

**CORPORATE SOCIAL RESPONSIBILITY ON COMPETITIVENESS OF  
COMMERCIAL BANKS IN KERICHO TOWN, KENYA**

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## DECLARATION

This project is my original work and has not been presented for a degree or other award in any university.

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I confirm that the work reported in this project was carried out by the candidate with my approval as the University Supervisor.

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## **DEDICATION**

I dedicate to my wife Nancy and my sister Emily Chepngetich for the guidance and continuous support they have given me through the research work.

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## OPERATIONAL DEFINITION OF TERMS

<b>Commercial Banks</b>	Are legal entities licensed to provide financial services and products to the public.
<b>Community</b>	A society that is targeted for CSR activities.
<b>Competitiveness</b>	It refer to the ability of organization to have competitive advantage obtain through Customer relation, Market share and Suppliers relationship.
<b>Corporate Social Responsibility</b>	This is a charitable activity that is done by a commercial bank philanthropic, ethical, economic, and community based practices.
<b>Customers</b>	Those who buy services and goods from the business organization.
<b>Financial Performance</b>	The ability of an organization to become sustainable and profitable. It reflects the financial status of an organization.
<b>Resources</b>	These are assets of the business organizations which include, financial, fixed assets, human resource, and other intangible assets like goodwill, talents, expertise, and professionalism.
<b>Stakeholders</b>	Those who benefit directly or indirectly from the activities or operations of the business organization.

## **ABBREVIATIONS AND ACRONYMS**

<b>CBK</b>	Central Bank of Kenya
<b>CFP</b>	Corporate Financial Performance
<b>CLV</b>	Customer Lifetime Value
<b>CSR</b>	Corporate Social Responsibility
<b>NCAPD</b>	National Coordinating Agency for Population and Development
<b>RBV</b>	Resource Based View
<b>ROE</b>	Return on Equity
<b>SME</b>	Small and Medium Size Enterprises
<b>SPSS</b>	Statistical Package for Social Studies

## ABSTRACT

Currently, the banking industry is experiencing an exponentially increasing competition among other challenges like government regulations. Therefore, to curb these challenges and be sustainable in the fragile business environment, banks have shifted their focus towards appealing to the public in order to create a good corporate image through philanthropic, ethical, economic and community based practices. The general objective of the study was to investigate Corporate Social Responsibility and Competitiveness. The specific objectives were; to establish the effect of philanthropic practices, to examine the effect of ethical, to determine the effect of economic and analyze the effect of community based practices on competitiveness of commercial banks in Kericho town, Kenya. The study is significant to several stakeholders including the government, policy makers in the banking institutions and academician. The study used the resource based view, stakeholders', and strategic leadership theories. It used descriptive research design; a population of 9 commercial banks, sample size of 51 bankers and 80 customers selected using simple random sampling technique. The data was collected using questionnaires distributed to the respondent. The researcher used descriptive and inferential statistics to analyze data with the aid of Statistics Package of Social Science. The findings indicated that there was positive significant effect of philanthropic, ethical, economic and community based practices on the competitiveness. The study concluded that the corporate social responsibility significantly influences competitive advantage. Economic practice had the highest significant effect on competitiveness followed by philanthropic, community based and finally ethical practices. The study then recommended that the government and the commercial banks should practice corporate social responsibility. It creates customer relation; increases market share improves relationship with the suppliers. Further studies should be conducted on corporate social responsibility and the economics growth of the community.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background to the Study**

Competitive advantage has concern for major organization. This was one of the studies that created contention around 80's. One of the renowned authors included Michael Porter who created competitive advantage model (Porter, 1985 as cited in Bett, 2013). The model has not revolutionized to current state of affairs where companies are required to participate in corporate social responsibilities. Currently CSR is both a mandatory as well as a source of public relation tool. Most of the countries has made policies though weak in nature but make the organization within it to be responsible to the community (Carroll, 1979). On the other hand, dues to high competition some organization has used it as a tool to bring competitive advantage.

#### **1.1.1. Competitiveness of a Firm**

Competitiveness is the ability and performance of a business organization to sell and source commodities in a particular market in relation to the capability and performance of its competitors to supply goods and services in the same market segment (Aiginger, 1998). According to Karl (2013), competitiveness is defined as the ability of a business organization to deliver beyond the expectations of its stakeholders. It combines the evaluation of inputs or processes in one hand, and the assessment of the objective on the other hand. Empirical observations confirm that certain resources like labor, capital, technological advancement and talent tend to combine together to bring about competitiveness of a business organization, a country, or a sub-sector. This therefore depicts that business organizations are embedded in inter-organization relationships with networks of buyers, suppliers and even their fellow competitors which enables the business organization to gain a competitive advantage in the sale of products and services. On the other hand, the market relationship also provides the benefits of competitive advantage of business organizations and sometimes there are external factors that arise from the linkages among firms in a given geographical area, or in a particular industry.

According to the World Bank Forum (2010), competitiveness is a set of institutions, policies and the factors that determines the productivity, performance or profitability of a given business organization. On the other hand, the term competitiveness is also used to refer the broader aspect of economic competitiveness of business organizations, sub-sectors or countries. In the recent past, due to the global business environment challenges, business organizations are increasingly looking at their competitiveness in the global perspective.

The concept of competitiveness was conceptualized in terms of customer satisfaction, market share and suppliers' relationship.

### **1.1.2. Corporate Social Responsibility**

Corporate social responsibility has become a common practice done by financial institutions in Kenya. It has grown popular as the newest management strategies where corporations develop projects and activities that has positive influence on society while continuing with their mandate. Corporate social responsibility as defines by Holme & Watts (2000) is the continuous obligation where business behave in an ethically and provide to economic development by improving the standards of livelihood of the employees and their dependents as well as the society. Ethical decision in the corporate world is important to reduce the government involvement in the provision of services and economic development. Different reasons have been accorded for corporate to involve themselves in tasks that assist the society. Most of commercial institution provide community activities so as to identify themselves with the society. This legitimacy practice helps the organization attain sustainable profitability by gaining market share and wining many customers (Bowen, 2013).

