulatory and managerial structure. The Act permits the Deposit Taking Microfinance Institutions official to marshal for savings from customers in general, lending thus endorsing competition, competence, and admission. In Kenya as of August 2017, CBK had licensed fifteen (15) DTMFIs, (CBK, 2018). MFI's role is to fill up a necessary gap deeply rooted in the financial services industry through loans to the citizens. In Meru County, there are several MFI that lend money to the residents. The target groups being; Micro, Small, and Medium enterprises engaged in trade, farming, service, and manufacturing that promote sustainable human development. The number of MFIs has increased tremendously in addition to the ones that are there. The latest in the market is Meru County Micro finance which exclusively serves micro-entrepreneurs through the group-based model in the vast county. The use of social media by these MFI is gaining currency since many customers have mobile phones and can access the internet via computers.

1.1 Research Problem

Financial institutions have long been associated with how they do perform in terms of their finance and financial incomes. Any diligent investors in MFI will first look at its financial performance by assessing its books of accounts, if regulations have been followed or not. MFIs information available brings out signs that financial sustainability has a confirmatory effect on the complexity of outreach; development in the outreach depth improves the financial performance of an MFI, (Green et al., 2014). Indicators of financial wellbeing are among others sound financial incomes however; recent trends indicate that social indulgence and performance are taking precedence. Institutions have come to realize that the social performance and wellbeing of their clients go hand in hand with how profits are realized.

This is seen through the income and saving behavior the customers engage in. It's also seen in the way lives of the community that the MFIs are operating intend to take. For example, local activities like projects generate incomes, job creation, and poverty alleviation, hence the betterment of lives. The revolution of internet technology including smart technology has given organizations a new face and paradigm worldwide. Evidence shows that worldwide, banks have moved towards the deployment of various social media platforms to offer customer service to their clientele to advance their financial performance. But there is a problem of uptake in microfinance services in Meru County.

Research conducted by Ahmad (2016) at Brunel University in London found a substantial agreement on MFI financial performance and usage of social media. Owino et al. (2016) on the other hand sought to reveal that there is an impact of social media usage in Kenya focusing on brand equity. The study concluded that social media, brand image, and customer relations have a positive relationship. In the Kenyan situation, a few studies on the use of social media by corporate organizations have been conducted. Mwambui (2012) carried out a study on leveraging social media for fundraising in Kenya. Munene and Nyaribo (2013) studied social media in the workplace and its effects on the productivity of employees. However, not much study has focused on the relationship between social media usage and the performance of selected microfinance institutions in Meru County.

2.0 Literature Review

2.1 Theoretical Framework

The study was anchored on the uses and gratifications theory (U&G theory). The theory is predominantly used to describe how individuals or people utilize media to accomplish their desires. Satisfaction of needs is the perfect duty played by the media. Functions of media have been outlined as interpersonal communication, interaction, knowledge, awareness creation, entertainment, and escape. Johnson (2016) advances that the main objective of this theory developed by Elihu Katz and Jay Blumler in 1973 is to describe the association between listeners or viewers and how they purport to utilize the media. To understand more Elihu Katz and Jay Blumler, used the question, why do individuals or masses choose to use certain media, and what is the satisfaction do they derive from them? They illustrated that people have a varied reason why they use certain media which they summarized as a result of individual tastes.

In addition, Ahmad (2016) says that the theory is additionally connected to Maslow's Hierarchy of needs as a motivational aspect. Uses and gratification theory emphasizes the unrestricted determination of viewers and is deterministic as television can be cast off in diverse techniques and for diverse resolves. This theory undertakes that there is nothing as complete certainty. The viewers are said to have full mechanism over the consequence of media on them as the consequence can be selected by the viewers themselves. The theory is thoroughly connected to the human mindset of desires, reasons, and inspiration. However, Perse (2014) opines that the theory is said to fulfill different needs at a different level for an instant; emotional needs talk about expressive contentment and preference persons derives from viewing movies, series, or soap operas. Intellectual needs where persons use media to get facts and accomplish their psychological and knowledgeable desires, however, people watch television frequently to satisfy these wants. Personal consolidative desires are the desires for self-confidence and esteem meaning that people want a guarantee to launch their prestige, integrity, forte, and command.

The uses and gratification philosophy are a unique way of utilizing media to generate actual communications packages if it is applied correctly. It defines the associations shaped amongst the media and its dynamic viewers. The viewers may be inactive or active choose and consumption the media to accomplish their requirements and needs. These persons may use the media for a diversity of causes comprising, learning, escaping, entertainment among others (Sarah, n.d.).

