

**DRIVERS FOR COMMERCIAL BANKS INVESTMENT IN  
CORPORATE SOCIAL RESPONSIBILITY IN NYERI TOWN,  
KENYA**

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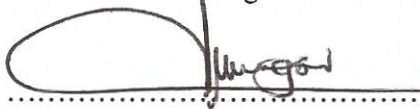
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DECLARATION

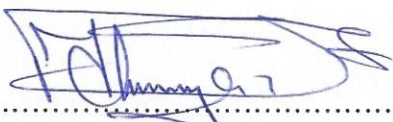
I declare that this is my original work and to the best of my knowledge has not been submitted for an award of a degree in this or any other university.

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**Recommendation**

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I dedicate this work to my beloved wife Mrs. Mary Wanjiku Kingori who persuaded me to undertake a post graduate degree. To her and all those others whose perception of wisdom is entirely on the kind and form of knowledge one has achieved in life.

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TECHNOLOGY**

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## ABBREVIATIONS AND ACRONYMS

ASK	-	Agricultural Society of Kenya
CSR	-	Corporate Social Responsibility
KCB	-	Kenya Commercial Bank
KCSE	-	Kenya Certificate of Secondary Education
NEMA	-	National Environment Management Agency

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## ABSTRACT

The purpose of this study was to assess the drivers of commercial banks investing in Corporate Social Responsibility in Nyeri town. The specific objectives addressed by this study were; to assess the extent to which philanthropy has influenced banks to invest in Corporate Social Responsibility (CSR); to analyze the level at which the desire to build a corporate image drives the banks to invest in CSR and finally to evaluate how investing in CSR has been used as a marketing strategy for the banks and their products. The literature review revealed that Corporate Social Responsibility is a fast growing area being embraced not only by banks but also by the other private and public corporate organisations. There was tangible evidence of work done for charity globally by the banks and other organisations in diverse areas like health, education and environment conservation. The research was conducted by administering questionnaires among bank managers who were purposively identified as the branch manager, operations manager, marketing manager and the public relations manager who were well informed about the intent and operations of the CSR in the bank. A survey was carried out and the data collected was coded using Statistical Package for Social Sciences (SPSS), analyzed through regression and correlation methods. The findings have been tabulated and explained in a descriptive form enhanced by frequency tables, figures and inferential statistics. Findings indicated that banks undertake CSR primarily to give back to the community who have assisted them be where they are. They have helped to alleviate very immediate problems affecting the community in their locality. In the process of assisting, they have used the opportunity to market their products and also promote the corporate image of the banks which have appeared as responsible corporate citizens. The researcher however noted the field is rich in study as the impacts of the CSR activities in the society need to be assessed. There is also need to analyze and determine whether there is a direct correlation between financial input of banks in CSR and the growth of banks in terms of customer base or capital growth.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Corporate Social Responsibility refers to humanitarian extension by institutions in business to their employees, suppliers, customers and people in the neighborhoods for mutual co-existence and appreciation of gains in the course of working with them. Coulter (2010), defines Corporate Social Responsibility as obligation of organizations decision makers to make decisions and act in ways that recognize the interrelatedness of business and society. The issue of corporate social responsibility (CSR) has been debated since the 1950s. Latest analyses by Secchi (2007), reported that the definition of CSR has been changing in meaning and practice. The classical view of CSR was narrowly limited to philanthropy and then shifted to the emphasis on business-society relations particularly referring to the contribution that a corporation or firm provided for solving social problems (Lee, 2009). Corporate Social Responsibility is a company's effort and responsibility to reduce or avoid harmful effects and to maximize its long run positive impact on society (Webb & Harris, 2001). These institutions set aside a percentage of their annual profit which they plough back to the community in funding activities that promote social welfare needs like education, environmental up keep, and the health status of people. Further, banks have in the line of education programmes selected needy bright children and helped them through bank fees scholarships. They have helped some schools put up facilities like classrooms, health facilities, libraries or do renovations of old facilities. They have also conducted tree planting drives, collection of garbage in the neighbourhood, maintenance of roads around the bank and beautification programmes in the surrounding thus involving the people in environmental activities.

### 1.1.1 Concept of Corporate Social Responsibility

Different writers define the concept of Corporate Social Responsibility (CSR) in various ways. Whittington (2008) defines it "as concern with ways in which an organization exceeds its minimum obligation to stakeholders specified through regulation". Boatright (2009) defines it as voluntary assumptions of responsibilities that go beyond the purely economic and legal responsibilities of business firms. Mullins (2005) observes that huge corporations possess the power to control and

influence the quality of life of employees, customers, shareholders, and residents of local communities in which they operate. In a bid to trace the origin of CSR, Lynch (2009) looks at CSR as being a result of the internal regulation of the business in compliance with the obligations placed on the firm by legislation, ownership and control. There are four components that need to be present in order for business to claim it is socially responsible: These are economic, legal, ethical and philanthropic responsibilities (Carroll, 1996).

According to Porter (2011), a structural framework to facilitate analysis of corporate social activities should have at least the following two properties: First, categories for classifying corporate activities should be stable over time, which makes historical comparisons possible. Second, the definitions of various categories should be applicable across firms, industries, or even social systems, making comparative analysis possible. Nordberg (2008) contends that corporate governance is an ethical debate where directors decide on the allocation of resources to competing demands. This brings to the fore, the fact that allocation of resources to pursue Corporate Social Responsibility programmes is a deliberate decision aimed at propelling an organization in the direction of its strategic intent. Gustavson (2008) considers the management of ecological and social challenges and the widespread adoption of the language of sustainability by the corporate sector to be the genesis of Corporate Social Responsibility.

Panayiotou (2009) views corporate social responsibility in three ways: The economic view is concerned with profitability, wages and benefits, resource usage, job offerings and outsourcing. The environmental view is on processes, products and services related to the environment while the social view focuses on health and safety issues, employee relations, ethics, human rights and working conditions. It could be argued that the motivation for engaging in Corporate Social Responsibility is always driven by some kind of self-interest. Moon (2011) states that regardless of whether the activity is strategically driven for commercial purposes alone, or whether it is also partly driven by what appears, at least superficially, as altruistic concern. As Rollison (2002) observes, "It is always difficult to tell whether behaving ethically towards external stakeholders is prompted by altruism or self-preservation". Of the corporate

motives considered, Hemingway & Maclagan (2004) point out that the strategic theory of the firm perspective, incorporating corporate image management and the need to facilitate the integration of a global workforce, would seem to represent business self-interest and can be contrasted with the possibility of an altruistic impulse among business leaders or managers. They however, note that the relationship between altruism and self-interest is complex.

### **1.1.2 Origin and Development of Corporate Social Responsibility**

Already in the late nineteenth century, businesses raised concerns on the welfare of their employees and their impact on society in general (Hill & Westbrook, 1997). With the emergence of the labour movement and spreading of slums triggered by the industrial revolution, businesses started to provide social welfare on a limited scale, including the construction of hospitals and bath houses and provision of food coupons (Carroll, 2008). In the same period, individual business philanthropists became active in the United States. Although the legitimacy of philanthropy was not yet well established, benefits offered by those philanthropists were recognized by local communities and various social groups. The principle which underpinned these activities was characterized mainly by religious groups such as the Young Men's Christian Association (Carroll, 2008). The Great Depression in 1929 further strengthened this trend with the introduction of public trusteeship management in addition to traditional profit-maximizing management. Carroll (2008), highlights business philanthropy in this period as spearheading the development of the Corporate Social Responsibility concept.

The concept of CSR emerged in the 1950s. Idowu (2008) argued that businessmen are responsible for the consequences of their actions in a sphere somewhat wider than corporate financial performance, indicating the existence and importance of corporate social performance. Boatright (2009) sets forth his definition of Corporate Social Responsibility as it refers to businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. By arguing that Corporate Social Responsibility was a blunt idea but had to be discussed in a managerial context, he further suggested that some socially responsible business decisions can be justified by the long-run economic gains of the firm, thus paying

back for its socially responsible behaviour. Courter (2010) saw CSR as a private contribution to society's economic and human resources and a willingness on the part of business to see that those resources were utilized for broad social ends. He also summarized the development of CSR in the 1950s into three core ideas: corporate managers as public trustees through the shareholding system, stakeholders' balanced claims to corporate resources; and the acceptance of business philanthropy.

The 1960s and 1970s were distinguished by the rapid growth of social movements advocating labour rights, consumer protection and environmental preservation. During this period, issues underwent a transition from special interest status to the subject of formal government regulations. In line with Certo & Certo (2009), who argued in favour of the role of Corporate Social Responsibility He concluded that Corporate Social Responsibility refers to "the firm's consideration of and response to issues beyond the narrow economic, technical and legal requirements of the firm." also proposed that instead of striving only for larger returns to its shareholders, a responsible enterprise takes into account the interests of employees, suppliers, dealers, local communities and the nation as a whole. It is noteworthy that he pioneered the stakeholder theory with a framework which identified key stakeholders for business, and thus for Corporate Social Responsibility. One of the notable contributions to the development of Corporate Social Responsibility at that time was made by the Committee for Economic Development (CED) of the United States, which defined CSR, in 1971, as a business function to serve constructively the needs of society (Carroll, 2008). The CED argued that businesses should have broader responsibilities to society reflecting the changing social contract between business and society (or the nation) in general. During the same period, one of the most critical views against Corporate Social Responsibility was also brought by Friedman who claimed that corporate managers' primary responsibility was to maximize values for shareholders instead of incorporating Corporate Social Responsibility in their daily activities.

At the end of the 1970s, the earliest and most comprehensive framework of Corporate Social Responsibility was proposed by (Carroll, 2008). He constructed a three-dimensional Corporate Social Responsibility conceptual model, which consisted of corporate responsibilities, social issues of business and corporate actions. Corporate

responsibilities embodied four types, namely economic, legal, ethical and philanthropic (the order of those four types of responsibilities suggests the relative importance of each type). While social issues of business can include various topics, such as labour standards, human rights, environment protection and anti-corruption, to which the four types of responsibilities are tied, corporate actions are more concerned with specifying generalized modes of response ; reactive, defensive, accommodative and proactive (Weiss, 2006). According to the four types of corporate responsibilities, Corporate Social Responsibility issues are selected by each firm and the actions of the firm are derived from this selection. In other words, the responsibilities lead to responses of the firm on particular social issues partially depending on the seriousness of issues perceived by society (and the firm). It should be observed that these issues and their relative importance may be different between business and society and have changed over time. The model also helps managers to have a clearer view of the social issues they face and helps them plan and improve their social performance. During the 1980s and 1990s Carroll's Corporate Social Responsibility model was refined. Boatright (2009) supports the three-dimensional model of principles, policies and processes model. CSR is not a set of outcomes but an evolving process for example analysis, debate and modification regulated by formally embedded principles and policies. Principles are equivalent to Carroll's corporate responsibilities, and policies guide social issue management including corporate actions. The process is further extended by undertaking more actions to various social issues, while responding to the changing challenges of society. In summary, this new model integrates the principles of corporate responsibility, the policies of social issue management and the processes of actions into an evolutionary dynamical system.

Porter (2011) argues in the line of the two three-dimensional models by emphasizing the outcomes or performance of Corporate Social Responsibility initiatives. First, Carroll's four types of corporate responsibilities that is economic, legal, ethical and philanthropic were linked to three institutional levels that is legal, organizational and individual. This helps to explain Corporate Social Responsibility more clearly, as the society's expectation of business behaviors and outcomes is more distinguished. Second, Wood came up with three principles of corporate behaviours and outcomes: legitimacy, public responsibility and managerial discretion. Third, social issues were



reorganized as the outcomes, or performance, of Corporate Social Responsibility initiatives. The outcomes are separated into three types: social impacts of corporate behavior, policies that companies use for handling social issues, and Corporate Social Responsibility programmes. Fourth, corporate actions were further divided into external assessment, stakeholder management and implementation management. The firms must have a holistic approach as Wagner & Weitz (2009) argue that firms must monitor and analyze the external environment (that is economic, technological, social, political and legal) which changes over time; take stakeholder demand into consideration for proper designing of Corporate Social Responsibility initiatives; and emphasize quality implementation to enhance the effectiveness of the Corporate Social Responsibility initiatives. During the same period, the focus on developing new or refined concepts of Corporate Social Responsibility gradually gave way to alternative approaches such as corporate citizenship Carroll (1996), business ethics Shapiro (1995), and stakeholder theory Freeman (1984), although the core concerns of Corporate Social Responsibility were reflected in those new approaches. The Corporate Social Responsibility concept served as the basis, building block or point-of-departure for other related initiatives, many of which adopted Corporate Social Responsibility principles (Carroll, 2008).

In the twenty-first century, more focus has been given to implementation of Corporate Social Responsibility initiatives and empirical study of Corporate Social Responsibility impacts. However, some development of the Corporate Social Responsibility concept has been continuously observed. Schwartz and Carroll (2008) reduced Carroll's four categories of corporate responsibilities that is economic, legal, ethical and philanthropic to three domain approach, namely economic, legal and ethical. The International Labour Organization (2007) redefined Corporate Social Responsibility as a way that enterprises consider the impact of their operations on society and Corporate Social Responsibility principles are integrated in enterprises' internal processes and interactions with stakeholders on a voluntary basis. More recently, the European Commission (2011) simplified the Corporate Social Responsibility definition as the responsibility of enterprises for their impacts on society, which indicates that enterprises should have a process in place to integrate CSR agenda into their operations and core strategies in close corporation with

stakeholders. The World Business Council for Sustainable Development (WBCSD) (2012) also emphasized a balance of return on financial, natural and social capitals, particularly suggesting the integration of Corporate Social Responsibility reporting into annual report.

CSR is being used today to establish good rapport with the public according to Nolan, Norton & Co (2009). It is also used as pre-emption strategy by the corporations to save their skin from unforeseen risks and corporate scandals, possible environmental accidents, governmental rules and regulations, protect eye-catching profits, brand differentiation, and better relationship with employees based on volunteerism terms. Corporations today are much conscious to publish their CSR activities on their websites, sustainability reports and their advertising campaigns in order to get the sympathy of the customer.