The corporate sector has largely invested in social responsibility as an economic benefit to the organization. In larger society the corporate has a greater opportunity to use public resources to conduct other social related project with partnership of governmental and non-governmental agencies (Carroll, 1979). Carroll added that the rule and regulation made by agents like government, has negative influence to the profit maximization. It then affects stakeholders needs when such spending is high and threaten their profit objective. If a firms makes it the least, it can do as part of

law requirement then their objective does not capture marketing and customer retention. Eilbert and Parket (1973) tried to make provided a clear understanding of what social responsibility through the three expression of “good neighbor” tag. They provided two facet meaning. The first was doing things that does not threaten the neighbor and second is that business should provide answers to the problem facing the society like poverty, environmental conservation or transportation.

McWilliams, Siegel & Wright (2006) identified that there existed a gap from the studies in theoretical and empirical knowledge of corporate social responsibility. Some of misunderstood areas are the meaning, institutional difference, strategies, motivation and models used in corporate social responsibility. Also the association of corporate social responsibility to leadership, corporate culture, cost and need assessment. This makes it a new area where most of the organization should input more efforts on.

Corporate social responsibility is moral concept that an entity gives an obligation to an organization to conduct duties in way that it benefits the community. It a responsibility that every company has conduct so as to maintain a force of the economy and nature a good relationship between the organization and its environment. A balance is maintained with in the economic development, social welfare and material sense. According to Bowen, (1953), It pertains not only to commercial organizations but also to everyone whose action impacts the society. Corporate social respondent activities are then represented by about four variables: ethical, philanthropic, economic and legal. This element contradicts with the corporate business agenda of profitability. These principles assume that the corporate social responsibility is done towards is based on normal profit, adherence to laws, ethical responsibility and philanthropic. According to Carroll (1991) corporate social responsibility interlinks the community and corporate world. It governs the relationship between difference entities like suppliers, investor, buyers, employees, society and other stakeholders of the organization.

Waddock & Graves (1997) addressed that organization can be able to provide social responsibility activities without contravening the prime task of optimization of profit. It is possible through making corporate responsibility as main organization practices,

organization governance and management tools. This will ensure proper strategized method of deploying the responsibilities to the society without straining the resources. Carroll (2008) organization environment includes political, economic, social, ecological and legal. Organization long term stay in business it has to make the external environment to be conducive through enabling social and legal element through practicing corporate social responsibility. Bowen (1953) gave a better definition of corporate social responsibility where he described as obtaining economic success through honoring ethical values and been responsive to the society and its environ.

In a case of corporate social responsibility as claimed by Bowman & Haire (1975) argued that stakeholders perceive corporate social responsibility to be related to the organization's reputation. It has resulted to increase in income and improvement of economic development. There is a positive improvement of income in the companies that practices social support to the community. The business has then capitalized the social problems in the community and turn it to economic opportunity the yield income, increase production quantity, personnel competence and creation of wealth to all stakeholder in the organization. Bowman and Haire further realized the organization provide substantial among of their resources towards corporate social responsibility has shown output of high return on equity. This has formed an inverted "U" curve. Literary it implies with too much resource or too low resource deployed in social responsibility usher loss or low return on equity. On theoretical basis the expectation of corporate social responsibility is financial performance increment in the organization after a long period. The corporate social responsibility is expected to increase the firm's revenue, competitiveness, maintain customers and provide a better brand of the organization before the clientele. This then make the customers wants to become needs and in the long run economic gain for the organization.

In the study philanthropic practices were conceptualized in terms of shared values in relation to customers, communication with stakeholders and mutual respect with suppliers. Ethical practices were measure in terms of compliance with regulations and accountability. Economic practices were quantified in terms of entrepreneurship support ad financial literacy, while community based practices were conceptualized in form of education and charitable activities.

### **1.1.3. Commercial Banks in Kenya**

Registered commercial banks in Kenya are 42 where 30 are local and 12 are international. Three of the locally owned banks are publicly owned by shareholders while twenty-eight are private. Nine of the foreign owned banks are locally incorporated. In addition to the forty-two financial institutions, there are seven representative offices of foreign banks (CBK, 2017).

Commercial Banks have made social responsibility to be important made over recent years. These are evident in newspaper and end year annual report as well as organization website. It has provided platform for organization to involve themselves in numerous activities across the country. These institutions have engaged in activities that include investment challenges, innovation, Health, competitions, agriculture, environmental sustainability, aid in terms food and resource to the hungry stricken, financial literacy and access, enterprise development, humanitarian intervention, business ethics, entrepreneurship, education and leadership development, community development projects, corporate governance and workplace issues.

Commercial banks in Kenya commit their resources to CSR activities to become more competitive based on the large number of registered commercial banks. The CSR is said to be part of the banking sectors as a marketing tool as well as improving livelihood of the surrounding community. This prompted the study on the determining the effect of CSR on competitiveness of the commercial banks.

### **1.2. Statement of the Problem**

The complexity of the global business environment has made competitiveness of business organization a great challenge. The emergence of new entrants in the market environment, government regulations, coupled with the advancement in technology among others has exponentially increased competition in the business environment. This has made it difficult for business organization to be competitive. Therefore, most business organizations are faced with challenges such as maintaining good customer relations, market share and strained supplier relationship. Achieving competitive advantage is an uphill task for business organizations because inadequate resources to explore available markets advertise and improve their performance therefore

hindering their competitiveness. The customer has become the center of business organizations today, commercial banks notwithstanding. The Banking Survey (2013) rightfully admits that commercial banks have to out-compete and out-innovate their competitors to remain relevant to customers whose brand loyalty is wanting. Customers want convenience and are willing to go to whoever is offering it and therefore firms that do not provide convenience to its customers find it difficult to compete in the business environment.

According to John (2015) most business organizations, regardless of their size, continue to face the same challenges of maximizing profits, reducing expenses, and improving their performance. These challenges occur as a result of the increased competition which makes business organizations unable to become profitable and sustainable. This is a clear indication that competitiveness is critical for the survival, sustainability and performance of business organizations.

According to Berger, Asli, Levine & Haubrich (2004), financial performance fosters business growth on the other hand, financial development is related to the organizational characteristics including their market share, and customer base among others. For an organization to be financially sound, it must be competitive, however, as a result the current competition in the business environment, business organizations find it difficult to be competitive and thus posing a challenge to their performance. As a result of the increased competition, business organizations have been forced to adopt strategies to curb the challenges of competition. Most companies are currently focusing of branding in order to create an appealing corporate image while others have resorted to advertisement and rigorous marketing. Other organizations practice CSR for different reasons, including sustainability, improve reputations and to improve their financial performance among others.