Elihu Katz and Jay Blumler industrialized a few classes as to why individuals utilize the media; companionship, personal development, escape, news among others. Katz emanated up with a somewhat altered list concerning causes for media usage: socialization, intellectual needs, and sentimental needs (Perse, 2014). Ahmad (2016) puts it that Elihu Katz and Jay

Blumer's theory is profoundly reliant on why active viewers trademark certain conclusions grounded on their prospects and requirements. Many types of research had indicated those viewers' satisfaction can be gotten from; social context, exposure, and media contents that one can access.

However, Sarah (n.d.) asserts that an institution needs to utilize the uses and gratification philosophy to emphasize on objective viewers and learn how this viewer is fulfilled by what they uncover themselves to. Public relations duty is to aid fetch composed establishments and persons and this is efficiently showed when media establishments understand unrestricted outlook, which is then curved into satiating content in the appreciations of those consuming the media. She completes that uses and gratifications can be put on to the public relations arena in respect to how public relations specialists can successfully mark any viewers grounded on their requirements.

Grellhesl and Punyanunt-Carter (2012) did research based on this theory. The study focused on the uses and gratification model and examined the seven greatest required satisfactions utilizing SMS text communication and revealed existing tendencies as to which uses and gratifications are greatest and slightest prevalent as well as important alterations amongst feminine gender and masculine genders and texters when U&G theory is applied. A sample of 400 university learners who willingly responded in the research discovered that there were gender variances between precise uses and gratifications needs, over text communication.

Another study was done by Alex (2012) did a study which set out to investigate the uses and gratifications of mobile internet among the youth in Uganda. In particular, it sought to identify the M-net services and accessibility, regulate their occurrence of usage and assess the motives/gratifications sought by college students using M-net services and resources in public middle-level colleges in Kampala. It also identified and examined the challenges faced by students when using M-net. The usages and satisfactions model were established appropriately in this study since of its capability to regard what individuals do with media and how. The idea of energetic viewers is a dominant precept of the usages and satisfactions and is appropriate to new media particularly the M-net which is interactive. It established that most college students used M-net mainly to develop and maintain online social interactions, and to communicate but rarely for academic purposes.

Precisely, Joseph (2015) did another study to explore the satisfactions pursued from SMS by Kenyans and in what way this might be influenced for local development in ICT. Specific emphasis was on the embracing and usage of the Facebook Platform – the most popular social platform both locally and globally. It was found that 76.1% of those interviewed had an active Facebook account while slightly more than half of the non-adopters were actually quitters or had at least opened a Facebook account before. A part from that Ngaira (2014) did a study that sought to research the organizational communication strategies and their effects on wellbeing and protection consciousness in connected Battery Manufacturers Limited Company. The company manufactures motor-vehicle batteries, solar panels, and other lead-metal and Sulphuric-acid products. The key finding was that management has not been keen on the development of a standard checklist of indicators for monitoring and evaluating the role of strategic communication in organizational growth, which social media can leverage on.

However, Sundar and Limperos (2013) argue that the essence of every individual to mingle with persons like household and families is a societal communicating want. Folks use media to mingle and network over social interacting places like Twitter, my space, and Facebook, and many more. The latest in thing is WhatsApp groups and Instagram. People who have

mobile phones have created groups that they use to communicate or disseminate information much easier. This has also made financial institutions such as MFIs create more groups for customers so that information can reach individuals on a timely basis. People also use media to upsurge their collective exchanges by receiving subjects to a conversation with the neighboring and beloved ones. Media also aids by offering persons with themes and philosophies to dialogue/deliberate with their contacts and nearby ones, snowballing their communal contact capabilities.

It should be now known that from a cursory review of uses and gratification studies, adds (Ahmad, 2016) that the key audience gratification factors being identified by different scholars seem to revolve around somewhat similar themes. In studying the art of satisfactions, its aim at setting the groundwork for U&G theory, Katz et al made a good mention of the existing findings of related scholarly work (Katz et al., 1973). He mentioned Schramm's 'dichotomous' fantasist-escapist or informational-educational motivation factors. Also mentioned were Lasswell's four functions of 'shadowing, association, showbiz, and traditional broadcast for humanity as a complete, as well as for entities and subcategories within the community. A four-category typology by McQuail, Blumler, and Brown is also mentioned as a diversion, personal relationship, personal identity, and surveillance. The central notion of the need to connect (or disconnect) is also stated emanating from the work of Katz, Gurevitch, and Haas.

