

**EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON THE PROFITABILITY OF  
COMMERCIAL BANKS IN KENYA**

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FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTERS OF  
BUSINESS ADMINISTRATION (FINANCE OPTION) DEGREE OF KABARAK  
UNIVERSITY**

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**DECLARATION**

The research project is my own work and to the best of my knowledge it has not been presented for the award of a degree in any university or college.

Signature.....

Date.....

**Juddy Z Chege**

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**RECOMMENDATION**

We confirm that the work carried out in this project was done by the student under our supervision

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## **ABSTRACT**

Every business takes birth, survives and grows with the consent and co-operation of the society. The society provides inputs to the business and accepts its output. Naturally the business owes everything to the society. Corporate Social Responsibility denotes organizations' willingness to take responsibility and accountability for the effects of their activities and decisions. It is concerned with how companies manage the business processes to produce an overall positive impact on society. This study aimed at investigating the relationship between corporate social responsibility and profitability of commercial banks in Kenya. The objectives of this study were to establish the effect of; financial literacy, employee volunteering in community activities, improving community health and supporting education to the community on the profitability of listed Commercial Banks in Kenya. This study engaged a descriptive research design rich in survey. The target population was 43 commercial banks in Kenya. The study used proportionate stratified sampling method with a sample size of 39 commercial banks categorized in three strata: local private, local public and foreign commercial banks. Primary data was collected using questionnaires and secondary data obtained from the bank's annual financial reports. Chi Square test was done to identify the association between the dependent and independent variable. The study findings revealed that at 95% level of precision, employee volunteering, community health programs, supporting education and financial literacy programs have significant influence on the profitability of commercial banks in Kenya. Further, the perception of the respondents on the relationship between community health, employee volunteering, financial literacy and profitability contributes to the banks' profitability by chance and has no direct correlation with the banks' profitability.

**Key Words: Corporate Social Responsibility, Profitability, Commercial Banks**

## Table of Contents

DECLARATION .....	ii
RECOMMENDATION .....	ii
ACKNOWLEDGEMENT .....	iii
ABSTRACT.....	iv
LIST OF TABLES .....	viii
LIST OF FIGURES .....	ix
LIST OF ABBREVIATIONS.....	x
DEFINITION OF TERMS .....	xi
CHAPTER ONE.....	1
INTRODUCTION .....	1
1.1 Introduction.....	1
1.2 Background to the Study.....	1
1.3 Statement of the Problem.....	3
1.4 Objectives of the Study .....	3
1.4.1 General Objective .....	3
1.4.2 Specific Objectives .....	3
1.5 Research Questions.....	4
1.6 Significance of the Study .....	4
1.7 Limitations and delimitations of the Study .....	4
1.8 Scope of the Study .....	5
CHAPTER TWO .....	6
LITERATURE REVIEW .....	6
2.1 Introduction.....	6
2.2 Theoretical Framework.....	6
2.2.1 Classical View.....	6
2.2.2 Instrumental Theory.....	6

2.2.3	Political Theory.....	7
2.2.4	Integrative Theories .....	7
2.2.5	Ethical Theories .....	7
2.2.6	The Institutional Theory.....	7
2.2.7	Shareholder Primacy Theory .....	8
2.3	Empirical Review.....	9
2.3.1	Employee Volunteerism.....	9
2.3.2	Contribution in the health Sector .....	10
2.3.3	Education Support.....	10
2.3.4	Financial Literacy .....	11
2.3.5	Profitability of Commercial banks .....	12
2.4	Conceptual Framework.....	14
	Independent Variables .....	14
2.5	Knowledge Gap and Summary .....	14
CHAPTER THREE .....		15
RESEARCH METHODOLOGY.....		15
3.1	Introduction.....	15
3.2	Research Design.....	15
3.3	Target Population.....	15
3.3.1	Sampling Frame .....	15
3.3.2	Sampling Technique .....	16
3.4	Method of Data and Data Collection Instruments.....	16
3.5	Validity and Reliability.....	16
3.6	Data Analysis and Presentation.....	17
CHAPTER FOUR.....		18
DATA ANALYSIS, PRESENTATION AND DISCUSSION.....		18
4.1	Introduction.....	18
4.2	Results.....	18
4.2.1	Personal and Institutional Data .....	18
4.2.2	Employee Volunteering .....	21

4.2.3	Community Health.....	23
4.2.4	Education .....	25
4.2.5	Financial Literacy to Clients .....	27
4.2.6	Test of Hypotheses.....	28
CHAPTER FIVE .....		30
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....		30
5.1	Introduction.....	30
5.2	Summary .....	30
5.2.1	Employee Volunteering .....	30
5.2.2	Community Health.....	30
5.2.3	Education .....	30
5.2.4	Financial Literacy to Clients .....	31
5.3	Conclusion .....	31
5.4	Recommendations.....	31
REFERENCES .....		33
APPENDICES .....		36
Appendix I : Research Questionnaire .....		<b>Error! Bookmark not defined.</b>
Appendix II: List of Licensed Commercial Banks in Kenya .....		41

**LIST OF TABLES**

Table 1 Proportionate stratified random sampling..... 16

Table 2: Number of years the bank has been in existence ..... 20

Table 3: Employee Volunteering ..... 21

Table 4 Community health..... 23

Table 5 Contributions to education..... 25

Table 6 Financial literacy programs ..... 27

Table 7 Test of Hypotheses..... 29

Table 8 Study Budget..... **Error! Bookmark not defined.**

Table 9 Study Work Plan..... **Error! Bookmark not defined.**



**LIST OF FIGURES**

Figure 1 Conceptual Framework ..... 14

Figure 2 Gender of the respondent..... 18

Figure 3 Age distribution ..... 19

Figure 4 Highest level of education ..... 19

Figure 5 Period of service in the organization .....20

## **LIST OF ABBREVIATIONS**

CEO	Chief Executive Officer
CFP	Corporate Financial Performance
CRR	Cash Reserve Ratio
CSR	Corporate Social Responsibility
EVPs	Employee Volunteer Programs
NGOs	Non-Governmental Organizations
ROA	Return on Asset
ROE	Return on Equity
ROI	Return on Investment

## DEFINITION OF TERMS

**Volunteerism** - The policy or practice of offering one's time or talents for charitable, educational, or other worthwhile activities, especially in one's community (Tuffey, 2009).

**Corporate Social Responsibility**- A management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. (Obrien, 2011)

**Commercial Bank** -A type of bank that provides services such as accepting deposits, making business loans, and offering basic investment products. (Auka, 2006)

**Financial Literacy**- is the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more) and how that person donates it to help others. (Greenspan, 2002)

**Shareholders**- Refers to the owners of a company. (Givai, 2010).

**Stakeholder** - A party that has an interest in an enterprise or project. The primary stakeholders in a typical corporation are its investors, employees, customers and suppliers (Givai, 2010)

**Profitability** – The state or condition of yielding financial profit or gain (Kweyun, 2009).

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

This chapter contains an overview of the study background focusing on the study variables and profile of the Kenya's banking industry. It presents the statement of the problem, objectives of the study, research questions and justification for the study. Significance of the study, limitations and the scope of the study are also provided.

### **1.2 Background to the Study**

Corporate Social Responsibility (CSR) as a concept entails the practice whereby corporate entities voluntarily integrate both social and environment uplift in their business philosophy and operations. A business enterprise is primarily established to create value by producing goods and services which society demands. The present-day conception of CSR implies that companies voluntarily integrate social and environmental concerns in their operations and interaction with stakeholders. The notion of CSR is one of ethical and moral issues surrounding corporate decision making and behavior, thus if a company should undertake certain activities or refrain from doing so because they are beneficial or harmful to society is a central question. Social issues deserve moral consideration of their own and should lead managers to consider the social impacts of corporate activities in decision making regardless of any stakeholders' pressures. However, some arguments that the contribution of concepts such as CSR is just a reminder that the search for profit should be constrained by social considerations (Manuel and Lúcia, 2007) and increasingly CSR is analyzed as a source of competitive advantage and not as an end in itself (Branco and Rodrigues, 2006). In effect, the concept of CSR has evolved from being regarded as detrimental to a company's profitability, to being considered as somehow benefiting the company as a whole, at least in the long run.