The study on the influence of CSR on competitiveness of commercial banks in Kericho Town, Kenya. Several studies have been conducted in relation to CSR; however, all these studies have not focused on CSR and competitiveness. Competitiveness is important in a highly competitive environment. In Kericho alone the customers are being shared by 9 commercial banks. These healthy competitions can only be worn through better marketing and public relation through CSR models.

### **1.3 General Objective**

The general objective of this study is the effect of Corporate Social Responsibility on Competitiveness of Commercial Banks in Kericho town, Kenya.

#### **1.3.1. Specific Objectives**

The study will be based on the following research objectives:

- i. To establish the effect of philanthropic practices on competitiveness of commercial banks in Kericho town, Kenya.
- ii. To examine the effect of ethical practices on competitiveness of commercial banks in Kericho town, Kenya
- iii. To determine the effect of economic practices on competitiveness of commercial banks in Kericho Town, Kenya
- iv. To analyze the effect of community based practices on competitiveness of commercial banks in Kericho Town, Kenya.

#### **1.3.2 Research Hypothesis**

H<sub>01</sub>: Philanthropic practices do not have a significant effect relationship with competitiveness of Commercial Banks in Kericho town, Kenya.

H<sub>02</sub>: Ethical practices do not have a significant influence relationship with competitiveness of commercial banks in Kericho town, Kenya.

H<sub>03</sub>: Economic practices do not have a significant effect relationship with competitiveness of commercial banks in Kericho town, Kenya.

H<sub>04</sub>: Community based practices do not have a significant influence relationship with competitiveness of commercial banks in Kericho town, Kenya.

### **1.4. Significance of the Study**

The research finding goes a long way in assisting many stakeholders. Government benefits from this research in provision of viable information for economic practices

and implementation of CSR plans and programs. This research provides information that guides on how corporate social responsibility can be enhanced so as to improve the competitiveness of Commercial Banks in Kericho town. It also creates a balance between which corporate responsibility is beneficial to the society as well as the organization. The policy framework of corporate social responsibility is within the government's prerogative.

Commercial banks and other organizations benefit from the findings of this research. It channels information about the effect of Corporate Social Responsibility and Competitiveness of the commercial banks in Kericho town Kenya. This would help them to take necessary measures to ensure they adopt CSR actions that will enable them to gain competitive advantage and to improve the performance, growth and profitability. The findings of this study would also be of great value to future researchers and academicians. It provides reference for other scholars on the gaps, areas to study and empirical review with findings that are crucial in finding the gaps. It acts as knowledge management for others.

### **1.5. Scope of the Study**

The study focused on Corporate Social Responsibility and Competitiveness of Commercial Banks in Kericho. The study was undertaken in 2016 on activities within the scope by the research objectives and strategic management.

### **1.6. Limitations of the study**

Collection of information was difficult in a bank setup based on the workload of the employees, availability and confidentiality of information. The researcher had to visit respondents more than once. Letters of approval from NACOSTI, Education Director and County Commission made the respondents develop confidence. Other information was also hard to disclose based on the organization's right to disclose information and thus had slight hindrance to the research work. The researcher ensured that this was minimized through contextual validation of the research instrument. This enabled questions that are not affecting the integrity of the person or the commercial banks. It also ensures that the data were valid before interpreting it.

## **1.7. Organization of the study**

Chapter one comprises Background of the study, Problem statement, purpose, significant, scope and limitation of the study. Chapter two focuses on the theoretical review, empirical review, research gap and conceptual framework. Chapter three consist research design of the study, target population, sampling design, validity, reliability, data collected, data analyzed and ethical consideration. Chapter four contains the findings on respondent information, corporate social responsibility and competitive advantage, and summary of inferential statistics. Chapter five provides information on the findings summary, conclusion and recommendation.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Theoretical Review**

It consists of the theories governing CSR performance and competitiveness. This section thus adopts four theories and these are; the resource based theory, stakeholder theory, strategic leadership theory, and institutional theory. The following theories have been used to guide this study.

##### **2.1.1. Firm's Resource-Based View Theory**

Wernerfelt in the year 1984, introduced the resource-based-view of the firm (RBV) and the same was refined by Barney and Tyler (1991). The concept was borrowed from Penrose (1959) research. This theory postulates that a firm is a source of numerous resources and capabilities that are different in nature. Resources can be mobilized so as to improve organization image, provide competitive advantage and performance of the organization. Barney's (1991) view is that if these resource and capabilities of an organization are limited in nature, valuable and unique performance then sustainable competitive advantage can be achieved by realigning it with the customer needs. They can then be used by the organization to obtain competitive advantage over its rivalry.

Hart (1995) is the first to apply resource based theory on corporate social responsibility. The study concentrated on the environmental social responsibility. It noted that resource or capabilities on environmental social responsibility leads to a competitive advantage of the organization that practice them. Russo & Fouts (1997) tested the concept through empirical using firm-level information based on the environment and accounting profitability the study indicated that firms with higher environment performance was related with higher performance in finance. The interpretation was in line with the resource based view theory. McWilliams and Siegel (2001) using the resource based view context, formed a profit maximization model for corporate social responsibility framework. Theory of firm model was based on social attribute which include the stakeholder as well resource based view of firm. This theory is relevant to the study because the capabilities that promotes competitive

advantage can be achieved through CSR are very important resources that will enhance the commercial bank's competitiveness. The resources are then utilized in philanthropic, ethical, economical and community based practices to ensure that competitive advantage is achieved.

### **2.1.2. Stakeholder's Theory**

The stakeholder theory was advanced by Freeman in 1984 where he developed the theory basing on the 1938's Chester's 'inducement-contribution' structure. He provided a closer representation of corporate social responsibility with positive relation to the view of manager. Managers from Freeman view can influence the resource and stakeholder of the organization including the community, supplier, clientele and employees. The manager's focus from this view may not satisfy each stakeholders needs nor the owners.

The stakeholders would prefer non-financial corporate social responsibility activities that bring benefit to the stakeholder. The concept of stakeholder theory looks a firm as trying to fulfill all stakeholders' requirement hence there is a need to balance the requirement of each stakeholder. Donaldson & Preston (1995) extended the ideology of stakeholder theory and stressed on the ethic elements of the corporate social responsibility. Donaldson & Davis (1991) looked on a similar concept of stewardship theory. This is based on the idea that the stewards who is the manager has to do what is right without consideration of the financial performance.