Today, U & theory has more significance than eternally as an instrument for accepting how we as persons attach with the knowledge everywhere, these know-hows extent everything from the mobile phones and internet to video gaming too. U&G theory research into cellphones practice has initiated that person pursue a total of satisfactions from their telephones, as well as fondness/friendliness, showbiz, and flexibility, just to mention affection. It is with this in mind that this theory is relevant to this study that apart from social media fulfilling some of the needs of humans; it also plays a role in informing people of their well-being, the news, and surrounding. People need to know how their financial performance is doing, how their accounts are, how or who has deposited money in their accounts, who has been doing business with them, and so forth. Social media if used well can be able to fulfill these needs and many more.

2.2 Empirical Review

Empirically, Fuchs (2017) defines social media as an application based on the internet which allows the content generated by users to be exchanged. The virtual method where people interact and communicate has rapidly increased in the last few years. Through social media, people set business communication, swap, and distribute in a short time possible that reaches a wide variety of people (Ahmad, 2016). However, Meikle (2016) stated that social media has made organizations be able to get closer to their clients in a record time and having spent very little money. In turn, they can achieve efficiency through increasing revenue and reducing costs of operations. Misati and Kamau (2017) add that social media is an influential platform designed for communicating brand attitude as well as brand values are given that the many platforms facilitate open forms of communication.

Social media is the new excitement in a promotion that has business enterprises and institutions rushing to generate news broadcasts, create networks that influence customers and supporters thus shaping societies in the cyber space. Social media can be used for internal communication as well as a technique of appealing to both current and possible new clientele (Fuchs, 2017). Hence, it has positioned itself as the actual occupational revolution which has led to the entrance of numerous social media applications such as Twitter, WhatsApp,

Facebook, Instagram, Zoom, Meet, and LinkedIn. Businesses that tapped into the early connection of social media have been earning unprecedented profits. With superior improvements projected to be in the system, the profits are going to be skyrocketing as they capture more customers that are using it (Kaplan & Norton, 2015).

As of October 2016, internet subscriptions in Kenya had grown by 8.2% from the last quarter. Based on Communications Authority of Kenya sector statistics, this signifies that the number of Kenyans getting online is increasing. Nevertheless, Eckerling (2014) stipulating how social media is measured using tools like Return on Investment (ROI) explains the same using the following steps: social media goal-setting, right platforms determination, campaigns tracking, reporting findings, and reviewing results. Through ROI, the numbers of customers gained can be estimated. For instance, Facebook views number on advertisement reflects awareness increase; the interest in a product might be represented by the number of clicks (Misati & Kamau, 2017).

According to Eckerling (2014), companies might also refer to social media as customer-created media. Yet social media is not all about customers, it comprises communication among operators as well. The greatest significant features that social media has are; directness – barriers are unimportant; the gratified is accessible and the discourse is significant; you offer evidence but as well receive a response and other facts. The second one is community – common benefits, relaxations, desires are generating crowds everywhere. Thirdly, social media has involvement – everyone is uninterruptedly convoluted in this influence development; to share an update, to give an opinion, to give consultation on matters politics, professional consultation, among others. The fourth feature is connectedness – enduring linking, relations between persons, assets, lifespan elegances among others.

According to Munene and Nyaribo (2013), Kenya has almost 65 percent mobile telephone penetration. This has been made possible by easily accessible smartphones that are cheap yet can be used on social media other than calling and sending short messages. The other reason is the fact that the prices for data usage have dropped gradually by providers such as Safaricom, Airtel, and Telekom. It is therefore prudent to point out that many of Kenyans instantly get their news and information through social media long before the traditional media does. For this reason, many businesses need to capture these users of social media to advance their services in a manner acceptable and adopted easily.

In Meru County, the use of social media by these MFI is gaining currency since many customers have mobile phones and can access computers. Most of the MFIs are using bulk SMS or Facebook chats on WhatsApp groups to communicate with their customers on topical issues like new services and products among many other issues (Mecha, et al., 2015). Misati and Kamau (2017) point out that many users of social media acknowledge that its use has made work easier. For example, loans are easily disbursed through the M-pesa platform. In Meru County, these MFIs are also using social media to lend money on a short-term basis. The customer does not need to go to the MFI offices as is evident in Faulu Kenya and Bimas Microfinance.