### **1.1.3 Arguments against CSR**

An ardent critic of Corporate Social Responsibility and re-known scholar Milton Friedman looks at the mission of a business and says “The basic mission of a business is to produce goods and services at a profit and in doing this; business is making its maximum contribution to the society and in fact being socially responsible”. Porter (2011) continues to argue that businesses operate in a free market where there is: Minimal moral restraints, Full competition with entry and exit and relevant information available to all. Free market theory assumes, if we compete fairly, customers go for firms with lowest costs and thus there will be no need of Corporate Social Responsibility. In deed the argument continues, it makes no sense to charge customers expensively for their services so as to afford Corporate Social Responsibility which is like customers paying for their own projects. He further argues that “A business person who acts “responsibly” by cutting the price of the firm’s product to prevent inflation, or my making expenditures to reduce pollution, or by hiring the hard-core unemployed, according to Friedman, is spending the shareholder’s money for a general social interest (Courter, 2010). Even if the business person has shareholder permission or encouragement to do so, there is one and only one social responsibility of business, to use its resources and engage in activities

designed to increase its profits so long as stays as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud”.

According to Boatright (2009) CSR is a public relations ploy designed to legitimize role of corporations to divert attention away from destructive social consequences of corporate activity and forestall more appropriate government action. Economic publications in the 1980's indicated that several companies in 1960's and 1970s with Corporate Social Responsibility like Atlantic Richfield, control Data Corporation, Dayton-Hudson etc experienced serious economic difficulties in 1980's. Adam Smith another re-known scholar said in his “Invisible hand”: “If the businesses do not sell their products and services, it's their own fault. The market place is an arena of arbitration. Consumers and corporations are protected and regulated.” In conclusion thus, the role of businesses is to create wealth for shareholders in the best known method how. The same profit should not be reduced again in activities that don't directly concern the shareholders on whose behalf the management acts (Porter, 2011).

#### **1.1.4 CSR activities by the Commercial Banks in Kenya**

We have 44 banks currently in Kenya, 27 being local, 13 foreign, 3 public and 1 being a mortgage institution. For this purpose, only banks with branches in Nyeri town at the time of research have been captured. In the Equity Bank Annual Report and Financial Statement (2013), Corporate Social Responsibility is described as coordinated by a fully fledged institution called Equity Group Foundation which was began in 2006 to enhance the charity works carried out by the bank then. Equity Bank offers services in six areas namely: Education and Leadership development, Agribusiness, Health, Entrepreneurship, Financial literacy and access and in Innovation and environment. The bank has an education sponsorship programme called “Wings to Fly” whereby from the year 2010 the bank has educated more than 6,000 children who are gifted academically but challenged economically on passing their standard eight or form four exams. The bank also offers pre-university internships to the best boys and girls in KCSE exam from each district or sub-county and this actually started early in 1998 .Sixty five students had so far been assisted to acquire university education abroad in very prestigious universities like Yales and

Havard. It also sponsored drama competitions for schools at county and higher levels up to national competitions in monetary terms and donating trophies. The bank has promoted environmental conservation by partnering in the “Save the Mau Trust” as a trustee and also in tree planting. They have also financed education on financial knowledge management in barazas, Agricultural Society of Kenya shows, in churches and recently through FIKA or Financial Knowledge for Africa programme rolled out to enhance knowledge, skills and the proper attitude and practices in the financial management.

The Cooperative Bank according to its 2014 Annual Financial Report also offers educational scholarships for the period of Form 1 to 4 to needy children who are bright academically. The sponsorship is of a maximum Ksh. 50,000 per year. The secondary school scholarship program was initiated in the year 2007 and has grown from an initial sponsorship of 30 students per region, to 60 students per region and 5 students per county for the 47 counties in Kenya. A total of 655 students have been selected in 2014. In the year 2011, the bank rolled out the University scholarship and vocational internship program targeting 28 students each year that excelled in the Kenya Certificate of Secondary Education examination. The scholarship is renewable for up to 4-5 years of undergraduate study depending with the course. Eighty four students were in 2014 receiving this scholarship at a public or private university in Kenya approved by the Commission of Higher Education. The university scholarship covered tuition, accommodation and meals. Mentoring workshops are also designed to provide our high school scholars with essential psychosocial support to boost their academic performance and ensure that they possess the skills to succeed in university and beyond.

The Standard Chartered Bank Annual Report and Financial Statement (2013), shows that the bank has focused a lot in the health sector than others. In partnership with sponsors called Mastercard, the bank has a clarion call of “Here for Good” and thus justifies the offer for voluntary services. Individual bank workers are each given three days off paid leave to offer community service. In total the bank gives 1300 days paid offs for the staff. In the health sector, in a popular programme called ‘Seeing is Believing’, the bank has sponsored fully 771 eye surgeries. In education, the bank is

committed to improving the girl child and sponsors programmes in Starehe Girls Centre. To create empowerment to the small businesses the bank has “Shilling for Shilling” programme and gives loans to Micro Finance institutions to enhance financial growth. It has also promoted customer care through an effective charter and training of the employees.

The KCB Annual Report and Financial Statement (2013), indicates the bank has 5 thematic areas of Corporate Social Responsibility consideration as follows: Education, Environment, Health, Enterprise Development and Humanitarian Intervention. These are handled by the KCB Foundation that was launched in 2007 as a charitable trust for KCB, CSR activities. In Education KCB gives scholarships to bright but needy students. The 200 scholarships given for secondary school fees for four academic years have reached out to very many student beneficiaries. There is a partner foundation called palm House that also gives education scholarships through KCB branches KCB has partnered with Computer for Schools to benefit eight rural schools per province (a geographical area before 2010) with 20 computers to enable computer studies through a 3 million computer for schools project. They have also donated books, equipment and furniture to 900 schools by the end of 2013. By 2013 the foundation has helped 100 schools to construct water tanks and fix gutters to harvest rain water. Students’ mentorship has also grown during interaction with the students. The foundation has annually sponsored vulnerable children and orphans in Starehe girls and boys centers. In Environment issues, KCB has done a lot of reforestation by planting indigenous trees in 130 forest sites and in education institutions like Egerton University. In Health, KCB has donated drugs and equipment to public hospitals. Emphasis is on dialysis machines and beneficiary hospitals include Kenyatta National Hospital, Coast General Hospital, Consolata Mission Hospital in Nyeri and Jaramogi Oginga Odinga Teaching and Referral Hospital. The bank has given Ultra-Sound equipment to Isiolo District Hospital, Bahati Health Centre and Matuga Dispensary. It has for purposes of extending medical care to community partnered with bodies like Gertrude Children’s Home for free medical camps, Mater Hospital for cardiac programme and Ahadi Kenya for the jigger campaign.

The published Annual Report and Financial Statement of the Barclays Bank (2013), indicates that the bank spends about 200million shillings to Literacy and inclusion programmes. There were very successful projects sponsored in schools like Ofafa Jericho, Pumwani Girls and Wako Wario secondary schools. The bank has annually sponsored the national Kenya Secondary Schools Sports Competitions by donating balls, games attire, trophies and in cash to offset expenses. The bank had in that year spent 14 million shillings towards water and sanitation in public schools. It had also spent 107 million shillings in the previous 3 years towards street children rehabilitation and empowerment.

Family bank is another upcoming contributor in the philanthropic activities as seen in the 2014 Family Bank Foundation Report in the website. They have four pillars of assistance namely Education, Health, Agribusiness and Entrepreneurship. The bank plans to raise their annual sponsorship in education to students from the current 40 students to 500 in the next 3 years. There are 110 boys and 71girls currently under this programme where 37 were selected in 2012, 40 in 2013 and 104 in 2014 all from 44 counties and schooling in 105 schools spread in 31 counties. In Health mobile clinics have been established in the marginalized areas .The bank has in Agricultural sector partnered with farmers associations to boost their capital base and knowledge. Training is offered to groups in investments and financial management skills.

The National Bank of Kenya in their 2014 focus of the their CSR accomplishments looks at the five areas of assistance in Education, Health, Environment, sports and assisting the Vulnerable groups. In Education, the bank has donated Text books to schools like Milimani Secondary, chairs and lockers to school like Awendo primary, water tanks to schools like St Philip Tago Secondary School, a sanitary block constructed for Thindigua primary school in Kiambu and several schools have got donations of computers to increase computer literacy among the students. In the area of Health, the bank has a pledge to alleviate dialysis problems and donated 6 dialysis machines to coast and Rift Valley hospitals at a cost of Ksh 10 millions .It also donated a fridge for storing blood to Elburgon Nyayo Hospital. For environmental upkeep, the bank is trying to hit a mark of 2 million trees in afforestation by 2017. The drive started in 2013 at Karura forest .It has a bank slogan of plant a tree for a

better life. The bank supports sports to enhance national unity and develop talents .It has from 2010 been sponsoring the Sports personality of the year Award with Ksh. 3 million.It has also sponsored other tournaments like the Tegla Lorupe Peace Race Foundation .The bank has also donated food and beds to the needy groups like Joy-Land Special secondary school.

Post bank has also not been left behind and caters for assistance in Education, Health, Environment and emergency response. It is popular with road safety campaigns especially with the boda boda operators by buying them reflector jackets, teaching about road safety and teaching about savings among the boda boda operators .The bank also operates an Annual Junior Achievement Jobs shadow week that mentors the young on work practices for the employed. The consolidated bank of Kenya CSR activities mainly revolve around promotion of health. In partnership with Ahadi Kenya Trust they have sponsored a drive to eradicate jiggers in Isiolo county in a campaign dubbed Usafi bora.300 children were treated and five schools were given shoes in Isiolo stadium On 23/08/2014. The bank has also partnered with AMREF in a Hadhi Fistula campaign to help patients of the obstetric Fistula (injury to the birth canal in adolescent mothers) through sponsoring treatment and medical camps.

The K-REP bank has been very responsive to the marginalized communities and has offered a lot food donation to the Northern Kenya region. It has also catered for the environmental upgrade through funding and enhancing recycle of plastic waste to usable household plastic items. Ecowas bank cares for five areas of Education, Health, Environment, Entrepreneurship and then development of culture and research. The bank has helped startup of small businesses through 200 microfinance institutions funded by the bank for this purpose. The bank has promoted education through offering graduate internships offers. In employment, the bank has tried to pick the employees widely from all corners of the Nation but in line with catering for the communities it prioritizes applicants from the locality being the immediate customers and those related to the banks suppliers.

## **1.2 Statement of the Problem**

Banking firms have a sole duty of creating wealth for their shareholders through charges for safe custody of members' deposits and by loaning out of the same with a view to making maximum possible profits. It is supposed to be a stiff competition as each bank tries to accumulate as much wealth as possible. In the process of the banks' operations, one competitive strategy they have employed is use of Corporate Social Responsibility. This strategy however leads to the bank creating outlet of millions of dollars in the social activities undertaken by the bank thereby drastically reducing the same wealth accumulated as savings. The study thus sought to find out reasons why banks spend huge amounts of money in CSR instead of using this wealth to expand their firms or distribute the wealth to the shareholders as should be the expectation.

## **1.3 Purpose of the Study**

The purpose of the study was to assess the drivers of commercial banks in investing in Corporate Social Responsibility.

## **1.4 Objectives of the Study**

The research was guided by the following specific objectives

- (i) To assess the extent to which philanthropy has influenced Commercial banks to invest in Corporate Social Responsibility.
- (ii) To analyze the level at which the desire for a corporate image drives the banks to invest in Corporate Social Responsibility.
- (iii) To evaluate how investing in Corporate Social Responsibility has been used as a marketing strategy by the commercial banks.

## **1.5 Research Questions**

- (i) To what extent has philanthropy driven banks to invest in Corporate Social Responsibility?
- (ii) To what level has the desire to brand a corporate image influenced the banks to invest in Social Responsibility?
- (iii) To what extent do commercial banks use Corporate Social Responsibility as a marketing strategy?



## **1.6 Significance of the Study**

It was expected that this study would assist the following people in the attached areas:-

- (i) Bank managers - to create more awareness on the diverse Corporate Social Responsibility programmes they could undertake in the society. It creates more foresight on how these activities can fast track the relationship of the bank with the people they serve and also explore how the banks can assist the community meet their needs.
- (ii) Community at large – More insight on corporate Social opportunities they can benefit from and the extent of their rights from the corporations in their neighbourhoods.
- (iii) The government – the national and county governments might consider giving tax concessions to companies that give back to the community since they spend millions in the people before their pre- tax profits.
- (iv) Future researchers - Creates a base for the future researchers on this area because as good scholars they will need this foundation knowledge

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

### **1.7.1 Scope of the study**

The study concentrated on the commercial banks in Nyeri town. This was the residence of the researcher at the time and it is then that he realized banks were so busy rolling out CSR activities. The study targeted particularly the bank management because they have the authoritative insight of the bank's operations and targets and therefore understood the spirit of the bank towards Corporate Social Responsibility. They are also authorized to speak on behalf of the banks. Banks surveyed included Nyeri branches of Standard Chartered Bank, Co-operative bank, Equity Bank, Kenya Commercial Bank, Consolidated Bank, Barclays Bank of Kenya, National Bank of Kenya, K-REP bank, Eco-bank and Family Finance. This survey was done by visiting the bank management and requesting for filing of the questionnaire.

### **1.7.2 Limitations of the Study**

Due to banks secrecy of information, it became very difficult for them to provide diverse information and they opted to restrict themselves to specific information.

Managers opted to consult before giving any response to a question and heavily relied on their spokesperson to avoid contradictions. This denied the researcher the chance to get diverse opinions from one bank. It became impossible to have any responses from Co-operative bank who said strict instructions were that only the headquarters could communicate on behalf of the bank. Bank staffs are at times very busy and they could not easily afford quality time for the researcher. In some banks it took a whole week to secure filled questionnaires or a chance to do an interview. Information on Corporate Social Responsibility was also found to be taken lightly in books and deed in the developing world than in the developed markets.

### **1.8 Assumptions of the Study**

Assumptions of the study were that all banks offer similar or related savings and loans services. The differences in the products and services and their cost are quite minimal. It was further argued that the banks in Nyeri town were a good representation of the others in the smaller towns in the county. This is because they draw customers from a wide area all over the county. Banks outreach to the community must have an intention which is perceived as care for the people's welfare.