D'Aveni (1994) was of the view that the satisfaction of superior stakeholders plays a crucial role in the success of business organizations especially in a hypercompetitive environment. Freeman's, 1984, empirical research in reference to Stakeholder theory indicated that firms explicitly manage their relationships with different stakeholder groups. Donaldson & Preston (1995) observed that companies appear to manage stakeholders for both performances based reasons and normative reasons. Clarkson (1995), indicted that stakeholders in an organization who do not take up continued participation cannot survive as a going concern. Further suggestion by Clarkson was that these relationships are characterized by mutual interdependence among the

shareholders or owners, employees, customers, and suppliers, as well as government and communities.

Corporations as fundamentally relational is envisioned by Capra & Pauli (1995), where he indicates just as Clarkson, that; just as a system of primary stakeholder groups, a complex set of relationships between and among interest groups with different rights, objectives, expectations and responsibilities. This theory is applicable to the study because banks have seen the need to satisfy the stakeholders. The community and customer represent the stakeholders in the study.

### **2.1.3. Strategic Leadership Development Model**

This model was developed by Brigadier Farhat and Gerras Stephen in 2012. The observation in this model indicates that the leadership as a whole in financial institutions can affect its engagement in CSR (Farhat &Gerras, 2012). The definition of leadership is the ability of leaders to effectively apply their communication skills and put their expertise in order to enhance effective consultations at the various stages of making decisions in order to develop processes that will articulate and enhance their own values, missions, objectives, and visions clearly and not dictate them. According to Pearce, Robinson & Mital (2008) this model is about setting and analyzing agendas, issues, identifying challenges, and working on change that will make substantial improvement and not just managing changes. Strategic leadership according to Rowe (2001) is the ability to influence others to voluntarily make decisions that enhance the long term viability of the organization as well as maintaining its short term financial stability. Strategic leaders, according to Davis (2004), are those who have organizational ability to strategically orientate; translate strategy into action; align people and organizations; determine effective strategic intervention points and develop strategic competencies. A strategic leader displays a dissatisfaction or restlessness with the present; absorptive capacity; adaptive capacity and wisdom.

Strategic leadership as defined by Beatty & Quinn (2010) is a combined responsibility of the leader, the follower and the organization. They further pointed out that leadership presents challenges that require people who are best in the field and bring

them together on a common purpose. The work between the leader; with intentionality, alignment, and a higher purpose and the followers creates a synergy.

Waldaman, Siegel, Atwater & Link (2004), in his view of CSR applied strategic leadership model and concluded that managing personnel who are higher intellectually do have more strategic CSR than those that do not have. This position has been upheld by the various authors who believe that some changes in leadership have positive impact and are likely to take up CSR and the managers of such institutions are more likely to implement CSR activities in a strategic manner. Therefore, philanthropic, ethical economic and community based practices are strategic tools for competitive advantage.

## **2.2. Empirical Review**

This section examines the scholarly and empirical literature related to the practices. Therefore, this section will take into account philanthropic practices, ethical practices, economic practices and community based practices.

These Research studies have not only focused on competitive advantage but evaluated specific programs. From the above empirical review conclusion can be drawn that CSR has been looked into by researchers although the impact of CSR has not been research or looked into in details and the same is the case in looking into the competitiveness of commercial Banks in Kericho town, Kenya. This therefore necessitates this study so as to bridge the existing literature gap.

### **2.2.1. Effect of Philanthropic Practices on Competitiveness**

Corporate social responsibility involves philanthropic practices that corporate entity does towards its immediate community. It involves activities such as donating funds to deserving institutions or individuals and the organization's stakeholders in a bid to improve their livelihood (Knowlton, 2001). As a result of the competitive business environment, several business organizations have devised strategies aiding their ability achieve a competitive edge in the market environment. One of the strategies that organizations involve in is philanthropic practices which are geared towards influencing the competitiveness of a firm and thus encompasses the values of a firm,

good communication, mutual respect and well defined roles and responsibilities. The role of stakeholders in an organization is to ensure smooth operations of the organization and as a result their reactions, plans and view in regards to the organization's socioeconomic operations impacts much on the financial status of such organizations (Miller, 2003).

By engaging in philanthropic practices, organizations have a different perspective in terms of the goals from the shareholders' perspective. The organization is keen on satisfying and keeping the stakeholders loyal while the shareholders look into the quality of management of the organization (Evans & Laskin, 1994). According to Equity Bank annual report of 2011, through Equity Group Foundation, the bank has engaged in philanthropic practices with other stakeholders towards deserving individuals and institutions with the aim of improving their livelihood. These stakeholders include UK Agency for International Development (UKAID), German Development Bank (KFW), Government of Kenya (GOK), United States Agency for International Development (USAID), World Food Program (WFP) and United Nations Development Program (UNDP) among other stakeholders. The strategies are aimed at various stakeholder groups with specific target objectives including financing education for the less fortunate.

According to Husted & Allen (2007) on the same note of strategic corporate social responsibility. They majored on value creation using corporate social responsibility on the success of the firm. It concluded that managers have a mandate to learn more of the difference and similarity between corporate social responsibility and traditional corporate market. This knowledge is important so as to provide direction and action to add value to the organization. The recommendation was that studies should be conducted so as to link the use of corporate social responsibility with the resources and capabilities of the organization. This is to create competitive advantage as well as improve financial performance.

According to Michael & Mark (2012) philanthropy has increasingly been used as way of marketing and creating awareness about what the organization is all about and hence promotes the overall appearance, services, and output of the organization. Focus in the current business environment is on effective management of stakeholder

relations. The same has been done by ensuring good use of public relations, corporate social responsibility and the organizational activity and as a result the organization has managed to achieve a competitive advantage over its competitors. The main objective of philanthropic practices which involves a firm's values, communication and respect is to ensure that a firm achieves a competitive edge Capra (1995). The relationship should impact positively on stakeholders meaning that they should be gaining from the relationship since lack of this will demotivate them making them ineffective in ensuring that the organization's objective and visions are attained.