Nowadays, companies are getting increasingly involved in social activities which are conveniently termed as CSR. Corporate responsibility is a responsibility for a company's direct involvement with the betterment of the society. CSR means that companies must not only fulfill shareholders' needs but also take into consideration other stakeholders' demand (Moir, 2010). Though the concept of CSR is not new in the business, formal research regarding CSR has performed in the 20th century. In 1953, Bowen, the father of CSR, define CSR as the obligation

of businessmen to formulate those policies, to make those decisions, to follow those lines of action which are in accordance with the desires and values of the society.

The concept of CSR includes various social and environmental areas such as relationship with community, employees, human rights and ethics. Carroll, (2009) suggests that CSR consists of four different types of responsibility: economic, legal, ethical and philanthropic. In another study, Carroll and Shabana, (2010) identified five common dimensions of CSR: interest dimension, social dimension, economic dimension, voluntary dimension and environmental dimension. Cochran, (2007) argued that CSR can be used to promote the reputation of a company as a good corporate citizen who takes responsibility for its impact on society. Good reputation creates value of a firm by not only reducing negative rumors but also contribute indirectly to profitability by attracting more customers. Activities of CSR can contribute to better relationship with company stakeholders which in turn lead to increased capital from investors (Weber, 2008). Falck and Heblich, (2007), indicated that CSR contributes to a good reputation of a firm which is essential to attract and retain skilled employees. Skilled staffs are necessary for successful operation of business which in turn increases the profitability. So they concluded that CSR contributes indirectly to the profitability of a firm. They also argued that CSR indirectly help to strengthen brand image and thus creates company's goodwill. As a result a company's market position becomes stronger through CSR activities. CSR practices by financial institutions have brought a new dimension to the corporate world in recent past. To keep pace with recent trend banks in both developed and developing countries are taking various initiatives to be engaged in social activities, social awareness, regulatory requirements, pressure from social activist and Non-Governmental Organizations (NGOs) are playing as motivating for this kind of practices.

The Kenyan Banking Sector is comprised of 43 commercial banks, one mortgage finance Company, and nine deposit taking microfinance institutions, seven representative offices of foreign banks, a hundred and five foreign exchange bureaus and two credit reference bureaus as at October 31, 2013. The banking sector balance sheet expanded by 13.2 percent from Kshs 2,316.1 Billion in October 2012 to Kshs 2,622.6 billion in October 2013. The key components of the balance sheet on the asset side were loans and advances, government securities and placements, which accounted for 56.9 percent, 22.1 percent and 5.1 percent of total assets, respectively. (Central Bank Report 2012)

### **1.3 Statement of the Problem**

Previous studies have been conducted on the effects of other aspects of CSR on the financial performance of firms and have yielded different results. Griffin and Mahon (2009) and Margolis and Walsh (2003) show controversial results about CSR –Corporate Financial Performance (CFP) relation which testifies the need for further research. Margolis and Walsh (2001) have examined a group of studies, which utilized 27 distinct data sources. While considering CSR as an independent variable, a series of works try to verify whether CSR has the capacity to positively affect financial performance. Among the works reviewed by Margolis and Walsh (2001), 53 per cent of those searching a positive effect of the CSR on CFP had confirmed that relationship (Guan & Noronha, 2013). Recent investigation undertaken by Baron *et al.* (2009) demonstrates that these questions remain unanswered. These authors examine the connection between CSR and CFP combining the variable 'Social Pressure' as a moderating factor of this relation. The inclusion of this factor in the study leads to a neutral relation between CSR and CFP (Aras, Aybars, & Kutlu, 2010). Another study was conducted by Orlitzky *et al.* (2003) who found a strong correlation between corporate financial performance and corporate social/environmental performance (Hay *et al.*, 2005). Nelling and Webb (2009) use the KLD index as the measure of CSR and return on assets (ROA) to measure financial performance. They find no evidence that CSR is related to a firm's financial performance (Sun, 2012). Many other CSR -CFP studies document a positive relationship between CSR and financial performance.. From the reviewed studies, the conclusion is that CSR as a whole does not give a conclusive directional relationship with financial performance of a business organization. The study therefore intends to study different aspects corporate social responsibility and profitability and as an aspect of financial performance in the banking industry.

### **1.4 Objectives of the Study**

#### **1.4.1 General Objective**

The main objective of this study was to establish the effect of corporate social responsibility on the profitability of commercial banks in Kenya.

#### **1.4.2 Specific Objectives**

The specific objectives of the study were:

1. To determine the effect of employee volunteering in community activities on the profitability of commercial banks in Kenya.
2. To determine the effect of contribution to community health on the profitability of Commercial Banks in Kenya.
3. To assess the effect of supporting education on the profitability of Commercial Banks in Kenya.
4. To establish the effect of financial literacy programs for clients on the profitability of Commercial Banks in Kenya.

### **1.5 Research Questions**

1. How does employee volunteering in community activities affect the profitability of commercial banks in Kenya?
2. What is the effect of contribution to health on the profitability of commercial banks in Kenya?
3. What is the effect of supporting education the profitability of commercial banks in Kenya?
4. What is the effect of financial literacy programs for clients on the profitability of commercial banks in Kenya?

### **1.6 Significance of the Study**

This research enhances the understanding of the relationship between corporate social responsibility and the financial profitability of banks. The results should be of interest to managers who contemplate engaging in CSR activities, investors and financial analysts who assess firm performance, and policy makers who design and implement guidelines on CSR. The findings of this project will be used to improve information available to relevant actors regarding the current situation concerning corporate social responsibility in the banking industry and how this is related to the sectors profitability. This project also sought to produce recommendations for other firms willing to incorporate corporate social responsibility practices in their various business operations.

### **1.7 Limitations and delimitations of the Study**

This research focused on the effect of corporate social responsibility on the profitability of commercial banks in Kenya. The greatest challenge was the secrecy surrounding allocation of

resources to various activities within organizations which led to the withholding of pertinent information from the researcher. However, in order to overcome this challenge the researcher structured the questionnaire in a way that distanced financial matters from the research questions and utilize published financial information available in the bank's annual reports to confirm some of the information given by the respondents.

### **1.8 Scope of the Study**

The research was conducted on the 43 commercial banks that have been operating in Kenya and have presence in its capital Nairobi.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter contains a review of literature regarding CSR practices in firms. In this chapter the researcher brings out what others have written about corporate social responsibility.

#### **2.2 Theoretical Framework**

A theory can be described as a set of assumptions, propositions, or accepted facts that attempt to provide a plausible or rational explanation of cause and effect relationship among a group of observed phenomenon (Krishnaswami & Satyaprasad, 2010).

##### **2.2.1 Classical View**

The traditional view of the role of business in society is grounded on Adams Smith's (1776) assertion that the free market is an "invisible hand" which would lead to the best allocation of resources. Maximization of profit was thus entrenched as the predominant and overarching purpose and preoccupation of business. Anything that interferes with this state of affairs is viewed as being anti-business. This point of view was memorably stated by Milton Friedman (1962) as follows: - Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for the stakeholders as possible (Chen & Wang, 2011).

The Classical View acknowledges that business has some primary legal obligations. These obligations have to be met and cannot be avoided since they are a result of legislation. However, any other responsibilities beyond those imposed by legislations are considered as voluntary. These voluntary responsibilities were thus dubbed corporate social responsibility. However, other proponents believe that CSR arises from a deeply held vision that business can and should play a role beyond making money. It embraces an understanding that everything a company does has a flow- on effect either inside or outside the company, from customers to and employees to communities and the natural environment (Chen & Wang, 2011).

##### **2.2.2 Instrumental Theory**

This theory assumed that the corporation is an instrument for wealth creation and that this is its sole social responsibility. Only the economic aspect of the interactions between business and

society is considered. So any supposed social activity is accepted if, and only if, it is consistent with wealth creation. This group of theories could be called instrumental theories because they understand CSR as a mere means to the end of profits (Lanis & Richardson, 2012).