### **1.9 Delimitation of the Study**

The banks did not want to appear aloof and kept hopes alive as they promised the researcher to come again. The researcher was known to many of the bank managers due to working in Nyeri and this made it easy to seek for an appointment in the bank or outside after work hours. There are many banks operating in Nyeri being eleven and so the field was wide. Corporate Social Responsibility is an adored topic by the banking management that made them want to listen to the researcher's ideas. The banks are also located near each other thus making it easy to visit different banks in a short time

## 1.10 Definition of Key Terms

<b>Bank Customers:</b>	Account holders in a particular bank and branch
<b>Bank:</b>	A financial firm that provides services such as accepting deposits and giving loans to the public.
<b>Bursaries:</b>	Donations given as fees towards education expenses of needy children.
<b>Corporate Social Responsibility:</b>	The voluntary assistance given by firms to their workers, Customers, the community they serve and other stakeholders.
<b>Firm:</b>	A business entity offering service and goods mainly for profit purposes.
<b>Lobby Groups:</b>	Civil society groups that behave as a watch dog of the common man's human rights.
<b>MPESA:</b>	The process of sending and receiving money through telephone handsets by use of SIM cards identification using the Safaricom Company network
<b>Profit:</b>	Retained earnings by a business firm over and above taxation due.
<b>Shareholders:</b>	People who have invested in the share capital of the firm
<b>Stakeholders:</b>	People who deal with the firm in one way or another by serving it, being served by it or being affected by its operations.
<b>Trade Unions:</b>	An organization of workers in the same profession to promote economic and social welfare of the workers fraternity

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter is a literature review investigating the motivating factors behind the banks aggressive campaign or activities in the field of Corporate Social Responsibility .The main drivers under scrutiny here include the need of philanthropy, the need to build the banks corporate image or reputation and the need to market the bank and its products alongside or while rolling out the Corporate Social Responsibility activities. This chapter tries to cater for some gaps where a lot of literature is done on the Corporate Social Responsibility activities by banks and even their effects in the society but not exhaustively done on the drivers of the activities by the banking sector.

### **2.2 Drivers for Corporate Social Responsibility**

#### **2.2.1 The need for philanthropic assistance in the community**

Philanthropic assistance refers to free services or donations offered to a community by a well-wisher who may be an individual, group of people, charity organization or a commercial organization .It is all geared to alleviate the immediate problems of the community that would create an immediate turn round to the positive living standards of the people that surround the benefactor.

Many scholars led by Caroll (2008) have justified that all firms should engage in Corporate Social Responsibility activities, not just for the legal requirements but more so for benefits that accrue and particularly for the firm to stand in the gap of the very harm they cause in their course of doing business (Markides, 2000). A survey of the U.S.A general public by Harris Poll revealed that 95% of the respondents felt that U.S.A corporations owe something to their workers and the communities in which they operate and that they should sometimes sacrifice some profit towards them. Idowu (2008) argues that for a firm or company to look like a responsible corporate citizen, it should realize it has a primary responsibility to its employees, customers, suppliers, shareholders and the community. Certo & Certo (2009) candidly puts it forth that profitability and growth go hand in hand with responsible treatment of employees, customers and the community. While firms are not expected to participate

in all areas of Corporate Social Responsibility due to financial limitations, time and personnel to execute the roles, it's also not predetermined the specific Corporate Social Responsibility area a certain category of a business is supposed to engage in. Firms choose from the known Corporate Social Responsibility activities and others became innovative and design fresh areas of Corporate Social Responsibility that need attention not limited to but including education fees assistance, health surgeries cost supplement, environmental upkeep, sharing of company resources with the neighbours, responding to disaster needs of the community and affirmative action of employing locals. This is affirmed by the statement that Corporate Social Responsibility cannot be defined by any one particular or specific activity in life (Kiko, 2008).

#### **2.2.1.1 Education**

One of the most significant indicators of social progress is education, which also plays a decisive role for a society to achieve self-sustainable and equal development. With an increasing global realization of how business community can contribute to social objectives, education deserves a higher level of corporate involvement than the status quo (Gao, 2010). School fees bursaries to the community children who are bright but poor. They need not necessarily be affiliated to the firm in business transactions but just being in the firm's neighbourhood. This sponsorship can be full where companies pay school fees, fare to and from school, buy learning items needed and give pocket money. Failing to change people's thinking is fatal to the ultimate fortune of a country which achieves empty economic booming. Therefore, Ominde (2006) proposes that merely economic aids are not sufficient for underdeveloped countries to accomplish an all-round pattern of social progress.

The Equity bank of Kenya has such a programme under what they call "Wings to fly". Other companies give partial scholarships where they pay school fees only and the parent meets the other obligations Co-operative bank has such a programme but their beneficiaries are fewer. Focusing on further education of the employee has also been a key area with banks giving partial sponsorship and others full sponsorship to their employees. Ali (2011) argues that failing to change people's thinking is fatal to the ultimate fortune of a country which achieves empty economic booming. Therefore,

merely economic aids are not sufficient for underdeveloped countries to accomplish an all-round pattern of social progress (Gao, 2010).

### **2.2.1.2 Environmental Conservation**

According to Mahomey & Thome (2005) Social Responsibility is considered to include concerns for social factors and the environment. Promotion of environmental standards in the area through afforestation, saving rare species of trees and animals, cleaning of rivers, collection of rubbish by cleaning of the streets, provision of garbage bins in the area around the bank and assisting in painting of buildings that are in the firm's areas of operation. The area of operation could be as wide as the firms draw their customers. Every influential member in the society has a duty to duly inform the public and influence it towards responsible development. Certo & Certo (2009) state that, "Business is an influential member of the society. It has the responsibility to help, maintain and improve". In this regard by doing environmental conservations banks influence local communities to plant trees and respect the environment.

### **2.2.1.3 Motivation of Employees**

Quality treatments of workers is regarded here in terms of kind provisions like lunch and tea for free or at subsidized costs, catering for emotional needs through guidance and counseling departments. Motivational holiday trips sporting facilities for relaxation and physical well-being and company's response towards a worker with family problems like sickness or being bereaved. Weiss (2006) argues that working conditions which are ethical are manifestations of Corporate Social Responsibility. These include permanent employment of long serving workers, provisions of houses, protective gear for health hazardous working areas, heavy boots in manufacturing firms, giving off and leaves to workers, payment in time, good payments as per firm's income and fair disciplinary measures to workers. This includes enabling workers through training and development opportunities availed to them in relation to their area of specialization. Weiss (2006) is quick to note that the Corporate Social Responsibility activities directed to workers welfare is thought to create loyalty to the firm and they protect the firm's property due to the benefit they get. The workers also avoid industrial actions that slow down work in firms. Employees also shy off from

agitating for high salary increments and thus the firm runs with low wages yet competitively only to increase at the most opportune time of the company's profitability (Kiko, 2008).

#### **2.2.1.4 Health Promotion**

Nadezhda (2007) holds that many companies do not yet make a clear distinction between giving, sponsorship and socially-responsible activities. He cites the most widespread forms of socially-responsible activities to include the direct provision of funds and support targeting health, qualification and other social needs of staff, non-financial support in the form of free products or services and investment in energy efficiency and environmental protection. The three approaches to Corporate Social Responsibility that emanate from these activities argued Boatright (2009) include caring for company staff and their families, social activities benefiting the local community and activities with a long-term social impact, such as social investment. Pharmaceutical companies that are big donate drugs to Africa and other remote areas for combative diseases in their areas. Companies consider the sicknesses that could be affiliated with the activities they carry out. In other times they consider the prevalent diseases in the region that are problematic and costly to handle for the local people. In case of malaria they offer mosquito nets to the families and drugs to the local health facilities. Currently there is a lot voluntary provision of free drugs to HIV infected patients and other incurable cancer diseases like cancer. Free vaccination of people against diseases affecting the community and medical check-ups campaigns has also been organized.

#### **2.2.1.5 Sharing of Company Resources with the Community**

Assisting the community with pressing house hold and lifestyle needs should not be underrated. A firm in a dry area without piped water uses a lot of funds to bring water to serve ordinary citizens who would not afford. Some firms extend some pipes outside the compound and provide domestic water to the surrounding people at specified time and probably a specified amount of the water. Companies of power generation extend power to families living within a reasonable area from the firm. Ali (2011) argues that a firm is an integral part of the community it serves. Firms with buses offer subsidized transport to the local community during functions like funerals

and weddings. Agricultural firms open outlet sale points in their farms at subsidized costs for the commodity they produce. In employment, firms practice Corporate Social Responsibility by provision of minority shields. Some firms spare certain number of slots to a certain gender that is disadvantaged and to other groups like the Albinos and the disabled people. Favourable treatment of workers through motivational tokens is seen as a way of appreciating the worker (Weiss, 2009). This also extends to respect of human rights, religious rights of workers where firms reject child labour, allow dressing that conform to religious expectations of locals and allow workers associate through trade unions. Locals are given first priority in employment especially on areas that don't require special professional skills. Courter (2010) notes that recognition of the stakeholders helps them associate with it as their own and to buy from it. Humanitarian response or assistance to areas with disaster like fire, floods or earthquake. Companies can make cash donations towards rebuilding of establishments swept away by floods and ravaged by fire. They can also contribute material for construction like iron sheets, stones, timber or a commodity associated with the firm.

### **2.2.2 Need of Good Corporate Image**

Brand image is an important concept in consumer behavior studies since the early 1950s (Li, Wang & Cai, 2011). Many studies explained that customer satisfaction can lead to brand loyalty and repurchase intention. Wang, Bruce & Blonigen (2004) investigated that customer satisfaction that has a positive result on brand loyalty. Accordingly, related that customer satisfaction positively influences brand loyalty. A good corporate image, Beth & Singh (2005) observe creates a positive perception in the eyes of the public and the company rides on this to get customers for their products and privileged treatment by local authorities and the government. The study of Hillenbrand & Money (2007) is interesting in that it provides a framework for a discussion about the links between responsibility and reputation. They show that, from a stakeholder perspective, corporate reputation and corporate responsibility are largely overlapping and expressed through corporate behaviors. They make clear, however, that the results of their research cannot be transferred to other similar concepts. Despite these differences between Corporate Reputation and Corporate Social Responsibility, they also have many important elements in common.



The first is their recognition of fundamental drivers not only to create economic value over time, but also to protect the bank from adverse events, by acting as a safety barrier and by giving a competitive advantage (Xifra & Ordeix, 2009). Therefore, this characteristic does not appear separated, but highly interconnected. Communications of Corporate Social Responsibility activities not only boost purchase intentions, but also enhance evaluations of the company or brand (Sen & Bhattacharya, 2001). When consumers evaluate Corporate Social responsibility information, they do so in the context of prior information that they have about the brand. Brands are associated with concepts, which position brands in the minds of consumers. For example, Lexus is associated with pursuit of perfection and Rolex is associated with luxury and high status. Such concepts can automatically activate their related motivations and goals outside of conscious awareness (Wu, 2011). With perceptions of a company practicing CSR being a good corporate citizen, this improves the relationship with the government, the local authorities and the professional bodies making the institutions that manage renewal of licenses make it easy and issue of permits to hold special activities come out quickly. That way reputable companies like Safaricom in Kenya were granted permission to do M-PESA services in very early stages. In essence it is a strategy to edge out competing or rival companies.

More and more corporations are trying to engage plentiful financial resources to develop a good image to strengthen their connections with all stakeholders mainly clients, workers, financiers, government and the public (Ali, 2011). Earlier financial performance was the foremost standard to assess a firm's value and higher positions were given to organizations that provide greater margins financially (Raman, Lim & Nair, 2012) proposed the concept of brand image and suggested that merchandises have societal and emotional characteristics and consumers develop emotional connections with the brands. Brand image is the most vital part of brand equity as brand image comprises of all links in the mind of consumers interconnected to that brand. So if anything which has an influence on a business from consumer's point of view is brand image. A recent McKinsey global survey shows that 76% of executives believe that corporate social responsibility contributes positively to long-term shareholder value, and 55% of executives agree that sustainability helps their companies build a strong reputation (McKinsey, 2010).

Nowadays a brand is not considered just as logo but as Eisingerich & Ghardwaj (2011) add, it is more likely taken as a carefully scored experience which is supported by huge marketing budgets, action and culture and mindset. A positive brand image can be taken as a capability of a firm to hold its market position (Wu, 2011). A positive brand image helps to increase numerous outcomes such as customers' contentment, service superiority, loyalty and repurchasing intention (Lai, Griffin & Babin, 2009). Coulter (2010), says many organizations belief that strong and socially responsible stakeholders relationship makes them more competitive. Due to investors wish to be associated with reputable companies, local and international investors will want to pump money into this firm. This boosts the equity shares and encourages expansion of the bank locally and even outside if need be. According to Coulter (2010) Corporate Social Responsibility can help to reverse a company performance positively. Timberland Company in USA (United States of America) whose performance in profits in 2008 declined by 2.2 percent reversed to improvement immediately they released their new long term Corporate Social Responsibility strategy.

According to Cajazeira (2008) the major principles for International Standards Organization (ISO) 26000 are accountability, transparency, ethical behavior, consideration for the stakeholders' legality, international standards and human rights. Trust is identified as a prerequisite and a consequence of relationship between bank and customer (Scott & Walsham, 2004). At the same time, it is an important mechanism for functioning of a banking system. Generally, these considerations are valid for financial industry in its entirety, for which it is often claimed that reputation is one of the most valuable assets for any financial firm and most of all for a global financial institution (Stansfield, 2006). Reputation is an intangible asset and it is particularly important in areas where the transactions are based on trust in the fulfillment of future promises. (Gaultier-Gaillard & Louisot, 2006). However it should be noted that without this trust it becomes very difficult to earn customer satisfaction that is necessary for customers depositing their wealth with an unknown people to them.

There are legal requirements by international standards state laws and professional adherence requirements. NEMA will require companies that pollute the environment to act in some way to compensate the locals who are affected or assist in the health promotion of surrounding people who may become affected. Njoga (2007) studied the role of Corporate Social Responsibility in enhancing corporate image and found out that Corporate Social Responsibility is an image itself booster for corporations but cautions on public relations exercises that adds little or no value to the communities but only serves to assure the corporations of enhanced publicity and media value. He recommends that Corporate Social Responsibility be regulated at national and international level to come up with a specific model to assure communities of real value and deter corporations from selfish investments. The government may require clean up of the environment or percentage postage to Corporate Social Responsibility. In the process of trying to ethically and successfully roll out Corporate Social Responsibility programmes, the management embraces ethics in the running of the company. As Trude & June (2009) remark, the seed of ethics among leaders also grows among the other workers to display ethical behaviours. While the company tries to cater the social needs of the employees, suitable working environment and conditions, this galvanizes corporate management practices. In case of human assets, branding involves looking for exceptional individuals because these individuals help to bring country's brand alive and to place their country on the world map in respect of economic wealth or political power like musicians from Cuba, long distance runners from Kenya (Gilmore, 2001). The empirical evidences to analyze the relationship between Corporate Reputation and CSR are still limited Hillenbrand & Money (2007) observe especially with regard to financial intermediaries. In these companies most of the studies focus on the effects of reputational losses associated with the manifestation of reputational risk.