### **2.2.2. Effect of Ethical Practices on Competitiveness**

Recently, with regard to the exponentially growing competition in the business environment, several researchers have indicated that the productivity output in an organization is as a result of the current trend in the leadership and has linked this to the issue of ethics and ethical practices in such organization. Transparency in terms of ethics is being worked on by every institution in accordance to the corporate policy as this simply presents the effect of decision making on the people and organization as a whole. Etuk (2009), shows the relationship between morality and ethics. He indicates that it concerns the desired and, good and accepted conduct by people.

Ethics as by Cole (2002), presents the accepted code of conduct that govern the association of people and the organizations. He further explains ethics as a set of moral principles or values used by organization to steer the conduct of the organization itself and its employees in all their business activities both internal and in relation to the outside world. Schermerhorn (1989) argued that ethics in the word of organization business involve "ordinary decency" which encompasses such areas as compliance with the law, reputation and accountability. When an organization Acts with ethics, they fulfill their social obligations to the society which goes beyond realizing the profits in order to achieve the objective but the obligations

Behaving in an ethical manner is seen as part of the social responsibility of organization, which itself depends on the philosophy that organizations ought to impact on the society in ways that go beyond the usual profit maximization objective.

According to Audra (2007), business ethics concern a business organization's moral judgments about right and wrong. Decisions in an organization can be made by individuals or groups and such decisions influence the reputation of an organization and subsequently affect its performance, and competitiveness. The decision to act in an ethical manner is a moral one and thus employees and business organizations must decide what they believe is the best thing for the organization. This may include the major decisions of accepting or refusing decisions in regard with quick profit realization within a short term.

Professional ethics and business practices through corporate social responsibility leads to significant benefits to a business organization. For instance: attracting customers to the firm's products hence enabling the organization to have a competitive edge over its competitors. This may make employees want to stay with the business, reduce labor turnover and therefore increase productivity and also attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees. According to Audra (ibid) ethical business practices attract investors and keeps the company's share price high, thereby protecting the business from takeover.

According to Thomas & Kaush (2011), the contemporary supply chain concept is leveraging low cost product requirements. A common misconception is that firms or business organizations that actively embrace and invest in ethical practices are more prone to succeed over a long period of time as they can pass on savings or a good brand image to their potential customers and therefore gaining a competitive edge. Ethical practices represent the most common practices of CSR. Several organizations' initiatives have in the recent past begun to address the global ethical practices. However, the challenge many organizations face is justifying the need for the stakeholders to adhere to ethical practices and standards.

Jatana & Crowther (2007) stated that, not until recently, the ability to hold the business in place was not common among financial institution since most businesses are focusing on generating profits. At this age of globalization, all corporations both international and national are indulging in positive business practice which includes carrying business ethically and avoiding any practice which have a detrimental effect

on the environment and the public at large. This has been greatly achieved through the assistance of the media which help in sharing information and creating awareness as regards to sustainable and ethical practices in business which are demanded from the civil society, consumers, governments, and others for corporations (Barkin, 2002). Many companies have realized the significance of acting professionally in all aspects of their operations since the same has enabled them to attract and retain employees and customers. The reaction from the institutions has often meant an adoption of 'a new consciousness', and this has been known as CSR since the 1970s (Hoeffler & Keller, 2002).

According to Kiptum & Musebe (2016) on assessment of ethical behavior on organization performance. Which is part of ethical practices in organization the findings indicated that dishonest, dispute, corruption, poor time management, absenteeism and neglect contributed to the negative performance of organization in Kenya. The study recommended that strict enforcement of Public Officer Ethics Act (2003) should be implemented to the fullest. It also recommended that government support and training would help cushion the problems associated with poor ethical practices in the organization.

In a study by Ndabahaliye (2013) found that there was relationship between ethical conducts and performance. In assessment of the impact of employees ethical conducts to organization performance in DAWASCO Tanzania. The study found out further that there was significant relationship between unethical conducts with the poor results of the organization performance.

### **2.2.3. Effect of Economic Practices on Firm's Competitiveness**

Many firms have focused on economic practices to optimize customer interactions and organization's sustainability. Economic practices involve protecting an organizations capital base. This has been a widely accepted business principles and therefore organizations have recognized the importance of extending this notion to communities within their operations hence protecting the natural and human resources. Lee and Park, (2010) in reference to social obligation of financial institutions, corporations should be monitored by the state to ensure that the

fundamental principles are in the interests of their owners, employees and customers, rather than society as a whole.

Moser & Miller, (2001) reveal that the problem is that many companies that claim to be socially responsible often do not live up to such a standard. Because CSR is becoming more common place among corporations, there are concerns that some companies promote an image of CSR whether or not they have a true strategy in place and the results to show for. Financial accountability and transparency are critical conducting business in a responsible manner and thus adds value to the organizations practices (Kapoor & Sandhu, 2010). Kluge & Schomann (2008) observed in regards to economic practices of CSR shows that companies understand their interest considering public opinion, particularly when it comes to the social and environmental dimensions. Multinational companies (MNCs) are especially vulnerable in this regard, due to the nervous reactions of the stock exchange, public and consumer opinion. Therefore, business organizations utilize their financial resource particularly to protect the interests of the community and therefore build a good corporate image that can attract and retain customers. In this regard, an organization involved in sustainable economic practices achieves a competitive advantage over its competitors.

Sorsa (2008) argues that in any case, companies are now expected to perform well in non-financial areas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues. Some examples of CSR are safe working conditions for employees, environmental stewardship, and contributions to community groups and charities which creates value to both employees and potential customers and therefore enabling the organization to obtain a competitive edge.

In Africa, for example, the Nigerian government has come up with a legislation, which, if passed, will make it mandatory for companies to pay 3.5% of their gross profit to corporate social responsibility initiatives (Idemudia, 2011). In Kenya today CSR is well practiced but not as regulated as in Nigeria. There are a variety of organizations doing businesses, ranging from product-oriented marketing and service-oriented marketing. The notable companies that have come out strongly in this

initiative of sustainable economic practices through giving back to the society, financial accountability and transparency, are Kenya Airways, Safaricom, Airtel, Kenya Power (KP), East African Breweries Limited (EABL), Kenya Television Networks (KTN), Nation Television (NTV), Co-operative Bank, Equity Bank, KCB bank Kenya Limited, Coca Cola, Brookside Dairy, New Kenya Cooperative Creameries (KCC), to mention but a few. All these companies and many others operating in the country in one way or another, do practice CSR through economic practices. Equity bank through economic practices has focused on transforming peasant farmers into small scale commercial farmers. On the other hand, they also provide low cost credit facilities to small enterprises and Jua Kali enterprises. This is therefore evident that through CSR activities, equity bank does CSR activities to several peasant farmers and small entrepreneurs. In one way or another, organizations are involved in economic practices through CSR as they continue to do the business.