### **2.2.3 Political Theory**

In this theory the social power of corporation is emphasized, specifically in its relationship with society and its responsibility in the political arena associated with this power. This leads the corporation to accept social duties and rights or participate in certain social cooperation (Lanis & Richardson, 2012).

### **2.2.4 Integrative Theories**

These theories consider that business ought to integrate social demands. They usually argue that business depends on society for its continuity and growth and even for the existence of business itself(Lanis & Richardson, 2012).

### **2.2.5 Ethical Theories**

These theories understand that the relationship between business and society is embedded with ethical values. This leads to a vision of CSR from an ethical perspective and as a consequence, firms ought to accept social responsibilities as an ethical obligation above any other consideration. When assessing corporate responsibility from an investor's perspective, the general problem concerns the relationship between the listed company in which the investor holds shares and the often very distant level on which the unethical conduct or the unacceptable production takes place (Gavai, 2010).

### **2.2.6 The Institutional Theory**

Rather than seeing CSR purely as a realm of voluntary action, institutional theory suggests seeking to place CSR explicitly within a wider field of economic governance characterized by different modes, including the market, state regulation and beyond. While CSR measures are often aimed at or utilize markets as a tool, institutional theories of the economy also see markets themselves as being socially embedded within a wider field of social networks, business associations and political rules. In particular, many of the most interesting developments in CSR today play themselves out in a social space of private, but collective forms of self regulation (Kotler & Lee, 2011).

### **2.2.7 Shareholder Primacy Theory**

Traditional shareholder primacy theory contends that a corporation is primarily responsible to its shareholders to maximize wealth, consequently social factors should not interfere in a corporation's business operations. In the modern business setting however, a company's core objective of profit maximization must be underpinned by a proactive approach to CSR in order to manage and mitigate a broader array of risk factors. Managing risk via community engagement and the implementation of socially responsible strategies is increasingly linked to business success and stakeholder confidence. Intangibles such as trust, ethics, corporate culture, employee satisfaction, environmental behavior and community responsibility are increasingly relevant to consumers, business partners, governments, special interest groups, existing and potential employees and investors. (Carroll & Shabana 2010).

In the last two hundred years markets have unleashed a tremendous amount of innovation and progress in the west. The industrial revolution, the rise of consumerism, and the dawn of the global marketplace have each in their own way made life better for millions of people (Kotler & Lee, 2011). Alongside the great strides forward are a set of deeply troubling issues. Capitalism, understood in the sense of "how markets work" has also notoriously increased the divide between the rich and poor, both within and across nations. We have become blind to some of the consequences of our actions that are harmful to others, such as environmental degradation, dominance of less privileged groups, and the inequitable distribution of opportunities (Visser *et al.*, 2010).

The fruits from these deeply troubling issues are beginning to germinate. Global warming, global financial crises, and global terrorism threaten to destabilize our world. It is more imperative than ever to study carefully and understand the power of markets and capitalism, and begin the construction of a new narrative about how capitalism can be a force for good in the world (Visser *et al.*, 2010).

Stakeholder theory can be seen as articulating a different and morally rich way of thinking about disciplines of business. Stakeholder theories have been developed to address three important and interrelated questions about business: how value is created, the nature of the relationship between ethics and capitalism, and how managers can best think about their day-to-day practices. The pursuit of these questions raises many more. The vocabulary for stakeholders is not only good

for addressing these three purposes, but for creating new opportunities for practical and theoretical development as well (Visser *et al*, 2010).

## **2.3 Empirical Review**

### **2.3.1 Employee Volunteerism**

There are ample quantitative and qualitative studies that show that being a good corporate citizen can also be good for a company's bottom line. Research shows that there is a direct correlation between active community outreach programs and increased revenues and customer loyalty for businesses that engage in helping their communities. In this context, many businesses have developed extensive strategic philanthropy initiatives to insure that their giving aligns with their missions and core values. Going beyond donating money and resources, an area of specific interest to many companies these days is that of Employee Volunteer Programs (EVPs). Unlike financial donations and in-kind support, EVPs allow companies to foster a more personal link to the community by sharing its human resources with organizations in need. As the economy slows and nonprofit organizations struggle to provide services on smaller budgets, volunteers become even more vital to the health of our nation's communities. In return for this help, companies benefit with more productive and satisfied employees, a better bottom line and an improved standing in the community. Company-sponsored volunteer programs have many benefits to the sponsoring company. One of the most measurable impacts EVPs have is on the attitudes, productivity and job satisfaction of company employees (Tuffey 2009)

Employee-sponsored volunteer programs are a highly visible way for businesses to show their commitment to their communities. In return, these businesses benefit from positive perceptions in the community. Communities gain from the involvement of employee volunteers in a variety of ways, including: enriched community life; community organizations with more human resources and a wider variety of skills delivering enhanced health, education, and social services; citizens with access to more and augmented programs and services; new partners for government in service provision; and enhanced historical, artistic and cultural richness for citizens to enjoy. Healthier and more active communities attract new businesses and new employees. They cost less to operate and thereby contribute to economic as well as social development. Vigorous communities create an environment that is clearly more conducive to business growth and bottom line success. Enriched communities also benefit those who live in them, so employees

who get involved in their own communities directly and indirectly reap the rewards of their own efforts for themselves and their families (Graff, 2011).

### **2.3.2 Contribution in the health Sector**

Health Sector clearly stands out as a leader, when discussing the CSR issues. Part of the reason is its close relation to its multiple stakeholders of society, government, and other private sectors. Another part of the reason may be that its way of making profits has a bigger relationship to people's lives by affecting their health problems rather than other business entities. There are many reasons why it pays for companies, both big business and SMEs (small and medium enterprises) to be socially responsible and be conscious about the interest of the key stakeholders. The healthcare industry has a variety of challenges that the average person may not fully understand. Issues such as stringent regulatory compliance, intense labor shortages in nursing, increased and costly technological advancements, implementation of international quality standards and substantial community dependence make this industry one of the most operationally difficult.(Kweyun, 2009)

CSR helps the healthcare sector to elaborate on social issues that could serve to improve their images and enhance the stakeholder engagement by making their performance indicators available to public. This creates a positive image with the community and will eventually translate into increased revenues for the organization. (Carroll & Shabana 2010)

### **2.3.3 Education Support**

Business organizations are now looked as corporate citizens and as such are expected to fulfill certain civic responsibilities. A new concept of 'corporate conscience' is fast becoming popular and acceptable. Since business utilizes abundant social resources and possesses quite a big amount of social power, therefore it has to work as a corporate citizen and help the society in solving its problems (Gavai, 2010) This looks into how an organization sponsors the education of the bright and needy members of community in order to enable them pursue education despite their level of poverty for equal opportunities in future. The researcher seeks to establish the effect of supporting community education on the profitability of commercial banks in Kenya.

### 2.3.4 Financial Literacy

Financial literacy facilitates the decision making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. It also provides greater control of one's financial future, more effective use of financial products and services, and reduced vulnerability to overzealous retailers or fraudulent schemes. Facing an educated lot, financial regulators are forced to improve the efficiency and quality of financial services. This is because financially literate investors create competitive pressures on financial institutions to offer more appropriately priced and transparent services, by comparing options, asking the right questions, and negotiating more effectively. Investors on their part are able to evaluate and compare financial products, such as bank accounts, saving products, credit and loan options, payment instruments, investments, insurance coverage, so as to make optimal decisions (Miller *et al.*, 2009).

Greenspan (2002) argues that financial literacy helps to inculcate individuals with the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. Proper application of that knowledge helps investors to meet their financial obligations through wise planning, and resource allocation so as to derive maximum utility. Hilgert *et al.*,(2003) asserts that financial knowledge appears to be directly correlated with self-beneficial financial behavior. Equity bank (2012) in an article dubbed Equity Bank steps up its Kshs 1 Billion bid to boost financial literacy has details on a project carried out by Equity Group Foundation in conjunction with The MasterCard Foundation that was started to impart personal and business finance skills to more than one million Kenyans particularly the youth.