### **2.2.3 Corporate Social Responsibility as a Marketing Strategy**

Business organisations are very cautious that for any action injected in their work strategies, it has immediate and far reaching impacts in their sales, comparison with competitors and business growth or continuity. Any strategy instituted like the Corporate Social Responsibility has its original purpose or intent and an underground or second objective to satisfy the customers (McWilliams, Abigail, Siegel, Donald,

Wright, & Patrick, 2006). Customer satisfaction creates behavioral outcomes like retention, commitment, positive word of mouth marketing and tolerance to services and products failure. It is for this reason that many banks have used CSR as a marketing strategy alongside the other purpose served by these activities.

In a competitive market companies are very cautious of their sales standards that leads to the eventual output (Porter, 2011). They are not to be economical with the truth of their products lest they hurt their consumers. It's ethically required that all the ingredients indicated are the right ones without adding or subtraction. Weiss (2009) notes that when advertising for the products it should not pollute societal morals especially for growing children. This includes the morality in the bill boards at display. Some companies even decide not to sell in certain markets. They also decide the quality of the product should be health friendly or guaranteed to avoid making money at the expense of the customers and using the same to offer treatment subsidies while the bigger burden lies with the very customers. This includes banks that give loans without disclosing full interest rates and penalties for non- payment or late payment.

In regard to future business posterity Courter (2010) observes that firms think of future growth and business profitability strategies more than immediate profitability which is important but continued profitability is even more important. Luo & Bhattacharya (2006) studied 500 companies and concluded a direct positive relationship between CSR and customer satisfaction. Marketing studies focused on customer satisfaction with physical products and services delivered through channels according to Khalifa & Liu (2002). Customer satisfaction leads to faster market penetration and in turn, to accelerated cash flows and likely acts as underlying mechanism by which customers' satisfaction affects shareholder value in any industry. Consequently, thinking ahead and acting proactively is desired. Paper manufacturing firms must think of their source of raw materials after 30 years and conduct serious tree planting drives and campaigns round the whole country. Hamel & Prahalad (2010) conclude that strategic intent is a tendency that remains stable over time and its main goal is to fold the future into the present through personal effort and commitment. Containing workers at work places brings desired results for a while as

long as their skills work. It will however be undesirable when new skills come to continue using old skills since it lowers productivity. This calls for sponsoring training and development opportunities and facilitations of further studies (Porter, 2011).

### **2.2.3.1 Identify With Stakeholders**

The Corporate Social Responsibility reinforces co-existence with the stakeholders by avoiding negative publicity that can lead to losses due to protests by workers, demonstration by community, stand-off with the community and product boycott campaigns. Banks recruit locals especially tellers, customer care personnel and people in the front service who understand customers needs quickly and at times even the language. Coulter (2010), says many organizations believe that strong and socially responsible stakeholders relationship makes them more competitive. With the bank identifying with the people it serves many want to be associated with it. They not only join but remain as loyal customers. Trude & Cotte (2009), reports that some consumers will pay a premium for ethical product attributes but only to a point and they will also penalize unethical conduct to a proportionately greater extent. This increases the wealth of the bank since the more depositors there are the better the economic status in many times. Suppliers also trust that the company with ethical values is good to trade with and even give credit.

One study by Luo & Bhattacharya (2006) on Fortune 500 companies identified a direct positive path between CSR and customer satisfaction. Given that satisfaction also mediated the impact of CSR on firm market value they observed that there is a need to better understand the relationship between satisfaction and CSR, especially as this study also highlighted instances where firms are not always able to benefit from CSR acts. In view of the ever-increasing CSR activity funding by banks, the answer to the major question of how banks may achieve a competitive customer edge in this socially responsible era may lie with taking a more customer-centric approach. That is, managers must be able to evaluate, prior to their implementation, the likely impact on customer satisfaction of CSR initiatives vis-à-vis other marketing initiatives, such as improved customer service, or reduced fees and interest rates. Sen & Bhattacharya's (2001) research supported suggestions that a company's efforts in

multiple CSR domains (corporate giving, community involvement, and its position on issues involving women, ethnic minorities, gays and lesbians, and disabled minorities) had a direct effect on the attractiveness of the company's products, in addition to a positive effect on company evaluations by customers.

However, a comparison of the effectiveness of each of the initiatives was not conducted. Taken together, these studies provide evidence to suggest that socially responsible companies are likely to receive more favorable considerations from the consumers than the rest of the companies. That is, the inclusion of the customer satisfaction construct diminished to non-significance the effect of CSR on market value. However, the researchers also identified instances where CSR did not always lead to customer satisfaction. Specifically, Luo and Bhattacharya (2006) found that, in firms with a low capability to be innovative, CSR actually reduced customer satisfaction levels and, through lowered satisfaction, harmed market value. In essence the inference from this study is that CSR is reliable to improve markets through customer satisfaction but not entirely unmitigated by other managerial innovations to rhyme the CSR input to good services as well as products. However the underscore point in this case is that CSR helps promote or widen the market share thus making the point real that CSR reinforces marketing by the banks.

Recent developments in marketing theory have witnessed a movement from a customer-centric approach towards a stakeholder approach. According to the literature, a stakeholder approach is important because organisations that address stakeholders concerns perform better than firms that do not address these interests (Polonsky & Scott, 2005). The stakeholder perspective views the organisation at the centre of a network of stakeholders, which is arguably an internal view. At present, customers are considered to be one of many stakeholder groups that are affected by the achievement of an organisations objectives yet the role of the customer in market share, shareholder value, and stock price growth is likely to far outweigh that of other stakeholders such as government and the media. The research agenda proposed in this paper will enable researchers to contribute to further understanding the role of CSR initiatives versus customer-centric initiatives in promoting customer satisfaction. Although creating customer satisfaction is not a prime motivation for instituting CSR

programs, research linking CSR strategies with positive customer outcomes, such as loyalty, has led to the expectation that these strategies generally have positive flow-on effects for customers. Yet researchers have failed to consider whether these strategies do indeed impact customer satisfaction levels (Whittington, 2008).

Banking industry surveys have led to the identification of a mismatch between consumer satisfaction levels and massive spending on CSR programs (Manrai & Manrai, 2007). Given both the increasing investment in CSR strategies, and the fact that customer satisfaction mediates firm market value, further research is warranted. In view of research suggesting that retail banking customers prefer initiatives that create direct customer benefits compared to those that have broader social impacts, these fact points towards the fact that funding directed towards customer-centric initiatives may create better customer satisfaction outcomes alongside CSR initiatives. A reduction in the proportion of dissatisfied customers would enable banks to reduce customer churn.

## **2.3 Theoretical Framework**

### **2.3.1 The Shareholder Theory**

The shareholder theory of a corporation provides the theoretical basis for understanding the rationale on why some corporations have not been undertaking CSR activities. It has been argued that there is one and only one social responsibility of business – to use its resources and which is to say, engages in open and free competition without deception or fraud”. According to this view, the best way for corporations to ensure social responsibility in a competitive market is through the provision of employment opportunities, distribution of goods and services and compliance to the existing legislation. Investment could also contribute to the overall prosperity dissemination in society.

The CSR concept viewed from the shareholder’s theory perspective does not annihilate the importance of the stakeholders. It just argues that the corporations should not spend stakeholder’s money on social issues since specially devised institutional entities have the mission to take upon this role. Moreover, the theory admits the strategic reasons that might determine corporation to adopt a proactive

stance on community involvement of charitable gestures as long as they are in its own benefit. These activities might be beneficial on the long run and help the corporation to maximize. According to the shareholder theory, community involvement is not intrinsically a genuine assistance but as a preventive tool against negative reactions or as a tool for attracting high profile employees. These kinds of activities can facilitate the business operations and have an immediate or long-term increase in the revenues. All in all, the theory considers social responsibility the compliance to registration. It also admits the importance of voluntary actions in the external environment as long as their effect is positive for the corporate financial bottom line.

### **2.3.2 The stakeholders Theory**

In his study “a stakeholder Theory of the modern corporation”, Freeman (2005) revolutionizes the assumptions about the role of the corporation in the contemporary society by giving equal importance to all corporate stakeholders, shareholders included. It was argued that “the stakeholder theory is a progressive development of the shareholders theory” and that these two theories do not contradict each other. While acknowledging this point of view, it will be underlined that actually these two theories provide radically different premises for corporate social responsibility rationales. Stakeholders are those groups who are vital to the survival and success of the corporation or, in a broader sense, any group or individual who can affect or is affected by the corporation. The stakeholder’s theory acknowledges, besides shareholders, other entities that have a stake in the corporation such as the local community, customers, employees, suppliers and even the government. The main challenges the corporation faces as implied by the stakeholders theory is to keep the relationships among stakeholders in balance and avoid to give primacy to one stakeholder group over another (Freeman, 2005).

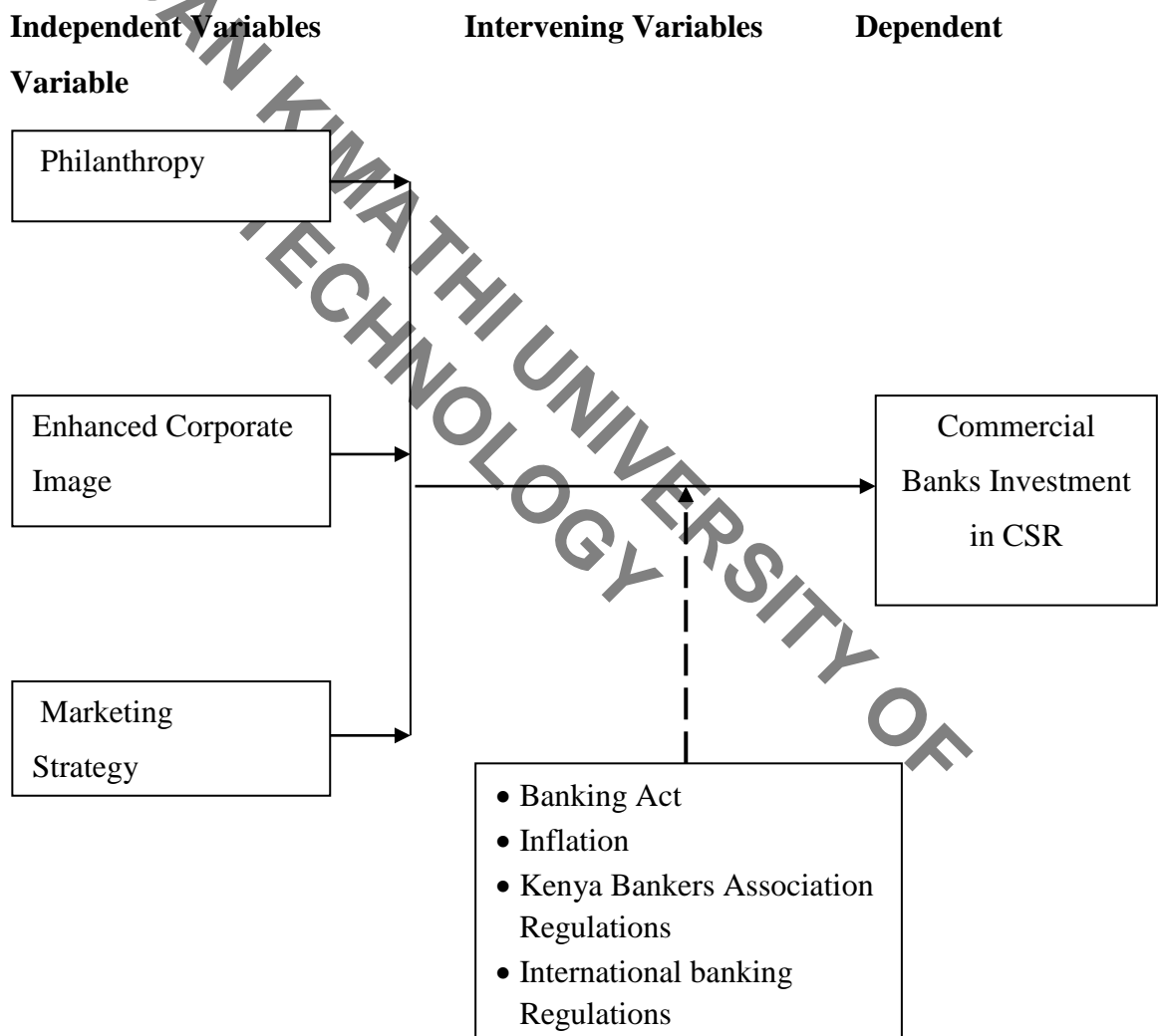
The stakeholder theory consequently represents a conceptual framework that creates strong premises for corporations to undertake responsibilities towards their stakeholders due to increased accountability. Relying on the stakeholder’s theory, it can be inferred that corporations have more responsibilities than just legally producing goods and services for profit and they have a broader constituency to serve than that of shareholders alone. It is not only the fact that the corporations



acknowledge the importance of their stakeholders, but, maybe even more important, all the stakeholders must participate in determining the future direction of the firm in which they have a stake (Freeman, 2005). The fundamental principles of the theory argue that corporations shall be managed in the interests of its stakeholders and secondly that stakeholders may bring an action against the directors for failure to perform the required duty of care for their wealth. Thus, Friedman’s shareholder theory is seriously challenged by his new vision of the “modern corporation”. The implications for corporate social responsibility are major.