McWilliams & Siegel (2000) conducted a study and research with regard to the strategic corporate social responsibility, resource base view theory and supportable competitive advantage. He further stated that in order to provide come up with a way of ensuring that the objectives are met, managers should incorporate the resource based view theory aspects which assist in setting pricing, valuation of resources and incorporating the corporate social responsibility. In this research the corporate social responsibility was termed as provision of public commodities by a private firm. The study showed a more structure relationship between resource based view theory and corporate social responsibility where strategy formation based on the theory can assist the organization practice social responsibility. The research sought to review issues dealing with corporate social responsibility. The outcome of the research showed the organization should put more effort in controlling economic, societal, and environmental bottom lines by aligning it strategically with resource based view theory.

#### **2.2.4. Effect of Community Based Practices on Firm's Competitiveness**

There has been great debate on whether business organizations should take part in social obligation of the society where they are operating. The idea by people in a particular school of thought stated that financial institutions (especially commercial

banks), have obligations which are more than just making profits. Social objectives as well as those objectives dealing with economic performance must therefore be given weight by business. It has been asserted that involvement in community based practices begins where the law ends and that it must make a contribution towards the prosperity and stability of the community in which the bank operates. It is a philosophy which shows that management of a commercial bank will now and has empathy with the people in the community they serve.

According to Drucker (1988), community practices can be described as an organization's contribution to the establishment of businesses opportunities, training, education, stimulation and assistance of the small firm to enable the business to grow, create more employment and thereby stimulate the wealth and levels of prosperity of the community as whole. The importance of the small business sector in Sub-Saharan Africa and its contribution to prosperity cannot be overemphasized.

The community based practices often include provision of community initiatives such as hospitals, sporting centers, educating the needy, and employment of the physically handicapped. These activities are not necessarily aimed at maximizing the organization's profits but help to contribute to the common good of the communities in which they operate.

Friedmann (1970) argue that the responsibility of the business organizations is to make profit for its shareholders and that they should not be concerned with undertaking the community based practices discussed above. Community based practices are often neglected for various reasons which may be political and economic. It is often stated that it is the responsibility of business organization managers to maximize their company's profits. Maximization of profits not only means making an effort to generate greater profits but making every effort to make profits as large as possible thus subordinating literally everything (including social welfare and responsibilities) to the increase in profits for its shareholders.

Drucker (1988) suggests that the level of economic development usually depends on the level of knowledge of the population. The level of knowledge is closely linked to the social and cultural factors in the community. Social factors and involvement in

community based practices have an impact on the attitude and expectations of the community as a whole. Thus social responsibility and entrepreneurship go hand in hand. The two are dependent on each other. Small businesses are exposed to fluctuations, cyclic tendencies and uncertainties. The existence of the commercial bank is dependent on a strong and successful small business sector. In Kenya, several commercial banks have actively begun to shift focus towards CSR. Among these banking institutions engaging in community based practices include, Co-operative bank, KCB bank, I&M bank and equity bank among others. According to the Co-operative bank report 2015, the bank has spent more than millions of shillings to pay school fees for the needy students in high school. In 2015, according to the report, Co-operative bank awarded 655 needy students with four-year scholarships for secondary education. Equity bank on the other hand, through its wings to fly program have finance over 2,000 secondary school learners. According the equity bank report (2015), wings to fly program is geared towards educating the needy students in the community. The program is a 9 billion kitty with the backing of other players including USAID, MasterCard Foundation, UKAID, and German Reconstruction Bank. The wings to fly program has so far sponsored over 10,000 students since it was established in 2010. The Kenya Commercial Bank has also not been left behind, the bank, according to the Kenya Commercial Bank Report of 2014, sponsored 238 students who sat for Kenya Certificate of Primary Education from poor backgrounds.

Carroll (2008) suggests that companies develop a good reputation in the eyes of the public when they are socially considerate and therefore enables them to achieve a competitive advantage in respect to their counterparts who are not socially considerate. Foster, Meinhard, Berger & Krpan (2009) further observe that apart from the said criticisms, social responsibility of a business organization leads to enhanced brand or corporate image and reputation. A robust reputation and corporate social responsibility can assist a corporation creates faith and improve the organization's corporate image and thus increasing their competitiveness of the organization. Trustworthiness in an organization can be visible throughout even when moving, distributing, expansion and other undertaking (Kotler & Keller, 2006).

Organization which conduct corporate social responsibility activities has created a good image not only to community but also other stakeholders. The good image as

result of the corporate social responsibility have assist most of the organization to gain investors' trust. The argumenta benefit of the corporate social responsibilities has made most of the organization to integrate it. The environment and social responsibilities strategies is then increasingly being adopted by the organization (Moser & Miller, 2001). Corporate social responsibility is one of the area that needs much research. Short term profitability is always measurable but there is no much study made on long run benefit of the corporate social responsibilities (Akpan, 2006). Other group of research are critic on the corporate social responsibility as it drags the organization when investing reducing rate of profitability and hence impend the financial purpose of the organizations (Amalric & Hauser, 2005).

The research by Husted & Allen (2007) was based on relationship between international and local in corporate social responsibility. The findings indicated that decision making on corporate social responsibilities were based on the organizations rather than the stakeholder requirement nor what the society wanted. It concluded that the internal organization should consider the social issue but not the organization pressure for them to succeed. The social aspect focused on the social needs and stakeholder's involvement enable the organization to relate to their clients as well as build public image. Mutunga (2013) investigated on corporate social responsibilities and personnel motivation. From the study customer from commercial bank in Kenya were given more priority in corporate social responsibility based on the direct influence to the bank's financial performance. The study noted that the employee of the commercial banks in Kenya were not given much attention. The corporate social responsibilities were based on benefit and profitability of the commercial banks. This makes the employees to be demotivated and leading to them feeling less attended to over the community. Murila (2013) investigated corporate social responsibilities on the basis knowledge and awareness by the stakeholders. It found out that the community always knows about the corporate social responsibility. The employee always sees that the community is given more information than them but they themselves are left out in these social responsibility. The corporate social responsibilities should then be able to meet the need of all stakeholders and the employee should also be involved.