3.0 Research Methodology

The study targeted ten microfinance institutions in Meru County randomly selected from the Association of Microfinance Institutions of Kenya (AMFI-K)'s website. The study used descriptive design and data was collected using primary and secondary sources. Data was analysed using descriptive statistics with the aid of SPSS version 26.0. The findings were presented in tables, charts, and figures for easier understanding.

4.0 Results and Discussion

4.1 Social media platforms commonly used in the company

Table 1: Social media used commonly

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid WhatsApp Group	60	37.5	37.5	37.5
SMS	50	31.3	31.3	68.8
Facebook	34	21.3	21.3	90.0
LinkedIn	9	5.6	5.6	95.6
Twitter	7	4.4	4.4	100.0
Total	160	100.0	100.0	

The study sought to know which among the listed social media platforms were commonly used in their organization, 37.5% of the respondents chose WhatsApp group, and 31.3% chose SMS services, followed by 21.3% that chose Facebook, while Twitter and LinkedIn were at 4.4% and 5.6% respectively. This shows that WhatsApp groups were popular means of socialization across the MFIs hence forming part of social media usage in most of them.

4.2 Average number of followers microfinance had in the last three years

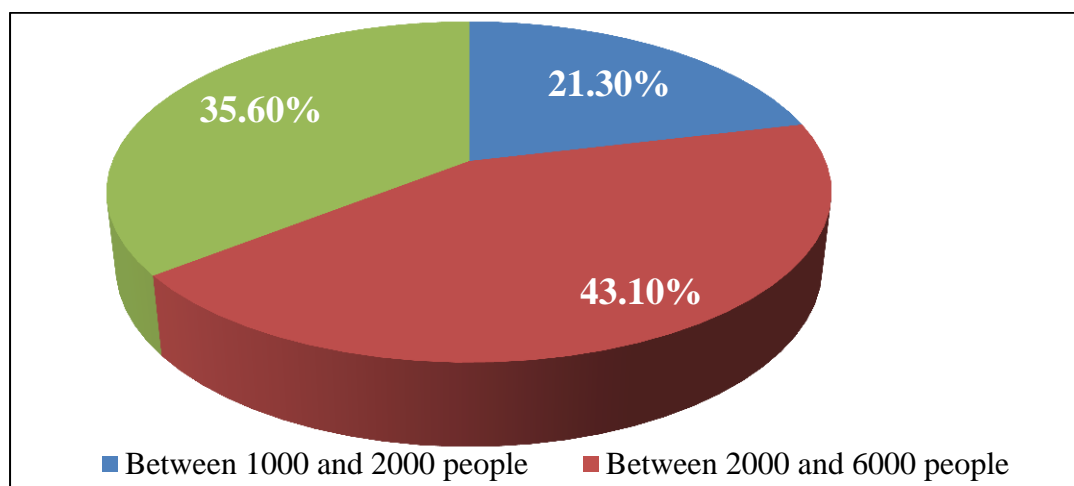


Figure 1: Number of followers

Figure 1 above answered the question that required the respondents to indicate how many followers has the MFI had since the year 2016 up to 2018, 43.1% said that the followers in their social media were between 2000-6000 in the year 2017, 35.6% were over 6000 in the years 2018, while 21.3% said their followers were between 1000-2000 in 2016. This indicated that during the year 2017, there was a significant growth of members in the groups, the least growth of members in the groups was in 2016. Looking at the percentage growth of the respondents, therefore, the study concluded that the curve in growth was expected that as years go by the growth of members in a group should grow, yet this shows that the members started to decline as the years went by. vanMarrewijk and Were (2015) refers to this as lack of corporate sustainability. Corporate Sustainability refers to a firm's activities, voluntary by definition, demonstrating the inclusion of social and environmental concerns in business operations and interactions with stakeholders. Each firm should choose its own particular goals and approaches as they pertain to corporate sustainability, matching the its goals and

intentions and aligning with the organization's strategy, as an appropriate response to the conditions in which it functions.

4.3 Reasons that have made the company use social media

Table 2: Reasons for use of social media

	Frequency	Percent	Valid Percent	Cumulative Percent
Customer Interest	51	31.9	31.9	31.9
Ease of use	79	49.4	49.4	81.3
I don't know	30	18.8	18.8	100.0
Total	160	100.0	100.0	

According to table 2 which was answering the question based on the reasons why the MFI was using social media, 49.4% chose ease of use, followed by 31.9% who said customer interest, while 18.8% of the respondents said I don't know. This finding was in agreement with (vanMarrewijk, and Were, 2015) assertion that the best tool for gauging customer engagement efforts is the choice straightforwardness index," an instrument of how laidback it is for clients to ruck and comprehend evidence about a product, how abundant they can believe the evidence they discover, and how gladly they can evaluate their possibilities.