## 2.4 Conceptual and Operational Framework

### 2.4.1 Conceptual Framework



**Figure 2.1: Conceptual Framework**

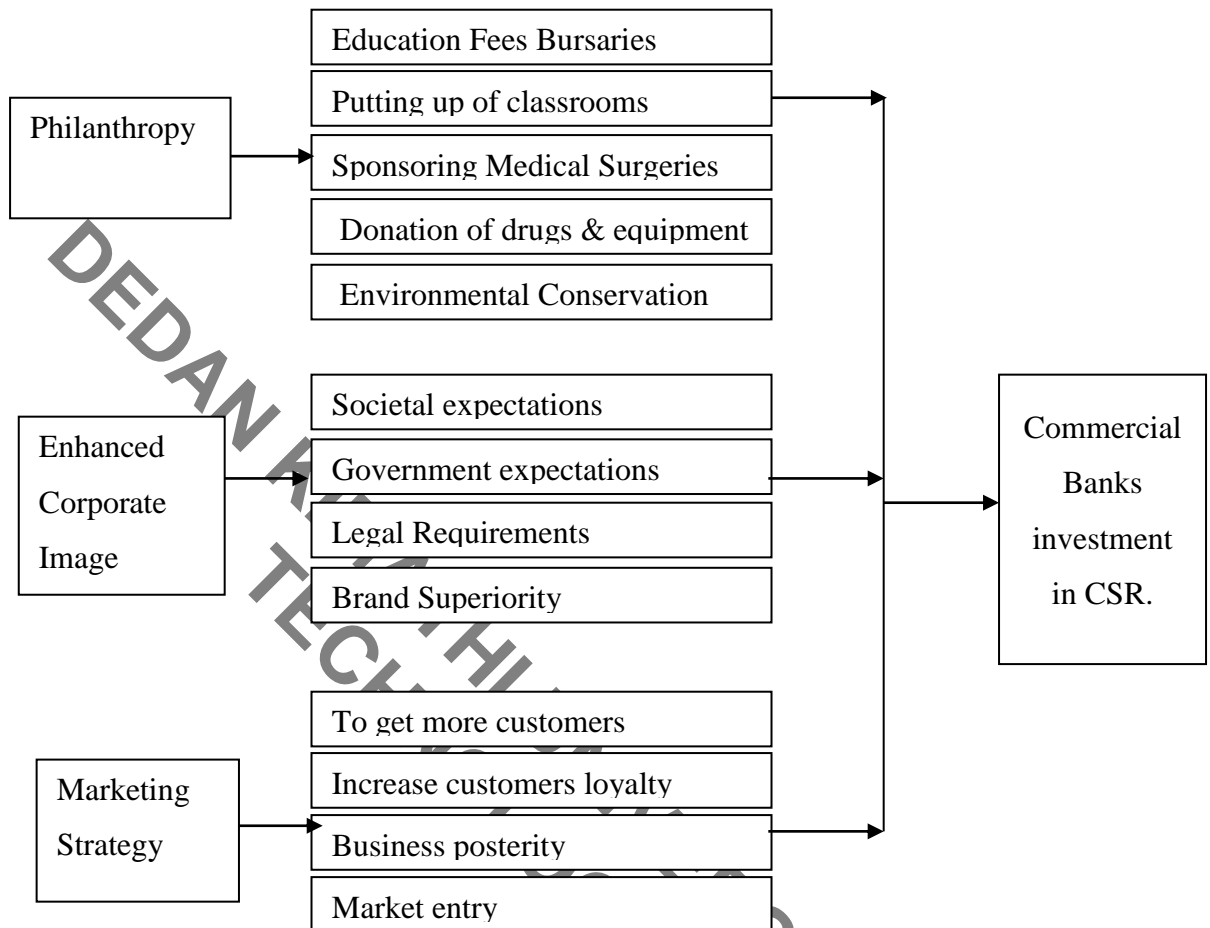
Source: Author (2014)

## 2.4.2 Operational Framework

### Independent Variables

### Parameters

### Outcome



**Figure 2.2: Operational Framework**

**Source: Author (2014)**

The success of the independent variables is in the ability to meet all the indicators outlined. After the indicators are in operation, there is evidence of CSR activities on the ground with leap dividends of assisting the community meet their basic needs in the society. For these indicators to be in operation the bank is producing money in expenditure and outflow is reducing the possible profits. However, as money flows out to meet education sponsorships, environmental conservation and the other projects, more customers join, there is great customer loyalty and workers output improves thus having more inflow and thus making it a financial and image gain.

Businesses in whose category banks belong are established solely for economic gains and maximization of profits for shareholders. However, with time reality comes in that there is need for the firm to attract customers and create loyalty in the largely crowded arena. There is also need to keep your workers and to avoid backlash of the government, lobby groups and trade unions. In the process of doing this, the irony is that despite the outflows, the business grows. It's thus not a loss to invest in the Corporate Social Responsibility as this is recouped (Courter, 2010). As the firm grows it becomes important to factor as a corporate strategy CSR activities and budget towards this especially if the scope is wide. Firms that are positive thinkers in this area are expected to have sustained growth and have a competitive edge against peers or rival firms. They also widen the play field not only for themselves but also for incoming generational firms.

Observation made is that when banks invest in the CSR activities by sponsoring children's education, sponsoring health surgeries and the other activities, many customers join the bank leading to a wide capital base and cash increases. The bank thus grows in size, due to many customers and good services of employees, splits into branches and wealth increases. All this is growth. There is even more growth not measurable economically but through image projection as a responsible, active and reliable corporate citizen.

## **2.5 Research Gaps**

This literature review however evidences some important gaps of the studies regarding the CSR of banks. Overall, it requires a deeper research and discussion on the relationship between the social responsibility and economic performance of banks. It also requires the study of implications that CSR strategies are able to produce in other important business corporate functions, including governance of banks as it might be interesting to see if there are positive relationships between a more effective corporate governance system and a greater CSR profile.

Corporate Social Responsibility is being used as a weapon of competitive edge by various banks. It's consequently important that all banks become active in publicizing their activities. This is through media and public gatherings since some that do it

silently are assumed not to be doing it. Ominde (2006) studied the link between CSR and Corporate Strategy among listed companies on the Nairobi Stock Exchange. She found out that all the listed companies engaged in Corporate Social Responsibility but there is no deliberate attempt to align the Corporate Social Responsibility to the Corporate Strategy though at the end of the day there are tangible gains on Corporate Strategy derived from the Corporate Social Responsibility. She also found out that Corporate Social Responsibility is considered seriously by all the listed companies and is actually expressed as a social contract in their annual financial reports. She agrees with Cohen (2002), that businesses need to introduce explicit processes to make sure that social issues and emerging social forces are integrated into corporate strategy and discussed at the highest levels as part of overall strategic planning.

Idowu (2008) observes that in the global arena it is increasingly being clear that Corporate Social Responsibility is slowly moving away from the margins to the business mainstream and there is hope of establishing a measurement criterion of Corporate Social Responsibility through the establishment of Corporate Social Responsibility management standards, labeling schemes, and reporting systems which would then make it easier to assess the impact of Corporate Social Responsibility 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 Corporate Social Responsibility reporting systems can be harnessed to form a basis upon which the overall performance of an organization can be measured. It is against this background that our research was supposed to inform us on why different commercial banks will engage in Corporate Social Responsibility and if there can be a common approach towards it in a more formalized way.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Introduction

This Chapter looks at the methodology of research used, the research design and the methods used in data collection. It also highlights on the sample population and ways used to identify the target respondents. Methods used for data analysis have also been highlighted.

### 3.2 Research Design

This research is a survey of the commercial banks operating in Nyeri town with an aim to establishing the reasons for their participation in the Corporate Social Responsibility activities. The selected banks were all the eleven existing banks at the time. One bank the Post bank, was used for pilot purposes while the other ten were used for the real research. A descriptive survey has thus been carried out to bring out these views. Primary data has been used and it was obtained from the field by the researcher through questionnaires administered on the bank management. There were four questionnaires administered in each bank surveyed as illustrated in the table that follows. It was important to avoid giving more questionnaires because junior bank officers would not be competent enough or even authorized to comment on behalf of the banks as the pilot study had shown.

**Table 3.1: Banks and number of bank managers visited for the research**

	<b>Bank</b>	<b>Manager's targeted</b>	<b>Manager's responses</b>
1.	Kenya Commercial Bank	4	4
2.	Equity Bank	4	4
3.	Standard Chartered Bank	4	4
4.	Family Bank	4	4
5.	Eco bank	4	4
6.	Barclays Bank	4	4
7.	Consolidated Bank	4	4
8.	K-REP Bank	4	4
9.	National Bank	4	4
10.	Cooperative Bank	4	0

### **3.3 Target Population**

The target persons were the following four managers in the banks; the Branch Manager, Operations manager, Public Relations Manager and the marketing Manager. The structures differed from bank to bank but these were the commonest authorized persons or officials. These have an insight of Corporate Social Responsibility activities in the bank offered to their customers, the community at large and even their staff members. From the eleven banks in existence, this meant we needed to interview forty four managers.

The people interviewed were competent enough to fill the questionnaires and were knowledgeable enough to understand and give critic to Corporate Social Responsibility activities. Ghauri, & Gronhaug (2010 ) observe that respondents competence can affect competent study in an area or quality of output in a research .While annual Corporate Social Responsibility activities of a bank are mostly designed at the headquarters and cascaded to the branches, branch managers are involved or in the very least brought aboard to understand the activities, their rationale and prudent methods of its execution and are the ones who execute the activities at the branch levels. They are at times given space to come up with their own activities from funds allocated but within the thematic interests of the bank.

### **3.4 Sampling Procedure**

In establishing the sample size, purposeful selection method was used. Mugenda & Mugenda (2003) has said the method works well with a small sample size. This is where managers were identified as per the bank and as per the designation needed. The sampling frame was established by the researcher targeting the four departmental managers in the banks whose work is closely related to CSR. In many banks these were mainly the branch manager, operations manager, marketing manager or the business manager in some banks and the Public Relations manager referred to as the customer service manager in some banks. This brings their number to a total of forty four managers. Four managers was the most common number of the bank managers though some banks could have more depending on their unique internal organization. From the onset, it was discovered that wanting to extend to many officers in a bank was becoming hard mostly because there are few people authorized to speak on behalf

of the bank and also because some departments are not fully aware of how Corporate Social Responsibility activities are formulated there and also recognizing the very busy schedule of the respondents across the banks. As the study purposes, purposeful sampling achieves a greater degree of representation and members have equal chances of being included in the sample (Kothari, 2004).

### **3.5 Methods of Data Collection**

Interview schedules were prepared in form of questionnaires. Four of them were given out per bank. They were given to the branch manager by the researcher to give to the managers in the banks and were collected from him after sometime as agreed which was mostly in a week's time. In a few cases a manager who preferred an interview because it was faster for him would have it done. The respondents were literate and filled the questionnaires themselves.

### **3.6 Validity and Reliability**

Instrument Validity refers to the extent to which a test or instrument measures what it was intended to measure (Mbwesa, 2006). Secondary data is accepted depending on the authority being referred to being of repute. The questionnaire was subjected to pilot testing among two friendly bank managers and two research lecturers to remove any ambiguity and irrelevant questions. With respondents being from different banks and from different sexes and given the questionnaires at different times and places yet they still made similar observations then it was concluded the reliability was more than 99% accurate. The researcher also compared the responses given with the Corporate Social Responsibility write ups in the audited annual reports of the banks and it was tallying.

### **3.7 Operational Definition of Variables**

In terms of Corporate Social Responsibility projects, we are referring to voluntary services or grants given by the commercial banks to the customers or the community in terms of equipment donations, financial aid, service provisions or putting up of infrastructure. We consider projects that were started and completed since there are budgets made by the donors in regard to every project they undertake with a view to leaving it completed for immediate use.

### **3.8 Data Analysis**

Collected data was checked for completeness. Data was then grouped as per question and questions grouped as per the objective of study. The coded data was then analyzed using frequency tables and the Statistical Package for Social Sciences. The correlation of the data was sought and qualitative statements obtained to explain findings and enhance presentation in a more elaborate way for all to understand what diverse variables contributed towards area of Study. The results were presented in tables, frequencies and percentages depending on relative responses and enhanced with interpretations given per question and objective.

### **3.9 Ethical Considerations**

The researcher obtained all the necessary permissions from the university to carry out the research .The Permit from the National Council of Research and Technology was also obtained before collecting the data. The researcher assured all the respondents that their work was for scholarly work only and that it wasn't going to be used for other purposes. Confidentiality was also assured to the respondents. The researcher followed the protocol of the bank to talk to the manager of the branch to seek authority to access any member of the management.



## **CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION**

### **4.1 Introduction**

The chapter presents the results or findings of the research study including analyzed data and interpretation as captured by the questionnaires. All the questionnaires were summarized, coded, processed and analysis done to test the results of the objectives. The spearman correlation coefficient was used to determine the strength and direction of relationship between the independent and the dependent variables. This correlation functioned on the basis of ordinal data for both variables. The use of model summary, Analysis of Variance (ANOVA) and coefficients was used for drawing conclusions. The focus was on the area studied of corporate social responsibility by the commercial banks with reference to how it is used to promote philanthropy, improve banks corporate image, and act as a marketing strategy for the banks. A section of how the independent variables were correlated is also highlighted.

### **4.2 Results and Discussion**

#### **4.2.1 Response Rate**

The study found out that 36 questionnaires out of 40 were duly completed and received for processing and analysis. This represented 90 % response rate.

### **4.3 Drivers of Corporate Social Responsibility**

#### **4.3.1 Need to Support Philanthropic Activities**

The study examined the extent to which the need to support philanthropic activities influenced commercial banks to invest significantly in Corporate Social Responsibility. The respondents gave the following responses.

##### **4.3.1.1 Philanthropy in Educational Programmes**

The banks, through Corporate Social Responsibility, are known to support the public educational institutions in an effort to enhance their economic potential and growth. The data below helps to show managers views of banks extent in supporting education.

**Table 4.1: Banks Support of the Community’s Educational Programmes**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	23	64
Agree	10	28
Neither	0	0
Disagree	3	8
Strongly Disagree	0	0
<b>Total</b>	<b>36</b>	<b>100</b>

From the above data, 64% of the respondents strongly agreed that banks supported public education institutions in a strong way through Corporate Social Responsibility activities. In the same vein, 28% agreed but only 8% disagreed. This response indicates that there is a strong inclination to consistently support education programmes. This shows the management strongly believes in education as a big enabler of change in the society among the other factors of philanthropy. The proportion that concurs with this view is well illustrated in the figure below that shows a big portion being in agreement.

#### **4.3.1.2 Philanthropy in Conservation of the Environment**

The study examined the opinion of the respondents in questions regarding banks efforts to support community’s environment conservation programmes such as trees planting and protection of river catchment areas. Their opinion is as outlined below;

**Table 4.2: Banks Support for Conservation Efforts**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Excellent	13	36
Very good	19	53
Good	3	8
Fair	1	3
Poor	0	0
<b>Total</b>	<b>36</b>	<b>100</b>

As observed from the figures, 36% and 53% of the respondents ranked banks support for conservation efforts as excellent and very good, respectively. Likewise, 8% rated the exercise as good while 3% termed it as fair. The outcome indicate that while all managers believe a lot is being in the environment conservation, enough is not done

yet and that is why it's not excellent. More can be done in the area but already there is evidence of a lot of work on the ground in the environmental conservation.

#### 4.3.1.3 Philanthropy in Community Groups' Development Projects

In this study, the banks support for communities' development projects was evaluated and opinions from the respondents were sought on this aspect.

#### Table 4.3 Banks Supports Communities Group Development Projects

The following data presented a picture that banks targeted organized groups for assistance in their development as a way of reaching out to the community. This includes the schools where parents have infrastructure projects to undertake, women groups with a common undertaking or even general groups that are organized with a community undertaking.