Bankers have always believed that financial education makes good business sense, to some degree, and it's why they often take the lead in sponsoring high school literacy programs and adult money-management seminars. But some bankers admit that, in recent years, they lost focus. Most of the industry's capital was devoted to product development, not people, and the result was that many customers were steered toward "free" checking accounts that maximized overdraft fees and into loans they couldn't afford or didn't understand (Givai ,2010)

It remains to be seen how well the efforts will pay off for banks, or if they will stick with their commitment to financial literacy. Studies show that people with damaged credit who undergo

money-management training often revert to their old habits. Moreover, banks have profited handsomely over the years from customers' missteps - repeatedly paying overdraft and bounced-check fees, for example - and recovering that lost income is likely to be an ongoing challenge if consumers become savvier about avoiding fees. (Graff, 2011)

### **2.3.5 Profitability of Commercial banks**

Commercial banks engage in CSR to a relatively large extent compared to other institutions in Kenya. However, Kenya is a relatively smaller economy but with quite a large number of commercial banks, thus forced to engage in activities that ensure their sustained growth in order to enhance their market share. Banks need to be more socially responsible as for the service sector organization business with the society has to be predominantly in the highest denomination of social responsibility, and more importantly banks are special and high leveraged businesses. Failure of one bank may lead to the failure of many other banks as the customers use faith which when lost not easy to regain.(Auka , 2006)

Kweyun (2009) studied managerial attitudes towards CSR among commercial banks and found profitability to be the most dominant objective of engaging in CSR activities.

O'brien (2011) did a study on the relationship between CSR and financial performance of companies quoted at the Nairobi Securities Exchange (NSE), and the effect of industry size, sector of the business activity and the ownership structure. The results of regression analysis showed no relationship between CSR and financial performance of all companies listed at NSE.

Auka (2006) did a study on factors influencing the practice of CSR on financial decisions in Kenya with the objective of determining factors influencing the practice of CSR in the financial institutions and the benefits they derive from CSR. His conclusions were that corporate image, moral obligations and need to solve societal problems are the major factors CSR initiatives benefits to Company.

Corporate Social Responsibility is part and parcel of the operations of the organization. However, its impact on the organization performance is slightly different from that of other main functions like production, finance, selling and distribution. This is due to the fact that CSR is multifunctional and hence its execution involves a simultaneous management of other functions of the organization. Therefore, the link between CSR and corporate performance can only be

clear if the components of the CSR programmes in an organization are clearly identified before the relationship of the joint and several functions can be established (Gerry and Scholes 2005).

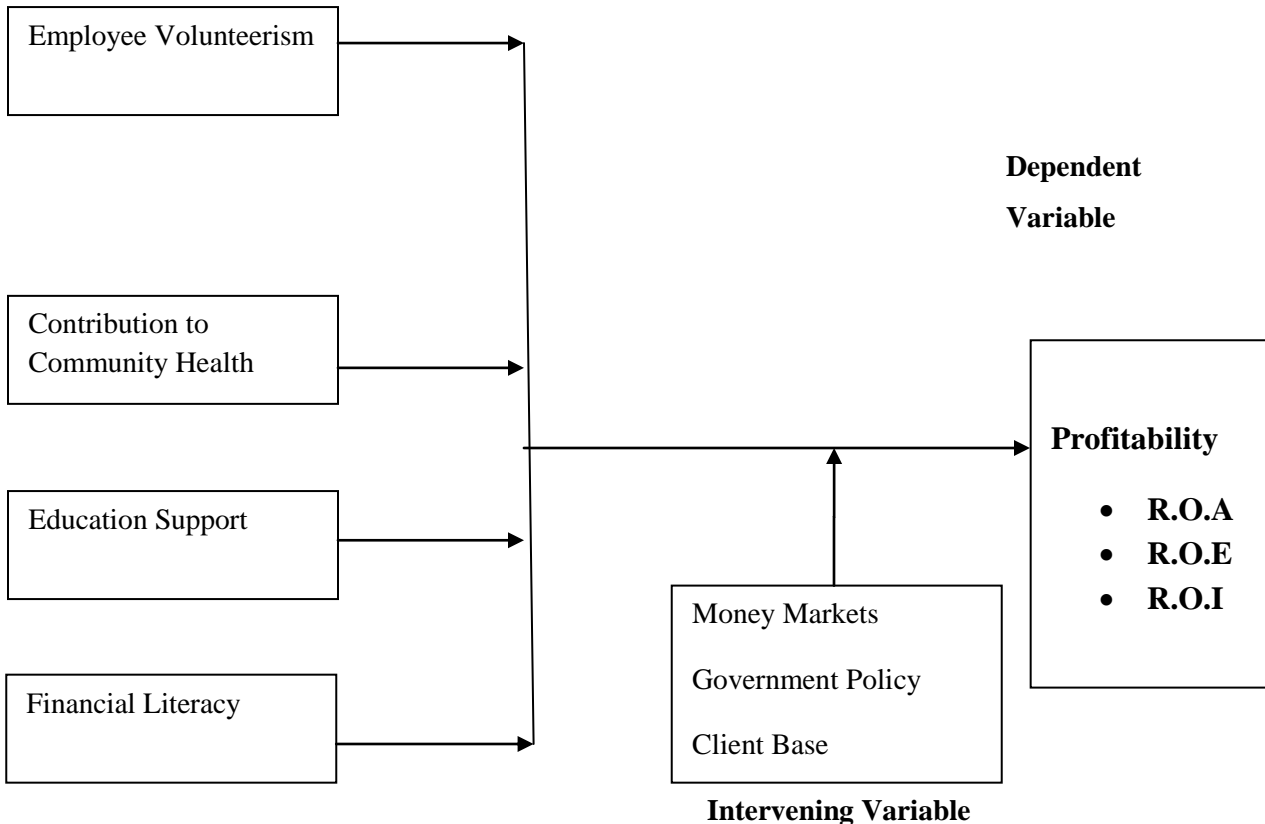
Idowu (2008) observes that in the global arena it is increasingly being clear that CSR is slowly moving away from the margins to the business mainstream and there is hope of establishing a measurement criterion of CSR through the establishment of CSR management standards, labeling schemes, and reporting systems which would then make it easier to assess the impact of CSR on corporate performance. For instance, the current global practice where organizations disclose information on social and environmental practices in their audited financial reports is evidence that CSR reporting systems can be harnessed to form a basis upon which the overall performance of an organization can be measured. The disclosure of the CSR activities is also used as a measurement tool of performance in the sense that the amount of funds invested in CSR activities is an indication of the level of available resources and more especially the value that the organization has ascribed to the beneficiaries of the programmes. Therefore, if it would not be possible to establish a clear relationship between CSR and corporate performance, the social and environmental responsibility of the organization is likely to remain at the level of empty mission statements and isolated add-on activities which in turn will affect the performance of the organization (Rionda 2002)

The banking scene in Kenya has undergone a transformation in the past decade, with the rapid globalisation and opening up of markets ; on both fronts of wholesale and retail banking ; given the expanded business opportunities across the globe and the increasing savviness and expectations of the corporates and the enhanced purchasing power of the middle class Indian. Given the economic background and the field attracting many new players ; jostling for an increased presence has led to rapid expansion and a plethora of products to woo the customer whilst walking the tight rope between compliance, regulation and fast changing consumer demands. Against this backdrop; there is a fair share of myths, beliefs and biases surrounding the twin questions of what drives performance in banking? and „how to drive performance in banking?“ Idouwa (2008)



## 2.4 Conceptual Framework

### Independent Variables



Source: (Author, 2014)

**Figure 1 Conceptual Framework**

The conceptual framework illustrates the following relationship between the independent variables and the dependent variable.

### 2.5 Knowledge Gap and Summary

CSR as a whole does not provide conclusive results as to whether it positively or negatively influences the profitability of an organization. This establishes the need for further research. This research aims at looking at certain aspects of CSR that have not being previously studies and attempt to answer the question as to whether these aspects do contribute to profitability of commercial banks in Kenya.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter explains the research design and methodology that the study employed. The first section of this chapter explains the research design to be used in the study.

The second section identifies and describes the characteristics of the study population. The third section describes the methods to be used in the collection of data from the sample population. The fourth section provides a systematic account of the research procedure to be undertaken in the research. The fifth section describes how descriptive statistics was used to analyze data.