Aroni's (2009) assessment was based on corporate social responsibility related with the external environment. He noted that corporate social responsibility provided solution to environmental challenge a part from rising profitability of listed firms in Kenya. Organizations should avoid operation that promote environment conservation. Their business conduct should not produce harmful and hazardous' products. The organization should balance between social base corporate responsibilities with also taking care of the environment. Wando (2010) focused on the role of CSR in enhancing the growth of SMEs associated with sugar companies in Western Kenya and focused on the effect of corporate social responsibility on the growth of small and medium enterprises (SME). Social responsibility has been adopted by most of the firms in the region. The community involvement is also allowed by these firms and hence assisted in increase of profitability these firms. The study concluded that for an organization to ensure sustainable growth it should be able to involve the society in formulation and implementation of corporate social responsibility programs.

### **2.3. Summary of Gaps in Literature**

Corporate social responsibility was based on resource based view theory, stakeholder's theory and strategic leadership development model. RBV concentrate on the resources and capabilities and does not exhilarate the corporate social responsibility. The crease a gap since it relates it competitive advantage where CSR might not necessarily bring competitiveness in the firms. The use of stakeholder's theory has tendency of weakening the relationship within the stakeholder's. This is as result of the organization involvement in non-financial obligations in the where most of the stakeholder agenda is profitability. The strategic leadership development model is based on development rather than CSR making it weak. The theoretical framework needs stronger generated models and theories that can accommodate the rising needs of corporate social responsibility. The philanthropic, ethical, economic and community based practices were not addressed fully by the theories.

There are several researchers and scholars who have focused of other areas of Corporates social responsibility Husted & Allen (2007), Mutunga (2013), Murila (2013) have focused on CSR on resource based view, value creation, employee motivation, and awareness respectively. However, their research on CSR did not

focus on philanthropic practices, ethical practices economic practices and community based practices on competitiveness of commercial banks in Kericho town. Only Husted & Allen (2007), focused on value creation but not on competitiveness of commercial banks. Focus on the relations between organization's profit making and CSR have been looked into in the past studies by Hillman & Heimm (2001); McWilliams & Siegel (2000); Waddock & Graves (1997). Scholars in Kenya like Mutunga (2013) was of the view that CSR is not only in regards to the customers of a financial institution but also the employees. Murila (2013) looked into the awareness of CSR in a Kenyan firm and observed that management knew about it but employees assumed it was something done for the community.

**Table 2.1: Summary of Research Gaps**

<b>Research er</b>	<b>Topic</b>	<b>Objective</b>	<b>Findings</b>	<b>Research gaps</b>	<b>Focus of current study</b>
McWilliams and Siegel (2000)	Relationship between CSR, Resource based view and sustainable competitive advantage	To determine how resource based view of a firm contribute to sustainable competitive advantage	Resource based view provide a structure for determining strategic value of CSR. Firms can control environmental , and economic aspect of firms performance	Focused on resource based view (RBV) theory.	Use resource based view theory (RBV) and stakeholder theory
Husted & Allen (2007)	Value creation on strategic CSR areas	To determine the influence of value creation on strategic CSR areas	Managers need to understand how CSR is similar and different from traditional marketing activities	Focused only on value creation.	Looks more on the concept of CSR including philanthropic, ethical, economic, and community based practices)
Mutunga, (2013).	CSR on employee motivation	To determine the effect	Customers were given priority in	Laid emphasis on employee motivations in	Focus on customers and employees. It

		of CSR on employee motivation in selected banks in Kenya	CSR activities because their deposits and loan transactions had a positive impact on bank's profitability	Kenya.	concentrate on CSR on competitiveness .
Murila (2013)	Awareness and knowledge of CSR	To determine the level of awareness and knowledge of CSR by internal and external stakeholders in Kenyan firms	Managers and the local community are aware and knowledgeable about CSR but the employees assumed it was for the community because they were not involved in CSR policies	Focused on awareness and knowledge.	The focused of the study concepts of CSR practices in commercial banks.
Wando (2010)	CSR and growth of SMEs	To determine the role of CSR in enhancing the growth of SMEs associated with sugar companies in western Kenya	All the companies in the region have adopted a socially oriented program	The study focused on CSR and its effect on the growth of SMEs the study. It was done in sugar companies Western Kenya.	The result looks in competitiveness effect of CSR. It was research at Kericho town, Kericho County.
Kiptum And Musebe (2016)	Assessment of ethical behavior on organization performance	To establish the role of ethical behavior in organization performance	It found that ethical practices has significant influence on performance of the organization.	Ethical was focused in the entire study on the performance of organization.	Target on CSR which include philanthropic, ethical, community based and economic practices

Ndabahal iye, (2013)	An assessment of the impacts of employees ethical conducts to organizatio n performanc e in DAWASC O	To investigate the influence of ethical conduct on the performanc e of the organizatio n.	Ethical conduct of employee affects the performance of the organization. Unethical conduct lead to poor performance	Concentrated on Ethical conduct of employees on the performance of the organization. It was conducted in Tanzania.	It is concern with CSR practices on the performance of the organization. It was conducted in Kenya.
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**Source: Researcher, (2016)**

#### **2.4. Conceptual Framework**

The definition of conceptual framework as a research tool sought to assist the researcher develop awareness and understanding of the situation under scrutiny and to communicate it (Kombo and Tromp, 2006). The figure below depicts the conceptual framework of the study.