**Table 4.3: Banks Support for Communities Group Development Projects**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	20	56
Agree	14	39
Neither	0	0
Disagree	2	5
Strongly Disagree	0	0
<b>Total</b>	<b>36</b>	<b>100</b>

From the data above, 56% and 39% of those surveyed strongly agreed and agreed, respectively, that banks through Corporate Social Responsibility supported community development projects. However, 5% disagreed. The interpretation of this is that banks have a lot of faith in projects owned by communities since there is trust there must have been a very noble need in the society that made the group come up with their activity and thus they need every support in this project. This indicates banks willingness to support group activities is enormous.

#### 4.3.1.4 Philanthropy in Community's Health Programmes

The support by the banks to the health institutions through donation of drugs and equipment and sponsoring individuals requiring surgery and other major treatments through was examined. The survey output revealed the following;

**Table 4.4: Support for Community’s Health Programmes**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Excellent	17	47
Very Good	13	36
Good	4	11
Fair	2	6
Poor	0	0
<b>Total</b>	<b>36</b>	<b>100</b>

From the table above, 47% of those studied rated support for the health programmes as excellent, 36% as very good, 11% as good and 6% as fair .Excellent being below 50% implied that not enough has been done in the area of medical assistance and there is expression that more can be done to assist people in this area. Its however true that there is a considerable and noticeable assistance given towards the sector as 83% being agreeable that the area is well addressed in a very good way or excellently.

#### **4.3.1.5 Philanthropy in Meeting Consumers’ Expectations to be Assisted**

The study sought to find out if the banks engaged in Corporate Social Responsibility to partly satisfy the increasing consumer expectations. Today’s bank’s consumers have higher levels of awareness and expectations especially after realizing that the profit making organisations are obliged by ethics to give back to the community. The table below is an illustration of the managers’ feelings to which extent they might have assisted with a view to meeting community’s expectations of philanthropy

**Table 4.5: Corporate Social Responsibility to meet consumer’s Expectations**

The examination of the views towards direction that consumers have expectations to be met was analyzed and outcomes were as follows,

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	11	31
Agree	13	36
Neither	2	5
Disagree	6	17
Strongly Disagree	4	11
<b>Total</b>	<b>36</b>	<b>100</b>

From the data above, 31% of the respondents strongly agreed that bank's get engaged in Corporate Social Responsibility to meet consumer's expectations. Another 36% agreed but 5% were neutral on this question. However, 17% disagreed and 11% strongly disagreed. This was a question that attracted a very diverse response meaning managers tend not to have a common stand about the issue but that very few were of that opinion that they assisted due to pressure or people's expectations.

#### 4.3.1.6 Philanthropy in Knowledge Empowerment in the Society

Corporate Social Responsibility activities link a bank with the society it serves by joining them in supporting their development projects. Interactions outside the banks premises promote free flow of information and idea sharing among the stakeholders. This phenomenon was examined.

**Table 4.6: Corporate Social Responsibility in Knowledge Empowerment**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	15	42
Agree	11	30
Neither	2	6
Disagree	6	17
Strongly Disagree	2	6
<b>Total</b>	<b>36</b>	<b>100</b>

From the table above, 42% and 30% of the respondents strongly agreed and agreed respectively, that there are Corporate Social Responsibility activities that enhanced empowering of the community through students' mentorship and community education through of various diverse issues like ways of investing, savings and on other needs affecting the community like family planning. This empowerment area is however wanting or not popular since only 42% strongly felt it was adequately handled. However, 6% remained neutral, 17% disagreed and 6% strongly disagree.

#### 4.3.1.7 Shifting Focus from Shareholders to Stakeholders in Philanthropy Issues

One of the common or conventional trends being pursued by some companies is to participate in Corporate Social Responsibility by engaging stakeholders in decision making contrary to the previous trend of satisfying the wishes of the shareholders

only to identify areas of need. This trend was examined in this study and observed as follows;

**Table 4.7: Shift from Shareholders to Stakeholders in deciding on Philanthropy**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	8	22
Agree	15	42
Neither	7	19
Not true	5	14
Strongly disagree	1	3
<b>Total</b>	<b>36</b>	<b>100</b>

As noted in the table above, 22% of those studied indicated that it was very true that banks were shifting attention from the shareholders to the stakeholders. Another 42% maintained it was true, 19% were not committal, 14% said it was not true and 3% stated they disagreed. The observation made here is that the banks management and the shareholders have the highest hand in deciding areas to assist the community. People have not been adequately consulted and this might reduce the assistance given to being mere gifts than addressing the real people's needs. However with slightly over half of the respondents agreeing that stakeholders are involved then there is progress to that positive direction.

#### **4.3.2 Desire to build a Corporate Image through Corporate Social Responsibility**

This research sought to examine how the desire to build attractive corporate image influenced commercial banks to invest in Corporate Social Responsibility programs. Such initiatives include undertaking some of the actions indicated below like branding of products and services ,establishing bank culture known to employees and the customers ,ways of dressing the staff by the company, motivating the employees and recruiting the best of them in the society.

##### **4.3.2.1 Corporate Social Responsibility improved bank's corporate ranking**

The study sought to find out the opinion of the respondents regarding whether CSR activities assisted or was a factor of consideration during the annual ranking of the banks in Kenya by the Kenya Bankers Association and in the world. Findings were as tabulated and explained here below;

**Table 4.8: CSR Improves Bank's ranking among Competitors**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	10	28
Agree	18	50
Neither	3	8
Disagree	5	14
Strongly Disagree	0	0
<b>Total</b>	<b>36</b>	<b>100</b>

From the table above, 28% of the respondents strongly agreed that Corporate Social Responsibility improved bank's ranking among competitors and reputation. Similarly, 50% agreed, 8% were neutral while 14% disagreed. The interpretation here is that if the ranking is not so much pegged on the CSR activities of the bank but that it was all the same a factor of consideration. The 50% in agreement is because though CSR may not count much in the overall growth or profitability ranking, the bank can be ranked as the best managed in the CSR outreach.

#### **4.3.2.2 Corporate Social Responsibility to Popularize the Banks Name.**

This refers to the process of getting public attention and recognition of your status in the society as a superior bank and leading in many aspects CSR being one of them. Most banks aim at raising their public profile by participating in activities that are attracting public attention and recognition. This aspect was examined in this study and responses were as follows;

**Table 4.9: Corporate Social Responsibility enhances Banks Public Profile**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	13	36
Agree	21	58
Neither	0	0
Disagree	2	6
Strongly Disagree	0	0
<b>Total</b>	<b>36</b>	<b>100</b>

From the data above, 36% and 58% of the respondents, strongly agreed and agreed, respectively, that Corporate Social Responsibility activities enhanced bank's public profile and attention. However, 6% disagreed with the proposition. This interpreted means that it is true that there is need of being seen through the CSR activities as half

attest to that but not many strongly feel that is a major reason for the CSR activities. This means it is not a major reason for the CSR activities.

#### 4.3.2.3 Branding of Products Promotes Bank’s Corporate Identity and Culture

By branding of Corporate Social Responsibility products and services, banks aim at promoting and raising public awareness of its corporate identity and cultivate a culture known to the community. This includes painting business premises that house equity business like the agents. It also includes dressing of employees with business colours and keeping them motivated at work to raise their ego above other banks employees. The opinion of the respondents on this issue was sought.

**Table 4.10: Branding of Products Promote Banks Corporate Identity**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	7	19
Agree	14	39
Neither	3	8
Disagree	8	22
Strongly Disagree	4	11
<b>Total</b>	<b>36</b>	<b>100</b>

From the above figures, 19% of the respondents strongly agreed that Corporate Social Responsibility activities improved banks corporate identity and business culture. Likewise, 39% agreed, 8% were neutral, 22% disagreed and 11% strongly disagreed. This means that the CSR activities related to branding though not significantly, all the same contributed to the eventual raising of the image in the bank.

#### 4.3.3 Use of Corporate Social Responsibility activities as a Marketing Strategy

Banks are in business to make money and available opportunities should be exploited to achieve such a goal. In this study, the use of Corporate Social Responsibility activities as a marketing strategy was examined. The respondents were asked the extent to which they agreed that Corporate Social Responsibility activities were part of the wider marketing strategy employed by the banks.



#### 4.3.3.1 Corporate Social Responsibility to promote customer's loyalty

Customer's loyalty entails retaining customers who generally make repeat purchases of the goods and services produced. Banks consider customer's loyalty as an important investment and Corporate Social Responsibility activities are meant to contribute to this objective. The following were the responses of the manager in regard to use of CSR as a tool to motivate loyalty among the customers

**Table 4.11: Corporate Social Responsibility Promotes Customer Loyalty**

Comment	Frequency	Percentage
Strongly agree	12	33
Agree	15	42
Neither	1	3
Disagree	5	14
Strongly Disagree	3	8
<b>Total</b>	<b>36</b>	<b>100</b>

From the table above, 33% and 42% of the respondents strongly agreed and agreed, respectively, that bank's engagement in Corporate Social Responsibility promotes customer's loyalty level. However, 3% were neutral, 14% disagreed and 8% strongly disagreed. It's therefore felt that customer loyalty is considered but not prioritized as it is below 50% who strongly feel this was a priority reason. Indeed a substantial percent of 22% don't at all subscribe to this reasoning.

#### 4.3.3.2 Corporate Social Responsibility as a Tool for Informing Stakeholders

The study sought to find out whether the respondents considered Corporate Social Responsibility as a tool for passing information of the banks functions and products to the stakeholders and the responses got were as follows

**Table 4.12: CSR as a Tool for Informing Stakeholders**

Comment	Frequency	Percentage
Strongly agree	11	30
Agree	19	53
Neither	2	6
Disagree	4	11
Strongly Disagree	0	0
<b>Total</b>	<b>36</b>	<b>100</b>

From the above data, 30% and 53% of the respondents strongly agreed and agreed, respectively, that Corporate Social Responsibility activities was a tool for informing the stakeholders about bank's products and functions. However, 6% dialed to comment while 11% disagreed. It appears banks have other distinct strategies to market their products and do not over rely on CSR activities to do so. However substantive information about the bank is still planned to be disseminated as half of the respondents did agree to use this method to communicate.

#### 4.3.3.3 Attracting Customers through Corporate Social Responsibility

The study examined whether the banks engagement in Corporate Social Responsibility activities targeted attracting more customers. Targeting some market segments requires new strategies and action plans and Corporate Social Responsibility activities can provide such a link to potential customers.

**Table 4.13: Corporate Social Responsibility to attracting more Customers**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	7	19
Agree	12	33
Not sure	5	14
Disagree	10	28
Strongly disagree	2	6
<b>Total</b>	<b>36</b>	<b>100</b>

As noted in the table above, 19% of the respondents indicated that to a great extent, meaning the bank has no obsession of using the CSR as a marketing strategy by the bank though not emphasized However it was still a point of consideration that Corporate Social Responsibility activities were targeted to attracting more customers to the banks since 33% are agreeable.. In the same vein, 33% maintained to an extent, 14% were not sure, 28% disagreed and only 6% disagreed strongly. The point of using CSR to attract customers doesn't feature strongly.

#### 4.3.3.4 Corporate Social Responsibility to attract more Business Prospects.

The study explored to what extent the respondents believed that Corporate Social Responsibility was used to attract more business to the banks especially from the

corporate organisations like institutions and the government for the increasing products and services. The research output was as displayed in the table below:-

**Table 4.14: Corporate Social Responsibility to attract Business Prospects**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	6	17
Agree	11	30
Neither	5	14
Disagree	10	28
Strongly Disagree	4	11
<b>Total</b>	<b>36</b>	<b>100</b>

As can be observed from the table, 17% and 30% of the respondents strongly agreed and agreed respectively that banks undertook Corporate Social Responsibility activities to attract more business to its existing products and services. This is not a strong percentage meaning it may not be a significant point of consideration. However, 14% were non-committal, 28% disagreed and 11% strongly disagreed.

#### 4.3.3.5 Corporate Social Responsibility for Public Relations

The study sought to find out whether the banks used Corporate Social Responsibility as means of promoting relations with the stakeholders within the business circles. The results revealed the following information;

**Table 4.15: Corporate Social Responsibility to Promote Public Relations**

<b>Comment</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	8	22
Agree	11	31
Not sure	10	28
Disagree	4	11
Strongly Disagree	3	8
<b>Total</b>	<b>36</b>	<b>100</b>

From the table above, 22% of the respondents maintained that to a great extent, Corporate Social Responsibility was used as a means of promoting relationship with the stakeholders. This is not a significant number neither is 31% that indicated it was to a good extent meaning it is not a major factor but all the same was a factor of

consideration.28% were not sure ,11% to a small extent disagreed and 8% strongly disagreed.

#### 4.4 Demographic Data

##### 4.4.1 Gender of the Respondents

The study examined gender distribution among the respondents. The survey output on this aspect is illustrated below that shows most of the managers were men than ladies.

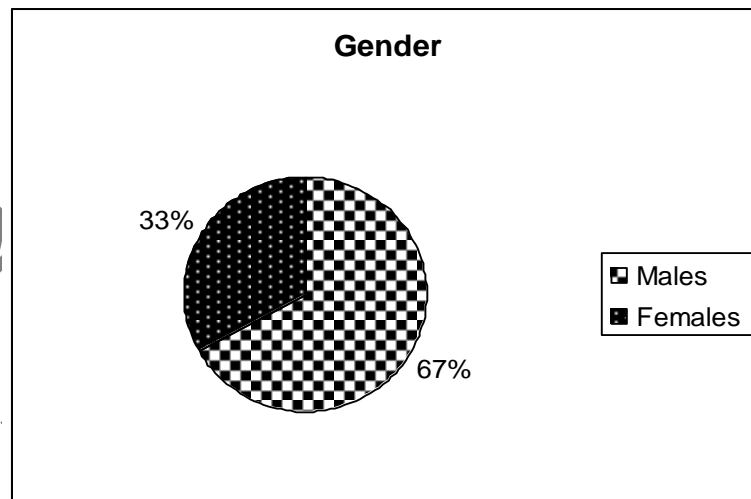


Figure 4.1– Gender of Respondents

##### 4.4.2 Age Distribution

The study examined the distribution of the age of the respondents working as management team in the local banks. The research revealed that the bulk of managers were young people of 36- 39 years. This is a vibrant generation and well equipped with ideas and creativity and is likely to repackage CSR to a better position in the 21<sup>st</sup> century. The figure below is an illustration of the age distribution.