#### **3.2 Research Design**

This study used research design that combines descriptive research and quantitative research. This is because information was collected using questionnaires from a sample of individuals. Quantitative research design is suitable for this study as the quantitative data obtained was used to measure the strengths of the relationships between the independent variables and dependent variable.

Descriptive research design was used in order to describe the relationship between corporate social responsibility and profitability that is how the independent and dependent variables interact with each other. It also helped in collecting information that can be easily converted to quantitative data.

#### **3.3 Target Population**

The target Population was all 43 commercial banks in Kenya.

##### **3.3.1 Sampling Frame**

Sampling frame is an objective list of the population from which the researcher can make a selection(Kothari, 2004). A sampling frame should be a complete and correct list of population members only (Cooper & Schindler, 2008).

### 3.3.2 Sampling Technique

According to Cooper & Schindler, 2008, sampling is done in order to lower costs, increase the speed of data collection, greater accuracy of results and availability of population elements. While deciding the size of sample, researcher must determine the desired precision as also an acceptable confidence level for the estimate. The study applied census.

**Table 1 Proportionate stratified random sampling**

<b>Bank Type</b>	<b>No. of Banks in each strata</b>	<b>n/N*No of Banks in each strata</b>	<b>Total</b>
Local public commercial banks	3	$39/43 * 3 = 2.7$	3banks
Local private commercial banks	27	$39/43 * 27 = 24$	24 banks
Foreign commercial banks	13	$39/43 * 13 = 4.23$	12banks
<b>Total</b>	<b>43</b>		<b>39 banks</b>

Source: Author 2014

The formula used for stratified random sampling is  $n/N * \text{number of banks in each strata}$ .

The study used three employees in each of the selected banks.

### 3.4 Method of Data and Data Collection Instruments

Primary data was collected using questionnaires which were administered to respondents. A 5-point Likert scale was used when constructing the questionnaire. Closed ended questions were designed in order to assist the researcher in obtaining information from the respondents. Secondary data were obtained from the financial annual publications of the respondent.

### 3.5 Validity and Reliability

The researcher endeavored to present results that truly represent the subject under investigation, provide a basis for accurate inferences, and offer a comprehensive conclusion on the findings of the study supported by empirical evidence. A pilot study was conducted which involved sending the questionnaire for peer review to check on validity and consistency of the questions.

The questionnaire was developed and organized on the basis of the specific objectives to ensure relevance to the research problem.

### **3.6 Data Analysis and Presentation**

In this study descriptive statistics and inferential statistics were used. Data presentation was done through pie charts and bar charts, percentages and frequency tables. This was done in order to enhance ease in understandability of the information gathered. Chi square test was carried out to find out the association between the dependent and independent variable.

## CHAPTER FOUR

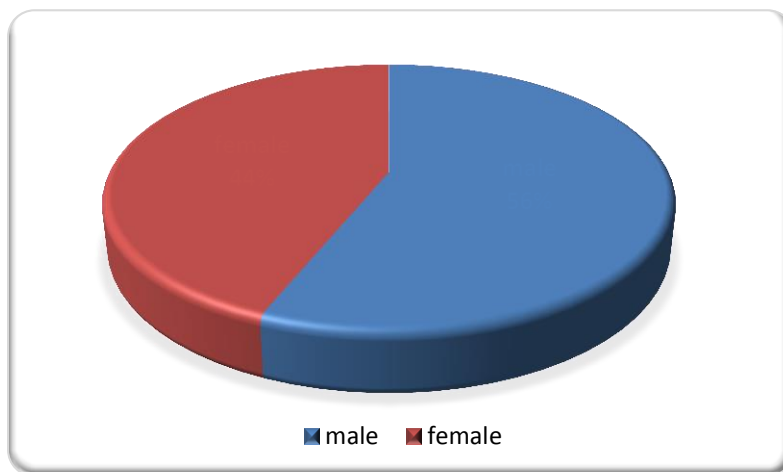
### DATA ANALYSIS, PRESENTATION AND DISCUSSION

#### 4.1 Introduction

This chapter presents the findings of the effect of corporate social responsibility on the profitability of commercial banks in Kenya. All the thirty nine (39) respondents who were targeted for the study were successfully interviewed; hence a 100% response rate was achieved.

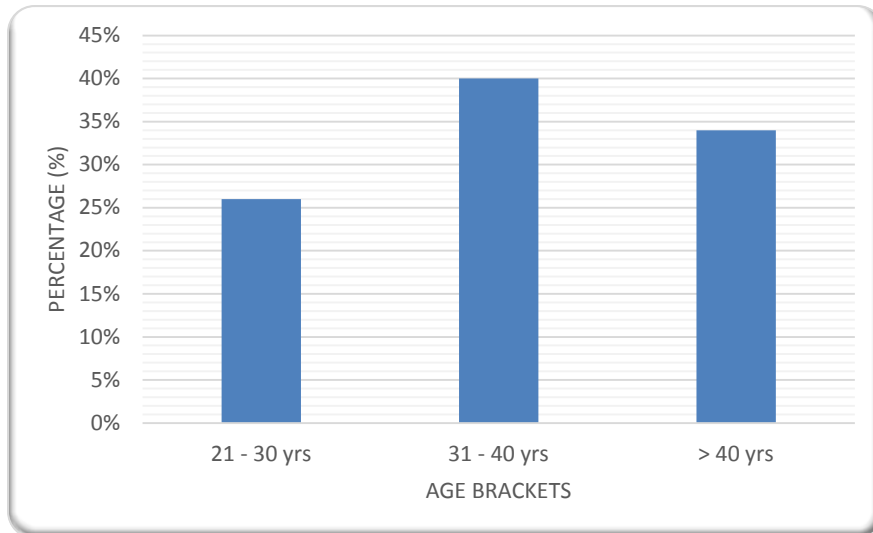
#### 4.2 Results

##### 4.2.1 Personal and Institutional Data



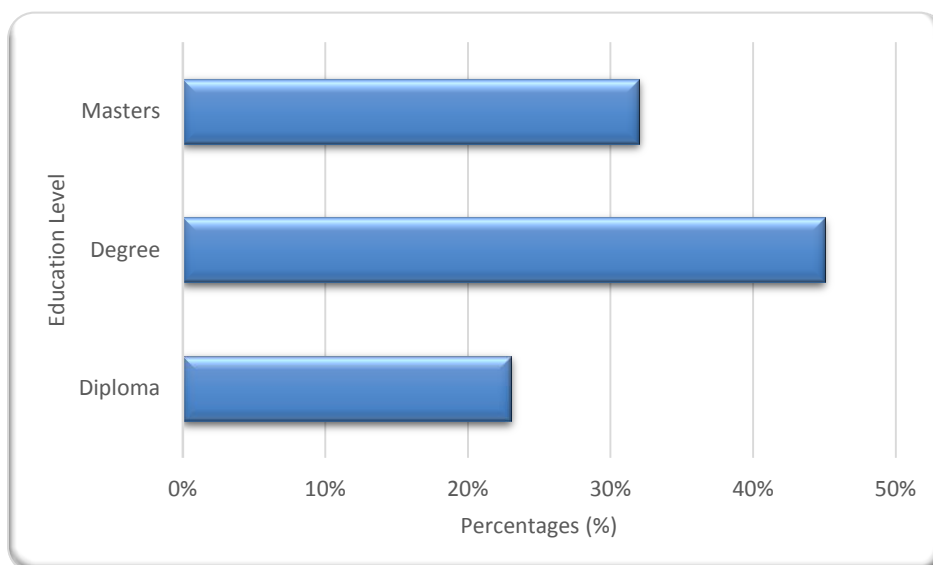
**Figure 2 Gender of the respondent**

The study sought to determine the gender composition of the respondents. From the findings the study established that majority of the respondents were males as shown by 56% (n=22), whereas 44% (n=17) of the respondents were females, this is an indication that both genders were well involved in this study and thus the finding of the study did not suffer from gender bias.