4.4 Average number of new customers that the company has acquired through social media in the periods indicated

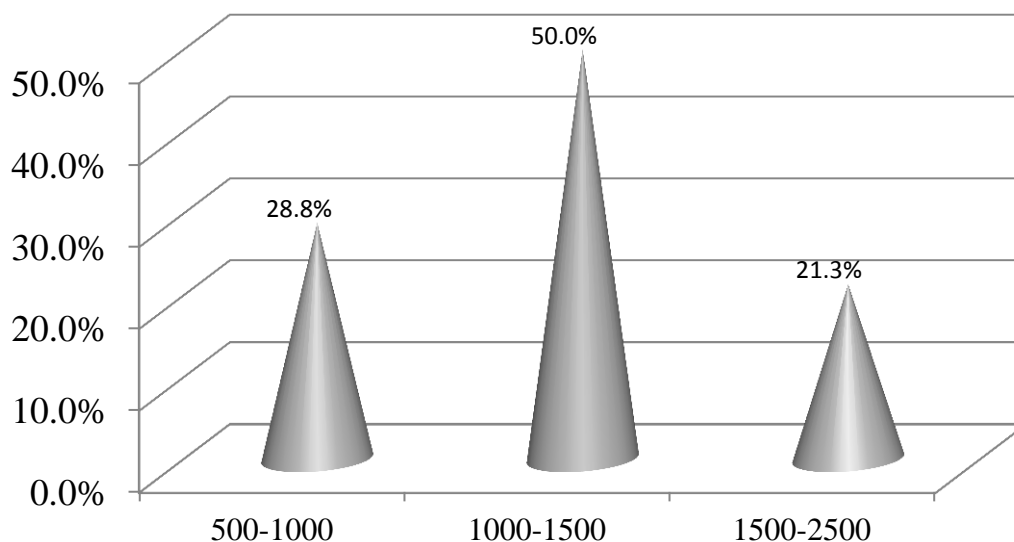


Figure 2: Number of new customers

The above figure 2 answered the question that required the respondents to indicate how many customers has the MFI acquired since the year 2016 up to 2018, 50.0% said that the MFI had acquired 1000-1500 in the year 2017, 28.8% of the respondents said that the MFI had acquired 500-1000 during the year 2016, 21.3% of the respondents said the MFI had acquired 1500-2500 customers during the year 2018. This indicated that during the year 2017, there was a significant growth of customers, the least growth of customers in the groups was in 2016. Looking at the percentage growth of the respondents, therefore, the study concluded

that the curve in growth was expected that as years go by the growth of customers in the institution should grow, yet this shows that the members started to decline as the years went by. vanMarrewijk and Were (2015), refers to this a lack of corporate sustainability. Commercial Sustainability denotes a corporation’s actions, intentional by explanation, representing the addition of communal and ecological apprehensions in corporate actions and connections with shareholders. Each specific association should select its precise goal line and tactics as they affect business sustainability, corresponding the establishment's purposes and meanings and positioning with the establishment's plan, as a suitable rejoinder to the circumstances in which it operates.

Table 3: Summary of Social media usage and the performance of Selected MFI

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	130	81.3	81.3	81.3
No	30	18.8	18.8	100.0
Total	160	100.0	100.0	

The result for table 3 shows the summary of social media usage. The results were categorized into two categories: Yes and No. In this category, the researcher sought to investigate; how long has the microfinance been in operation, which one of the social media platforms are commonly used in their company, how many followers have the MFI had in the last three years, reasons for use of the social media chosen and how many customers have been acquired through the use of social media. The majority of the respondents 81.3 responded that there was social media usage in the selected MFIs, while 18.8% responded negatively. This implied that there was social media usage in the selected MFIs. These findings agree with Sibanda (2018) who noted that social media was becoming a phenomenon that people cannot live without both at home and our workplace since it has become the new norm.

5.0 Conclusion

The study concluded that social media is practically applicable because of how easy it is in usage and how many customers prefer it to the traditional way banks and financial institutions have been operating.

6.0 Recommendations

Microfinance institutions are operating in very precarious environment these days, which include competition from all corners starting from the main stream banks, SACCOS, shylocks and electronic money lenders using digital applications. These calls for paradigm shift that will enable them operate competitively and perform better financially. This cannot be realized if the leadership is stack in the old ways of doing things.

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