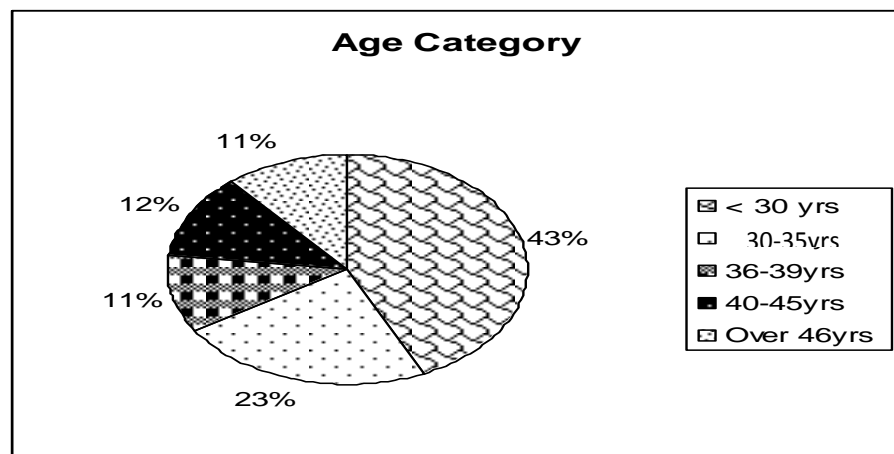


Figure 4.2 – Age Distribution of Respondents

#### 4.4.3 Academic Qualification

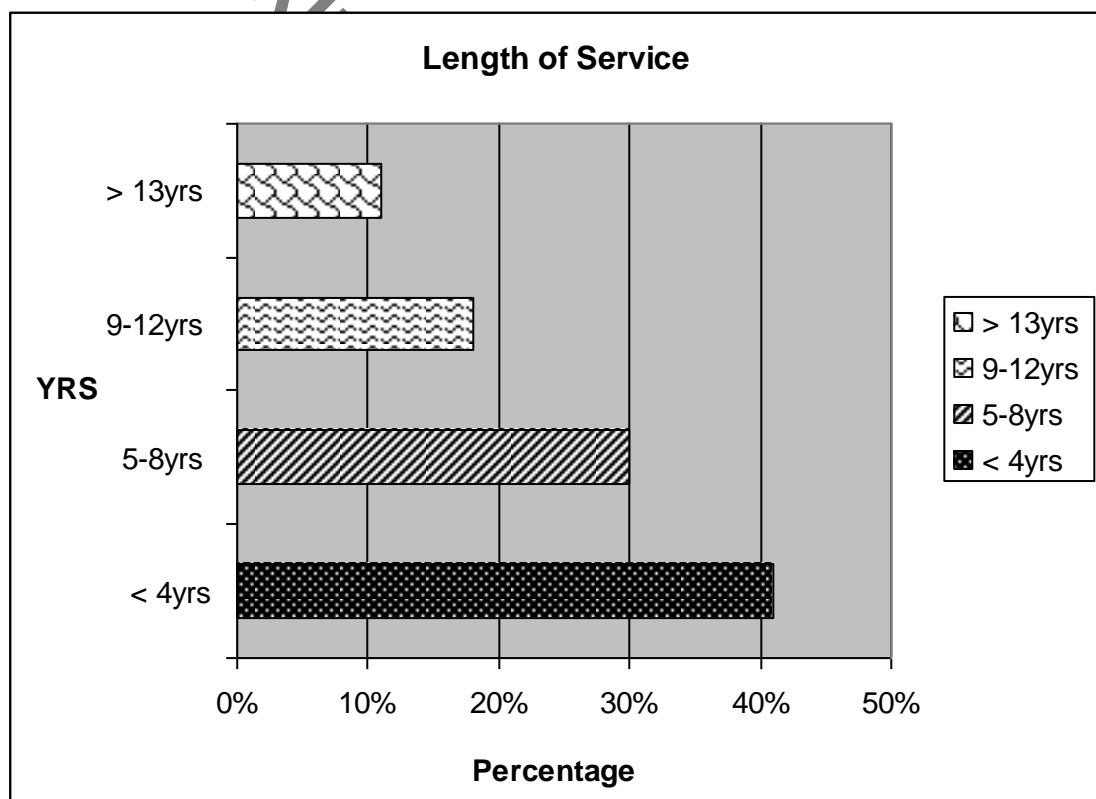
An assessment was carried out on the level of education and it was found out that most were undergraduates with a lot relevant knowhow in their areas of performance. The table below shows that some even have post - graduate qualifications.

**Table 4.16: Level of Education for the Managers**

Level of Education	Secondary	Diploma	Under-graduate	Post-graduate	Total
Numbers	-	3	22	10	36

#### 4.4.4 Length of Service

The study sought to establish the length of service for all the respondents covered in the study. The results were as shown below:



**Figure 4.3: Length of Service of Respondents**

As seen in the figure above, 41% of the respondents had less than four years of experience in the same branch. Another 30% had between five to eight years, 18% had between nine to twelve years and 11% had over thirteen years of work

experience. This did not affect the study since despite the duration they all had the information needed.

## 4.5 Inferential Statistics

### 4.5.1 Correlation Analysis

The study examined the major initiatives influencing commercial banks to invest in Corporate Social Responsibility. There were three specific objectives that were subjected to the study using the spearman's correlation coefficient which determines the relationship between procedure that used ordinal data for the independent and dependent variables

**Table 4.17: Inter correlations among all Variables**

Spearman's rho		Investing in CSR	Philanthropic Activities	Building Corporate Image	CSR as a Marketing Strategy
Investing in Corporate Social Responsibility	Correlation Coefficient Sig. (2-tail) N	1.000 - 36			
Philanthropic Activities	Correlation Coefficient Sig. (2-tail) N	0.402 0.010 36	1.000 - 36		
Building Corporate Image	Correlation Coefficient Sig. (2-tail) N	0.354 0.030 36	0.266 0.041 36	1.000 - 36	
Corporate Social Responsibility as a Marketing strategy	Correlation Coefficient Sig. (2-tail) N	0.381 0.020 36	0.195 0.060 36	0.423 0.025 36	1.000 - 36

**Source: Author's SPSS 2010 results, 2014**

#### 4.5.1.1 Data Analysis

The table 4.4 presents the data of inter - correlations between the three independent and one dependent variable .It tries to check on the weight of the objectives to assess the one that heavily leans towards the undertaking of the Corporate Social Responsibility.

#### **4.5.1.2 Interpretation of the results on philanthropic activities**

Correlation coefficient between support for philanthropic initiatives and investing in Corporate Social Responsibility was 0.402 with a p-value of 0.010 and number of observations being 36. This means that there is a positive correlation between the variables at the level of significance of 5%. The observed p-value was 0.010 and was less than the alpha value 0.05 implying that there was a positive significant influence of support for philanthropic initiatives on the bank's investment in Corporate Social Responsibility activities.

#### **4.5.1.3 Interpretation of the results on building a strong Corporate Image**

The correlation coefficient between the desire to build corporate image and investment in Corporate Social Responsibility activities was 0.354 at 5% significant level with 36 as the number of observations. This means there was a positive correlation between the two variables and this relationship was significant. Since the p-value obtained was 0.030, it was less than the alpha value of 0.05 and hence the decision was that building corporate image significantly influences the banks to invest in Corporate Social Responsibility activities.

#### **4.5.1.4. Interpretation of the Results on CSR as a Marketing Tool**

The correlation coefficient between the use of Corporate Social Responsibility as strategy and investment in Corporate Social Responsibility activities by the banks was 0.381 at 5% level of confidence. This implied that there was a positive relationship between the two variables. The observed p-value was 0.020 which was less than the alpha p-value of 0.05. Therefore the use of Corporate Social Responsibility as a marketing strategy significantly influenced the banks to invest in Corporate Social Responsibility activities.

#### **4.5.2 Output of the Regression Analysis**

The study was subjected to regression analysis to assess the influence or contribution of each predictor variable to the dependent variable. Each of the predictor variables is assumed to have a relationship with the dependent variable and its strength and direction of relationship is to be evaluated independently and finally collectively through the regression equation.

In a multiple regression equation, the outcome of a dependent variable, Y, is predicted by a linear combination of multiple independent predictor variables as shown below.

$$y = B_0 + b_1X_1 + b_2X_2 + b_3X_3 + E$$

**Where;**

y = Dependent Variable (Investment in CSR)

b<sub>0</sub> = Constant variable (y-Intercept value)

b<sub>1</sub>X<sub>1</sub> = 1<sup>st</sup> Predictor variable with its coefficient

b<sub>2</sub>X<sub>2</sub> = 2<sup>nd</sup> predictor variable with its coefficient

b<sub>3</sub>X<sub>3</sub> = 3<sup>rd</sup> Predictor variable with its coefficient

e = residual term or error or other factors

#### 4.5.2.1 Relevance and Reliability of the Regression Equation

To find out whether the entire regression equation is valid and reliable, all the independent variables are entered into the multiple regression equation in the SPSS system. The outcome is an indication of what proportion in percentage of Y (dependent variable) is explained by three (3) independent variables under investigation. The output is presented in the model summary table shown below.

**Table 4.18: Model Summary**

Model	R	R Square	Adjusted R Square	Std Error of the estimate
1	.833	.693	.674	5 265

#### 4.5.2.2 Interpretation

From the table above, all the three independent variables contribute 69% of dependent variable and that other factors account for the remaining 31%. This implies that the regression equation is useful and explains the relationship required.

#### 4.5.2.3 Influence of call to Philanthropy on Investment in CSR

The factor of calls to undertake philanthropic activities was subjected into the regression equation within the system of SPSS analysis. This was meant to find out the strength and direction of relationship with the dependent variable.



The regression equation shows that 38.5% of the y output is constituted by the call for philanthropic activities. The p-value of 0.000 implies the factor is significant and has influence on the level of investment in CSR activities by the commercial banks. The coefficient values of 50,500 means the constant amount of money invested by commercial banks in CSR irrespective of calls to undertake philanthropic activities. Overall, this independent variable has significant influence on the level of investment by the commercial banks.

#### **4.5.2.4 Influence of Desire for a Corporate Image**

The use of regression equation was subjected into the SPSS system to determine the strength and direction of relationship between the desire for a corporate image and level of investment in CSR activities. The regression output where 42.9% of the y factor (level of investment) is influenced by the desire for a corporate image while 57.1% comes from other factors. In addition, the regression model has a p-value of 0.000 meaning that the factor has significant positive influence on the level of investment in CSR activities. The table 4.9 reveals that 50,500 is the constant level of investment irrespective of any other underlying factor and that a change of one unit in desire for corporate image calls for a change of 15,200 as level of investment in CSR. Overall, this factor has positive and significant influence on the level of investment by the commercial banks.

#### **4.5.2.5 Influence of CSR as a Marketing Strategy**

Commercial banks are in business and use of a promising marketing strategy can influence its level of investment in CSR. This aspect was analyzed using the regression model. The results indicate that 40% of the y factor is influenced by the application of CSR as a marketing strategy by the commercial banks. By extension, other factors account for 60% of the level of investment in CSR. The p-value of 0.000 means the factor has positive and significant influence on the level of investment. In the next table 4.11, the significance value was 0.000 maintaining a significant relationship where 50,500 amount of investment is spent irrespective of using CSR as a marketing strategy by one unit results into a change of 8,100 units in the level of investment in CSR by the commercial banks. All in all, the model shows that the use of CSR as a strategy influences the level of investment by the banks.

**Table 4.19: Output of Regression Analysis**

Factor	r	R square	Adjusted R square	F	P Value
Call for Philanthropy	0.620	0.385	0.374	380.420	0.000
Desire for corporate image	0.655	0.429	0.403	436.115	0.000
CSR as a marketing strategy	0.637	0.406	0.379	235.364	0.000
<b>Coefficients</b>					
	<b>Philanthropy</b>	<b>Desire for Corporate Image</b>	<b>As a marketing strategy</b>		
Constant Residue	50,000	50,000	50,000		
	10,800	15200	8100		
Total	61,300	65,700	58,600		
Std Error	7,500	5400	10,000		
	800	1000	2,000		
Coefficient	0.762	0.521	0.426		
T	12.344	8.645	19.378		
	7.538	3.297	7.455		
Sig.	.000	.000	.000		

#### 4.6 Final Regression Equation

Model Multiple Regression Equation:  $Y = B_0 + b_1X_1 + b_2X_2 + b_3X_3 + E$

The final equation now becomes:  $Y = 50,500 + 0.762X_1 + 0.521X_2 + 0.426X_3$

#### 4.7 Discussion of the Findings

The analysis of the study results established that Corporate Social Responsibility is a concept whereby organisations integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. This corresponds the view of Boatright (2009), that its voluntary assumption of responsibilities that go beyond economic and legal responsibilities of a business firm. For the purpose of this study, CSR referred to strategies corporations or banks use to conduct their business in a way that is ethical and society friendly. CSR involves a range of activities such as identifying the immediate problems affecting economic and social growth of the neighbourhood and offering solution in advice or material. It also involves working in partnership with locals in

community projects and socially sensitive investments, developing relationships with employees, suppliers and the Government.

The present-day CSR (also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity) is a concept whereby business organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment, (Webb and Harris, 2001). This obligation shows that organizations have to comply with legislation and voluntary initiatives to improve the well-being of their employees and their families as well as for the local community and society at large. We are now seeing consumers avoiding products of what they perceive as socially irresponsible companies or the products of companies that have allegedly not acted in society's best interest. Enterprises have noted that social responsibility is good for business for the seven main categories of shareholders which includes shareholders, potential investors, managers, employees, customers, business partners and suppliers. Such findings correlate with the literature cited from various scholars and researchers.

The results of this study revealed that the effectiveness and productivity of banks have always been of great concern to their management and the society. Commercial banks are exploring new areas where they can develop for their stakeholders and better institutional climate for their employees to sustain their profits in strong competition. Panayiotou (2009) observes that CSR has an economic gauge that is continued profitability in a competitive space. Corporate social responsibility (CSR) has been touted as an effective management tool to strengthen the organizations' performance through a better image in stakeholder's mind and also because of their responsible behavior toward society and the environment. Although CSR has been more prevalent in those organizations whose activities are more exposed to environment and are more prone toward creating contamination, the interest in using CSR as a strategy is increasing in every type of business. Ali (2011) observes that every firm is an integral part of the community it serves and cannot purport to have no business in the community they serve. Since the year 2000, there has been a series of reforms taking shape in the commercial banks, resulting from the increased awareness by the public of their expectations from the firms. There is also recognition of the importance of quality management and partnership role with the society.