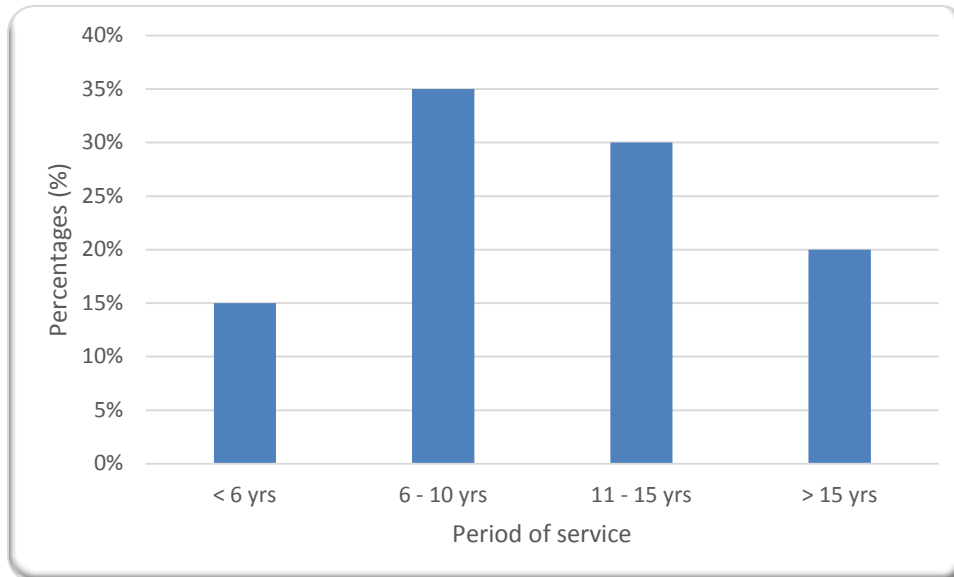
**Figure 3 Age distribution**

It was established that 40% (n=16) of the respondents were aged between 31 and 40 years, 34% (n=13) were aged 41 years and above whereas the youngest respondents (21 – 30 years) comprised of 26% (n=10).



**Figure 4 Highest level of education**

On the highest education level of the respondents, the findings revealed that 45% (n=18) were Bachelor's degree certificate holders, 32% (n=12) were holders of Master's degree whereas 23% (n=9) of the respondents indicated their highest education level as diploma certificate. This is an indication that the largest proportion of the respondents had Bachelor's degree certificates.



**Figure 5 Period of service in the organization**

The study also sought to determine the length of time the respondents had worked with organization (See Figure 5). Thirty five percent of the respondents had worked for a period between 6 and 10 years, 30% had worked for a period between 11 and 15 years, 20% had served for a period exceeding 15 years whereas those who had served for the shortest period of time (less than 6 years) comprised of 15%. This implies that majority of the respondents engaged in this study had worked in the banking sector for a considerable time and they were in a position to give credible information relating to this study.

**Table 2: Number of years the bank has been in existence**

Number of years	Frequency	Percentage
6 – 10 years	5	14%
11 – 15 years	8	21%
Above 15 years	25	64%
<b>Total</b>	<b>39</b>	<b>100</b>

Majority of the banks from where the respondents were drawn have been in existence for more than 15 years. Twenty one percent have been in existence for a period between 11 and 15 years whereas the youngest banks (6-10 years) were the fewest with a representation of 14% (5). This is an indication that 4 in every 5 banks interviewed have been in existence for at least 11 years and thus their past experience in CSR relied upon in this research. Further, at 95% level of

precision, Chi-Square results established that the age of the bank has a significant influence on employee volunteering (P-value 0.000), community health programs (P-value 0.019), supporting education (P-value 0.036) and financial literacy programs ((P-value 0.041).

#### 4.2.2 Employee Volunteerism

**Table 3: Employee Volunteerism**

<b>Statements</b>	<b>V. great extent</b>	<b>Great extent</b>	<b>Moderate extent</b>	<b>Little extent</b>	<b>V. little extent</b>	<b><math>\chi^2</math></b>	<b><math>Pr &gt; \chi^2</math></b>
My bank volunteers its employees towards community activities.	16%	71%	10%	3%	0%	<b>9.146</b>	<b>0.020</b>
The bank has an elaborate policy on employee volunteering in community activities.	26%	52%	13%	10%	0%	<b>9.952</b>	<b>0.018</b>
Employee volunteering towards community activities has contributed towards the organization's profitability.	10%	74%	16%	0%	0%	<b>10.518</b>	<b>0.076</b>
My organization is willing to continue with volunteering employees towards community activities.	26%	52%	10%	13%	0%	<b>6.371</b>	<b>0.001</b>

Four statements were designed on a five point Likert scale to investigate the effect of employee volunteering in community activities on the profitability of commercial banks in Kenya (See Table 3). Seventy one percent (71%) of the respondents mentioned that their bank volunteers its employees to a great extent towards community activities, 52% mentioned that their banks have to a great extent, an elaborate policy on employee volunteering in community activities, 74% indicated that the employees in their banks volunteering towards community activities have contributed to a great extent towards the organization's profitability; whereas 52% reiterated that their banks are to a great willing to continue with volunteering employees towards community activities. At 95% level of precision, Chi-Square results established that factors that have significant relationship or impact on profitability of the banks included volunteering employees towards community activities (P-value 0.020), elaborate policy on employee volunteering in community activities (P-value 0.018) and willingness to continue with



volunteering employees towards community activities (P-value 0.001). These findings are in congruent with the findings to the study by Tuffey, (2009) who noted that company-sponsored volunteer programs have many benefits to the sponsoring company. Tuffey, (2009) further noted that one of the most measurable impacts EVPs have is on the attitudes, productivity and job satisfaction of company employees. Likewise, the findings are consistent with that by Graff, (2011) who noted that enriched communities also benefit those who live in them, so employees who get involved in their own communities directly and indirectly reap the rewards of their own efforts for themselves and their families. The positive correlation between employee volunteer programs and profitability in this case is mainly attributed to its impact on the attitudes, productivity, job satisfaction and service levels to both the company employee and customers which consequently translates to better performance and profitability.

Further, based on the findings, it can be argued that employee-sponsored volunteer programs are a highly visible way for businesses to show their commitment to their communities. This translates to a positive perception of the business in the community. Consequently, healthier and more active communities attract new businesses and new employees and also create an environment that is clearly more conducive to business growth and bottom line success. This, according to Graff, (2011) noted that enriched communities also benefit those who live in them, so employees who get involved in their own communities directly and indirectly reap the rewards of their own efforts for themselves and their families.

However, the perception of banks' employees on volunteering and banks' profitability contributes to the banks' profitability by chance and has no direct correlation with profitability (P-value 0.076).

### 4.2.3 Community Health

**Table 4: Contribution to Community health**

Statements	V. great extent	Great extent	Moderate extent	Little extent	V. little extent	$\chi^2$	$Pr > \chi^2$
My organization contributes towards community health.	23%	55%	16%	6%	0%	<b>2.326</b>	<b>0.044</b>
My organization contributes towards the construction of health facilities.	19%	58%	16%	6%	0%	<b>8.772</b>	<b>0.000</b>
My organization pays for specialized treatment.	29%	42%	13%	16%	0%	<b>8.776</b>	<b>0.087</b>
My organization supports specialized health facilities.	23%	48%	19%	6%	3%	<b>6.541</b>	<b>0.096</b>
My organization sponsors health camps.	16%	48%	23%	13%	0%	<b>4.437</b>	<b>0.010</b>
My organization pays specialized health practitioners.	13%	52%	23%	13%	0%	<b>7.451</b>	<b>0.045</b>
My organizations contribution to community health leads to profitability.	10%	45%	39%	6%	0%	<b>6.088</b>	<b>0.196</b>
My organization intends to continue contributing towards community health.	13%	45%	26%	16%	0%	<b>7.820</b>	<b>0.009</b>

Likewise, 8 items were designed to investigate the contribution of community health to the profitability of the banks. Fifty five percent of the respondents mentioned that their banks contributes towards community health to a great extent, 58% indicated that their banks contributes to a great extent towards the construction of health facilities, 42% confirmed that their banks to a great extent pays for specialized treatment, 48% indicated that their banks supports specialized health facilities, 48% indicated that their banks sponsors health camps to a great extent, 52% agreed that their banks pays specialized health practitioners to a great extent, 45% mentioned that their banks' contribution to community health, to a great extent leads to profitability whereas another 45% contends that their banks, to a great extent intends to continue contributing towards community health. Besides, at 95% level of precision, Chi-Square results

established that factors that have significant relationship or impact on profitability of the banks included banks' contributions towards community health (P-value 0.044), contributions towards the construction of health facilities (P-value 0.000), sponsoring of health camps (P-value 0.010), paying of specialized health practitioners (P-value 0.045) and intention to continue contributing towards community health (P-value 0.009). These findings are in agreement with the findings by Carroll & Shabana (2010) who found that Corporate Social Responsibility helps the healthcare sector to elaborate on social issues that could serve to improve their images and enhance the stakeholder engagement by making their performance indicators available to public; this consequently creates a positive image with the community and eventually translate into increased revenues for the organization. Based on these findings, it can be clearly argued that health Sector clearly stands out as a leader, when discussing the CSR issue partly because of its close relation to its multiple stakeholders of society, government, and other private sectors. Also, it may be that its way of making profits has a bigger relationship to people's lives by affecting their health problems rather than other business entities.

However, paying for specialized treatment (P-value 0.076), supporting specialized health facilities (P-value 0.096) and perception of the respondents on the relationship between contributions to community health and profitability (P-value 0.196) contributes to the banks' profitability by chance and has no direct correlation with profitability.

#### 4.2.4 Education

**Table 5 : Contribution to Education**

Statements	V. great extent	Great extent	Moderate extent	Little extent	V. little extent	$\chi^2$	$Pr > \chi^2$
My organization contributes towards sponsoring community education.	16%	42%	26%	10%	6%	<b>10.093</b>	<b>0.033</b>
My organization has a written policy on contributing towards community education.	10%	45%	13%	26%	6%	<b>9.178</b>	<b>0.027</b>
My organization sponsors school feeding programs.	13%	29%	35%	16%	6%	<b>6.185</b>	<b>0.046</b>
My organization contributes towards the construction of classes in schools.	6%	35%	29%	16%	13%	<b>10.199</b>	<b>0.042</b>
My organization assists the community's education through the payment of school fees.	3%	26%	26%	29%	16%	<b>4.033</b>	<b>0.020</b>
My organization buys books for school libraries.	19%	52%	23%	3%	3%	<b>9.478</b>	<b>2.289</b>
Contribution to community education leads to the organization's profitability.	16%	52%	26%	6%	0%	<b>4.143</b>	<b>1.246</b>
My organization intends to continue contributing towards community education.	16%	48%	23	13	0	<b>5.094</b>	<b>1.961</b>

On the banks' contributions towards education (See Table 5), 42% of the respondent agreed that their respective banks' contributes to a great extent towards sponsoring community education, 45% mentioned that their banks have to a great extent, written policies on contributing towards community education, 35% reiterated that their banks sponsors school feeding programs to a moderate extent, 35% indicated that their banks contributes to a great extent towards the construction of classes in schools, 29% agreed that their banks assists the community's education through the payment of school fees to a little extent, 52% agreed that their banks buys books for

school libraries to a great extent, another 52% agreed that their banks' contributions to community education leads to the organization's profitability to a great extent while 48% also indicated that their organization intends to continue contributing towards community education to a great extent. Further, at 95% level of precision, Chi-Square results established that factors that have significant relationship or impact on profitability of the banks included contributions towards sponsoring community education (P-value 0.033), having a written policy on contributing towards community education (P-value 0.027), sponsoring school feeding programs (P-value 0.046) and contributing towards the construction of classes in schools (P-value 0.042). According to Gavai, (2010) business utilizes abundant social resources and possesses quite a big amount of social power, therefore it has to work as a corporate citizen and help the society in solving its problems through education and other social initiatives. In this study, it's clear that such education sponsorship have improved the image of the banks and made them popular. This has subsequently had impacts on the banks in terms of investments and improved revenues. This is because business organizations are now looked as corporate citizens and as such are expected to fulfill certain civic responsibilities like education. This looks into how an organization sponsors the education of the bright and needy members of community in order to enable them pursue education despite their level of poverty for equal opportunities in future.

However, buying books for school libraries (P-value 2.289), supporting specialized health facilities (P-value 0.096), perception of the respondents on the relationship between contributions to community health and profitability (P-value 1.246) and intention to continue contributing towards community education (P-value 1.961) contributes to the banks' profitability by chance and has no direct correlation with profitability.

#### 4.2.5 Financial Literacy to Clients

**Table 6: Financial literacy programs**

Statements	V. great extent	Great extent	Moderate extent	Little extent	V. little extent	$\chi^2$	$Pr > \chi^2$
My organization offers financial literacy to the community.	19%	55%	23%	3%	0%	<b>6.598</b>	<b>0.034</b>
My organization has a policy on financial literacy to the community entrenched in its policies.	19%	52%	26%	0%	3%	<b>8.660</b>	<b>0.020</b>
Financial literacy to the community has contributes to my organization's profitability.	26%	39%	32%	0%	3%	<b>9.519</b>	<b>0.011</b>
My organization intends to continue offering financial literacy programs to the community.	19%	52%	23%	3%	3%	<b>8.490</b>	<b>0.349</b>

The fourth and the last objective of this study was to establish the effect of financial literacy programs for clients on the profitability of Commercial Banks in Kenya. Four items were designed to achieve this whereby 55% of the respondents mentioned that their banks offers financial literacy to the community to a great extent, 52% agreed that their banks have policies to a great extent on financial literacy to the community entrenched in its policies, 39% agreed that financial literacy to the community has contributed to a great extent to the banks' profitability whereas 52% indicated that their organizations intends to continue offering financial literacy programs to the community to a great extent. At 95% level of precision, offering financial literacy to the community (P-value 0.034), having policies on financial literacy to the community entrenched in their policies (P-value 0.020) and offering financial literacy to the community (P-value 0.011) have significant relationship or impact on profitability of the banks. These findings are due to the fact that, according to Greenspan (2002), financial literacy helps to inculcate individuals with the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. Proper application of that knowledge helps

investors to meet their financial obligations through wise planning, and resource allocation so as to derive maximum utility. Hilgert *et al.*,(2003) asserts that financial knowledge appears to be directly correlated with self-beneficial financial behavior. Equity bank (2012) in an article dubbed Equity Bank steps up its Kshs 1 Billion bid to boost financial literacy has details on a project carried out by Equity Group Foundation in conjunction with The MasterCard Foundation that was started to impart personal and business finance skills to more than one million Kenyans particularly the youth. Also, facing an educated lot, financial regulators are forced to improve the efficiency and quality of financial services. This is because financially literate investors create competitive pressures on financial institutions to offer more appropriately priced and transparent services, by comparing options, asking the right questions, and negotiating more effectively. Investors on their part are able to evaluate and compare financial products, such as bank accounts, saving products, credit and loan options, payment instruments, investments, insurance coverage, so as to make optimal decisions (Miller *et al.*, 2009).Financial literacy facilitates the decision making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihoods, economic growth, sound financial systems, and poverty reduction. It also provides greater control of one's financial future, more effective use of financial products and services, and reduced vulnerability to overzealous retailers or fraudulent schemes. However, intention to continue offering financial literacy programs to the community (P-value 0.349) contributes to the banks' profitability by chance and has no direct correlation with profitability.

#### **4.2.6 Test of Hypotheses**

The study further tested four hypotheses at 95% level of significance. This was achieved through Pearson Correlation test on relationship between profitability and employee volunteering, contribution to community health, education and financial literacy programs. The null hypothesis tested dependence while the alternative hypotheses would be accepted or rejected based on the findings at 95% confidence level.

- i.  **$H_0$** : The profitability of commercial banks in Kenya is dependent on employee volunteering.  
 **$H_1$** : The profitability of commercial banks in Kenya is independent on employee volunteering.