The outcome of the study observed that CSR as an area of practice is moving toward responsible competition, and the movement of CSR has been through many transitions in its concept and application because of the environmental activism and government regulations, whereas the legal requirements by government are becoming more and more stringent for compliance. To integrate CSR and corporate identities with business strategy is becoming much more challenging for the banks to stay up with the future business growth. The CSR domain has been widely studied among various researchers, and much of the focus has been on the role of corporation in a society as wealth maximization or providing socially responsible and ethical output to the society.

The findings further suggest that all the ten banks adhered to a discretionary conception of implying that they embraced CSR mainly for philanthropic reasons, for enhancing their public image as well as using it as a marketing tool. On the management front, the banks paid closer attention to human capital issues including workplace safety and employee satisfaction all of which has CSR component. It was worth noting here that many banks were grappling with the desire to improve their public image through numerous CSR undertakings across their operating zones such as the “wings to fly” scholarships.

The findings also suggest limited publicity of the corporate responsiveness strategies adopted where majority of banks only notified their shareholders under the framework of accountability. While all banks communicate their CSR activities internally, external communication and systematic social reporting are virtually limited. A closer investigation of the outcomes of responsibility behavior suggests a range of social CSR programs where the banks were involvement, ranging from donations involving the orphans and handicapped, to art and cultural development type activities, to sports and music events, to educational and learning programs. While the added value of these programs is not to be undermined, the banks covered seemed to be making no systematic attempts at measuring the effectiveness and impact of their interventions. Majority of these CSR programs were not institutionalized (qualified as small ventures or time-specific projects). Institutionalized corporate social policies are also conspicuously absent suggesting that social issues and impacts have not been seriously incorporated within the bank’s policy.

Corporate Social Responsibility represents the new millennium challenge and a truly paradigmatic shift for business corporations. There is increasing evidence that the CSR movement has picked up enough momentum to continue unabated into the next century. But while there have been important breakthroughs in the theoretical understanding of CSR, empirical studies have generally remained scant. Specifically, there is a scarcity of research addressing the philosophy and practice of CSR in our country. Freeman (2005) has offered a solution to this by encouraging participation of all stakeholders especially the beneficiaries in chatting way forward for the CSR activities. Our findings suggest that despite good awareness and intentions, the CSR approach of the banks remains sketchy. CSR is still largely conceived in the context of voluntary philanthropic initiative as a result of enlightened entrepreneurship exercised by management of the banks, with the corresponding responsiveness processes and outcomes modest at best.

Taking CSR a step forward in the context of developing countries is thus likely to require more systematic planning and stronger determination on the part of the private sector to set this new trend in motion. This is a view also held by Nadezhda (2007) that so far some companies do not have a clear distinction between giving, sponsorship and legal responsibility. This must be founded in the realization that embarking on a CSR program is a major commitment, one which may require changes in the way responsibility management has traditionally been approached. It is also likely to require a concerted efforts and collaborations between the private sector and public sector and the leveraging of the strengths and resources of all partners. The effective metamorphosis of CSR in developing countries beyond the boundaries of public relations is indeed difficult to imagine in the absence of the synergies resulting from such cross-sector collaboration.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

In this chapter, the summary of major findings is presented based on the specific objectives of the study. The analyzed data using spearman's correlation coefficient and the results of questionnaires were used to draw these conclusions.

### **5.2 Summary of the Key Findings**

#### **5.2.1 Need of Corporate Social Responsibility by the Banks for Philanthropy**

The study found that support for philanthropic activities, in a significant way, influenced the commercial banks to invest in Corporate Social Responsibility activities. The banks were found to have given assistance and support to educational programs, environment conservation activities and health programs. Through such philanthropic initiatives, the banks were deemed to be also sharing part of their profits (wealth) with the members of the society. Majority of the respondents indicated that banks always supported philanthropic activities and consequently invested in Corporate Social Responsibility activities.

#### **5.2.2 Use of Corporate Social Responsibility to Build Banks Corporate Image**

The desire to build bank's corporate image was found to have influenced them to invest in Corporate Social Responsibility activities. The weight or perception accredited to the bank by the relevant regulatory authorities like the Bankers Association, county governments and the central government heavily depended on the banks affiliation to their communities by responding to emerging issues. Majority of the responses found out that banks motivated their employees to make them appear more dignified, branded their building and products in unique ways, donated branded items like umbrellas to customers and served customers professionally and fast to consistently build their public profile and identity.

#### **5.2.3 Use of Corporate Social Responsibility as a Marketing Strategy**

The study found out that the commercial banks used Corporate Social Responsibility as a marketing strategy and hence invested significantly in Corporate Social

Responsibility programs. The activities for assisting the communities were also meant to attract potential customers across the board. Services like painting of customers buildings with banks corporate colours is only meant to extend the market of the bank wider by constant reminder to the people of the banks existence more than they are interested in making the owners building beautiful. In addition, Corporate Social Responsibility was used as a strategy for enhancing the existing customer's loyalty as well as for as for promoting their business posterity. Corporate Social Responsibility was also found to be another form of advertisement strategy for the bank's products and services.

### **5.3 Conclusion**

#### **5.3.1 Need of Corporate Social Responsibility by the Banks for Philanthropy**

On assessing how philanthropy has influenced commercial banks to invest in CSR, it was found out that this is the main reason or drive towards CSR. The banks have a humanitarian consideration of their customers and stakeholders in general. The consideration is made in view of the fact that it is these stakeholders who have helped the bank grow to where it is at that particular time. It is thus prudent to appreciate and give back by using part of the profits to assist the community in some of their pressing needs .With ethical practices of assisting the disadvantaged in society through education sponsorships, sponsoring medical care and environment upgrade, the banks have felt a justification of the enormous profits they make without feeling guilty of exploitation.

#### **5.3.2 Use of Corporate Social Responsibility to Build Banks Corporate Image.**

On analyzing the level at which desire for a corporate image has driven banks to practice CSR, it came to be the second strongest , of the factors investigated. People generally want to be associated with the best or with a superior brand .Customers will thus consider with priority a bank rated highly in society before choosing to do business with it. They will be comfortable to supply and wait patiently for their money without fear of being swindled their money. Investors will buy shares to be identified with the bank and with hopes of high returns to peoples trust in the investment .Many customers will open bank accounts and the bank management and

workers will develop some ego of superiority and also find it easy to market their banks.

### **5.3.3 Use of Corporate Social Responsibility as a Marketing Strategy**

The use of CSR as a marketing strategy for the banks and their products is also an influential factor. Though not a leading factor, banks have labeled donated items with their names and logo not only for identity but also with an aim to creating a mindset to people then and in future of the bank as a caring partner. Where banks have helped to construct buildings they have called for public gatherings during the handing over not only for them to witness but also to learn about the bank and its products with hope that some become future customers and marketers of the bank. It is therefore right to say that the philanthropic activities of the banks have often been used as platforms of marketing their products. This may erroneously be viewed as un-ethical but it is still justified by the fact that it is not prudent to be silent of one's good deeds of benevolence while it may be the cutting edge in the business one is undertaking. After all commercial banks first and foremost priority is to remain in business.

## **5.4 Recommendations**

Based on the findings of the study, a number of suggestions would be necessary;

### **5.4.1 Need of Corporate Social Responsibility by the Banks for Philanthropy**

In regard to this first objective on the need of philanthropy or assisting the needy in society, Corporate Social Responsibility programmes have greatly assisted beneficiaries improve their lives in ways they would never have managed. This is in acquiring quality education, saving life through expensive surgeries, environment conservation and acquisition of needful infrastructure. Corporate Social Responsibility should thus be given priority by all corporations and the government should give tax concessions to such subscribing corporations. Corporate Social Responsibility still looks like a secret programme in many banks arrived at with the banks ad hoc decision and a favour to the beneficiary or a coincidence to those who benefit. It would be recommendable the style used by Equity bank of the "Wings to Fly Programme" In this one the programme is advertised through the media and posters and people encouraged to apply within a given deadline. There is vetting and



beneficiaries are notified. The beneficiaries are again put up in the media and it is clear to winners and losers. This will help in identifying the most needy persons among the needy since it is not possible to assist everybody who asks for help.

#### **5.4.2 Use of Corporate Social Responsibility to Build Banks Corporate Image**

In the second objective on need of CSR to improve the corporate image of the banks, it should be realized that people are now aware of the banks obligation to give back to the community. Corporate Social Responsibility should thus not be relegated as an option activity but a mandatory one that requires proper budgeting, the right personnel trained to undertake the responsibility and a relevant department created for that role. This is because absence of CSR in a community would heavily dent the image of that bank in society especially where the competitors are engaging Corporate Social Responsibility programmes in banks should be made predictable by being annual or continuous since now it is like dependent on availability of finances in many banks and other external factors like opinion of the stakeholders. The amount allocated is only what can change this affecting number of beneficiaries.

#### **5.4.3 Use of Corporate Social Responsibility as a Marketing Strategy**

In regard to the third objective where CSR has been used as a marketing strategy, it would also be important that the CSR project undertaken be of benefit to the community and of priority but the opportunity be used for marketing. This is more ethical than looking for projects to undertake simply to get an opportunity to publicise the bank. For programmes that are not continuous since there are banks that want to fund a different programme per year like environment, education or another sector it is the banks responsibility to notify the public of the new annual activity change and the amount allocated towards the same since for now it is only those privileged to know of the new programme that apply.

#### **5.5 Suggestions for further research**

- i. It would be very interesting to find out if there is a direct economic correlation between input in Corporate Social Responsibility and output in annual profit for the year. This is because during my research it became very difficult to demarcate

the role played by Corporate Social Responsibility in the annual profit and not by marketing or other factors like cost of products.

- ii. It would be interesting to find out the activities that mostly bring economic output through attraction of customers.
- iii. With branding or need of corporate image being almost the key factor for Corporate Social Responsibility, it would be good advice to the banks and companies on the most crucial activities of Corporate Social Responsibility towards this direction. A new approach to Corporate Social Responsibility termed as Creating Shared model is based on the idea that corporate success and social welfare are interdependent. It is suggested that a business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy.
- iv. The community being a major stakeholder of Corporate Social Responsibility as a beneficiary, the next research should want to survey customer's feelings towards this Corporate Social Responsibility. It should show whether it's a pointer to their perceptions of a bank or even a motivator to their joining the banks where they are customers.

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## APPENDIX I: QUESTIONNAIRE

My name is Joseph Kingori Nguyo, a Master's Degree student in Business Administration at Dedan Kimathi University of Technology conducting a research on the drivers of commercial banks investment in the CSR. I kindly request you to respond to the following questions with an assurance that your responses are just for academic purposes and will also be treated with utmost confidentiality.

### **PART A: Use of Corporate Social Responsibility by Banks to Support Communities in their fundamental needs**

1. Corporate Social Responsibility activities assist the community in Educational sponsorship

Strongly Agree ( )      Agree ( )      Neither ( )      Disagree ( )

Strongly Disagree ( )

2. Banks effort for community's environment conservation programmes can be rated as

Excellent ( )      Very Good ( )      Good ( )      Fair ( )      Poor ( )

3. Corporate Social Responsibility supports community developments like women groups, water projects and in sports

Strongly Agree ( )      Agree ( )      Neither ( )      Disagree ( )

Strongly Disagree ( )

4. The support and assistance given by the banks under Corporate Social Responsibility programme, to Community's health services can be rated as?

Excellent ( )      Very Good ( )      Good ( )      Fair ( )      Poor ( )

5. Banks participation in Corporate Social Responsibility activities have been promoting cordial relationship with stakeholders

Almost Always ( )      Always ( )      Sometimes ( )      Never ( )



Don't Know ( )

6. Banks engage in Corporate Social Responsibility because consumers nowadays have higher expectations from the Companies

Strongly Agree ( )      Agree( )      Neither( )      Disagree( )

Strongly Disagree ( )

7. Corporate Social Responsibility activities enhance knowledge empowerment in the society

Strongly Agree ( )      Agree( )      Neither( )      Disagree( )

Strongly Disagree( )

8. Corporate Social Responsibility activities are decided in consultation with the stakeholders and not the shareholders views only.

Strongly Agree ( )      Agree( )      Neither( )      Disagree( )

Strongly Disagree( )

**PART B: Desire for a Positive Corporate Image and a Prominent Public Profile**

1. The bank engages in Corporate Social Responsibility to improve its corporate ranking among competitors

Strongly Agree ( )      Agree( )      Neither( )      Disagree( )

Strongly Disagree ( )

2. Corporate Social Responsibility enhances a bank's publicity in the community.

Strongly Agree ( )      Agree( )      Neither( )      Disagree( )

Strongly Disagree( )

3. Corporate Social Responsibility is undertaken to improve bank's corporate identity and business culture

Strongly Agree ( )      Agree( )      Neither( )      Disagree( )

Strongly Disagree ( )

4. Explain how Corporate Social Responsibility assists banks to improve their corporate image and public profile

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**PART C: Attracting Customers through publicity using Corporate Social Responsibility Activities**

1. Banks engage in Corporate Social Responsibility to attain customers' loyalty or to maintain their trust as a responsible bank.

Strongly Agree ( ) Agree ( ) Neither ( ) Disagree ( )  
Strongly Disagree ( )

2. How do you rate the use of Corporate Social Responsibility as a means to communicate or propagate banks ideals to the stakeholders?

Strongly Agree ( ) Agree ( ) Not sure ( ) Disagree ( ) Strongly Disagree ( )

3. Investing in Corporate Social Responsibility attracts new customers to the banks

Strongly Agree ( ) Agree ( ) Not sure ( ) Disagree ( )  
Strongly disagree (.)

4. Does Corporate Social Responsibility enable banks to attract more business prospects?

Strongly Agree ( ) Agree ( ) Neither ( ) Disagree ( )  
Strongly Disagree ( )

5. Is Corporate Social Responsibility in banks targeted to improve public relations?

Strongly Agree ( )      Agree ( )      Neither ( )      Disagree ( )  
Strongly Disagree ( )

**PART D: Demographic Characteristics**

*Kindly tick the correct answer*

1. Your gender

Male ( )  
Female ( )

2. Name of your Commercial Bank

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3. Your age bracket

Below 30 yrs ( )  
30-35 yrs ( )  
36-39 yrs ( )  
40 - 45 years ( )  
Over 46 years ( )

4. Academic qualification

Secondary ( )  
Diploma ( )  
Undergraduate ( )  
Post graduate ( )

5. Length of stay in the branch

1 – 4 years ( )  
5 – 8 years ( )  
9 – 12 years ( )  
13years and Above ( )