- ii.  $H_0$ : The profitability of commercial banks in Kenya is dependent on contribution to community health.  
 $H_1$ : The profitability of commercial banks in Kenya is independent on contribution to community health.
- iii.  $H_0$ : The profitability of commercial banks in Kenya is dependent on education.  
 $H_1$ : The profitability of commercial banks in Kenya is independent on education.
- iv.  $H_0$ : The profitability of commercial banks in Kenya is dependent on financial literacy programs.
- v.  $H_1$ : The profitability of commercial banks in Kenya is independent on financial literacy programs.

It was established that all the study variables have a significant relationship with profitability of commercial banks in Kenya. It therefore means that profitability is dependent on:

1. Employee Volunteering (significance: 0.030)
2. Contribution To Community Health (significance: 0.000)
3. Education (significance: 0.000)
4. Financial Literacy Programs (significance: 0.000)

**Table 7 Test of Hypotheses**

<b>Correlations</b>		
		<b>Profitability Of Commercial Banks In Kenya</b>
<b>Employee Volunteering</b>	Pearson Correlation	0.283*
	Sig. (2-tailed)	0.030
	N	102
<b>Contribution To Community Health</b>	Pearson Correlation	0.502*
	Sig. (2-tailed)	.000
	N	102
<b>Education</b>	Pearson Correlation	0.454*
	Sig. (2-tailed)	0.000
	N	102
<b>Financial Literacy Programs</b>	Pearson Correlation	0.565*
	Sig. (2-tailed)	0.000
	N	102

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



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the discussion to the findings on effect of corporate social responsibility on the profitability of commercial banks in Kenya, conclusion and recommendations based on the findings.

#### **5.2 Summary**

##### **5.2.1 Employee Volunteering**

At 95% level of precision, Chi-Square results established that employee volunteering factors that have significant relationship or impact on profitability of the banks included volunteering employees towards community activities (P-value 0.020), elaborate policy on employee volunteering in community activities (P-value 0.018) and willingness to continue with volunteering employees towards community activities (P-value 0.001). However, the perception of banks' employees on volunteering and banks' profitability contributes to the banks' profitability by chance and has no direct correlation with profitability (P-value 0.076).

##### **5.2.2 Community Health**

Community health factors that have significant relationship or impact on profitability of the banks, at 95% included banks' contributions towards community health (P-value 0.044), contributions towards the construction of health facilities (P-value 0.000), sponsoring of health camps (P-value 0.010), paying of specialized health practitioners (P-value 0.045) and intention to continue contributing towards community health (P-value 0.009). However, paying for specialized treatment (P-value 0.076), supporting specialized health facilities (P-value 0.096) and perception of the respondents on the relationship between contributions to community health and profitability (P-value 0.196) contributes to the banks' profitability by chance and has no direct correlation with profitability

##### **5.2.3 Education**

Further, at 95% level of precision, the educational factors that have significant relationship or impact on profitability of the banks included contributions towards sponsoring community education (P-value 0.033), having a written policy on contributing towards community education

(P-value 0.027), sponsoring school feeding programs (P-value 0.046) and contributing towards the construction of classes in schools (P-value 0.042). However, buying books for school libraries (P-value 2.289), supporting specialized health facilities (P-value 0.096), perception of the respondents on the relationship between contributions to community health and profitability (P-value 1.246) and intention to continue contributing towards community education (P-value 1.961) contributes to the banks' profitability by chance and has no direct correlation with profitability

#### **5.2.4 Financial Literacy to Clients**

At 95% level of precision, offering financial literacy to the community(P-value 0.034), having policies on financial literacy to the community entrenched in their policies(P-value 0.020) and offering financial literacy to the community (P-value 0.011)have significant relationship or impact on profitability of the banks. However, intention to continue offering financial literacy programs to the community (P-value 0.349) contributes to the banks' profitability by chance and has no direct correlation with profitability.

### **5.3 Conclusion**

Employee volunteering, community health programs, supporting education and financial literacy programs have significant influence on the profitability of commercial banks in Kenya.

The perception of the respondents on the relationship between community health, employee volunteering, financial literacy and profitability contributes to the banks' profitability by chance and has no direct correlation with the banks' profitability.

The age of the bank has a significant influence (at 95% confidence level) on the performance of the bank based on employee volunteering, community health programs, supporting education and financial literacy programs, and consequently on the profitability.

### **5.4 Recommendations**

Despite significant positive contribution of employee volunteering community health programs, supporting education and financial literacy programs, the researcher noted areas of weaknesses

that would require adjustments necessary to maximize the banks' profits based on the four study factors. The following interventions are necessary to address the noted gaps:

1. More expenditure should be directed towards financial literacy programs as increased literacy levels among members of the community has led to increased profitability as a result of more opening of bank accounts.
2. Banks should focus on sponsoring education through scholarships to bright and needy students therefore creating a good rapport with the community.
3. Employee Volunteer Programs allow companies to foster a more personal link to the community by sharing its human resources with organizations in need. Therefore, organization should strive to keep a happy and satisfied workforce. In return for this help, companies benefit with more productive and satisfied employees, a better bottom line and an improved standing in the community and eventually profits to the organization.

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## APPENDICES

### Appendix I: Research Questionnaire

This questionnaire has been designed for the collection of data on the effect of corporate social responsibility on the profitability of commercial banks in Kenya. All the information collected will be kept confidential and will only be used for academic purpose. The findings of this research will be availed upon request.

#### SECTION A: PERSONAL AND INSTITUTIONAL DATA

1. Indicate your gender

Male  Female

2. Indicate your age .....

3. Indicate the highest level of your education.

Diploma  Degree

Masters  Others (please specify) \_\_\_\_\_

4. Indicate the number of years you have you worked in the banking industry?

Below 5 years  6 – 10 years

11 – 15 years  Above 16 years

5. Indicate the number of years the bank has been in existence.

Below 5 years  6 – 10 years

11 – 15 years  above 16 years

## SECTION B

### Employee Volunteering

(a) Please tick the most appropriate option using the scale provided

	Very great extent	Great extent	Moderate extent	Little extent	Very little extent
My bank volunteers its employees towards community activities.					
The bank has an elaborate policy on employee volunteering in community activities.					
Employee volunteering towards community activities has contributed towards the organization's profitability.					
My organization is willing to continue with volunteering employees towards community activities.					

## SECTION C: Community Health

Please tick the most appropriate option using the scale provided

	Very great extent	Great extent	Moderate extent	Little extent	Very little extent
My organization contributes towards community health.					
My organization contributes towards the construction of health					



facilities.					
My organization pays for specialized treatment.					
My organization supports specialized health facilities.					
My organization sponsors health camps.					
My organization pays specialized health practitioners.					
My organizations contribution to community health leads to profitability.					
My organization intends to continue contributing towards community health.					

**SECTION D: Contribution To Education**

Please tick the most appropriate option using the scale provided

	Very great extent	Great extent	Moderate extent	Little extent	Very little extent
My organization contributes towards sponsoring community education.					
My organization has a written policy on contributing towards community education.					
My organization sponsors school feeding programs.					
My organization contributes towards the construction of classes in schools.					
My organization assists the community's education through the payment of school fees.					
My organization buys books for school libraries.					
Contribution to community education leads to the organization's profitability.					

My organization intends to continue contributing towards community education.					
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**SECTION E : Financial Literacy**

Please tick the most appropriate option using the scale provided

	Very great extent	Great extent	Moderate extent	Little extent	Very little extent
My organization offers financial literacy to the community.					
My organization has a policy on financial literacy to the community entrenched in its policies.					
Financial literacy to the community has contributed to my organization's profitability.					
My organization intends to continue offering financial Literacy to the community.					

**SECTION F**

YEAR	APPROXIMATE EXPENDITURE ON COMMUNITY	PROFIT
2009		
2010		
2011		
2012		
2013		

**SECTION G**

In your opinion, do you think your organization's involvement in the above aspects of Corporate Social Responsibility contributes to the profitability of your organization? YES ( ) NO ( )

If No, Please Explain.....

## **Appendix II: List of Licensed Commercial Banks in Kenya**

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

Source: CBK 2012