## Independent variables

### Corporate Social Responsibility

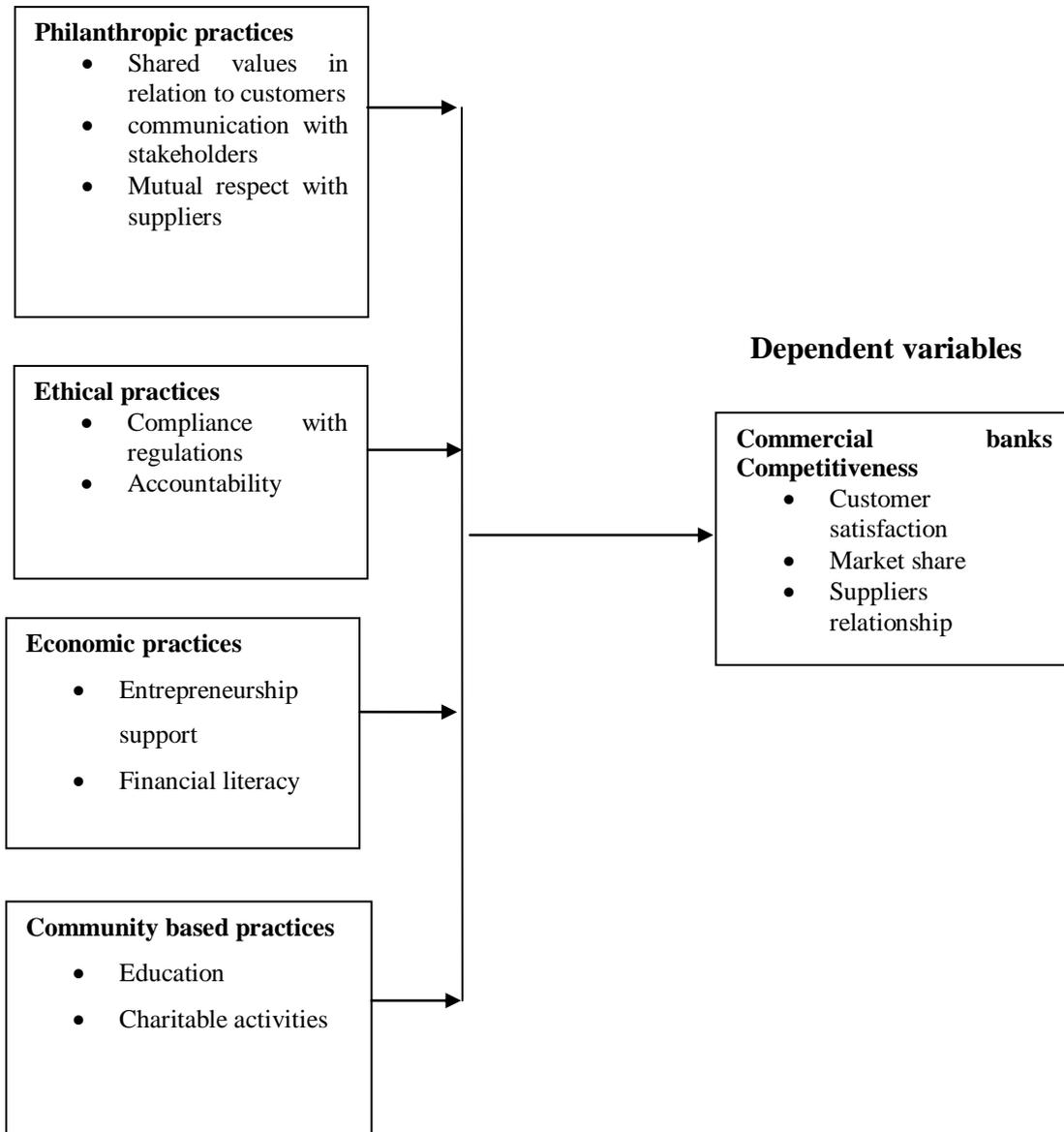


Figure 2.1:

*Conceptual framework of the study*

**Source Researcher, (2017)**

Figure 2.1, above illustrates the relationship between organizations' CSR practices and its competitiveness. Philanthropic practices which encompasses shared values, good communication, and mutual respect influence competitiveness of a firm. On the other hand, ethical business practices, economic and community based practices

enable an organization to have a good corporate image and thus developing a good reputation that had a positive and attractive image on the market and thus enhancing the competitive edge of that organization.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Design**

This is a conceptualized structure within which research was based on and therefore constituting the blueprint for the collection, measurement and analysis of data (Kothari, 2004). Descriptive research design was preferred and used because of the quality and quantity of information this design obtained as argued by (Mugenda, & Mugenda, 2003). It also sought to describe the effect of Corporate Social Responsibility on competitiveness.

#### **3.2. Target Population**

Population in this regards refers to the number of items that is intended for the study (Kothari, 2004). The number commercial banks operating in Kericho central business district were chosen as target in this study. The general definition of population is a well-defined or set of people, services, elements, events, and a group of things or households that are being inquired. The ministry of trade and industry Kericho County report of 2017 indicated that there are nine commercial banks operating in Kericho Town. Therefore, the study targeted a total of 9 commercial banks in Kericho town. The employees included that manager and supervisors of the banks. The target customers were 265 which was used since it difficult to estimate and the number of customers who were banked with commercial banks.

**Table 3.1: Distribution of target population**

<b>Banks</b>	<b>Employees</b>
Kenya Commercial Bank	40
Barclay Bank	15
Equity Bank	30
Transnational Bank	10
Family Bank	10
Corporative Bank	30
Standard Chartered Bank	10
Sidian bank	10
Diamond Trust Bank	15
<b>Total</b>	<b>170</b>

*Source: Banks' HR records of 2016*

### **3.3. Sampling Design**

Sampling is the selection of subset of units, items, or people from a target population for the purpose of collecting information (Kothari, 2014). This information is used to draw inferences about the population as a whole. The subset of units that are selected is called a sample which is a representation of the entire population (Mugenda & Mugenda, 2003). According to the study, the sample will be the number of Banks that was chosen to represent all the banks. Mugenda & Mugenda (ibid) suggests that a sample of 10%-30% is enough to suffice the study. The study used simple random technique to select the sample.

Commercial banks= 9 banks

Sample size = 9 Commercial banks

Employees= 170

= (30% of Target Population)

= (30% of 170employees)

= 51 employees

Customers = 265

= (30% of Target Population)

= (30% of 265 customers)

= 80 Customers

**Table 3.2: Distribution of Sample Size**

<b>Banks</b>	<b>Employees</b>	
	<b>Target population</b>	<b>Sample size (30%of target population)</b>
Kenya Commercial Bank	40	12
Barclay Bank	15	4.5
Equity Bank	30	9
Transnational Bank	10	3
Family Bank	10	3
Corporative Bank	30	9
Standard Chartered Bank	10	3
Sidian Bank	10	3
Diamond Trust Bank	15	4.5
<b>Total</b>	<b>170</b>	<b>51</b>

*Source: Banks' HR records of 2016*

### **3.4. Data Collection**

The study utilized both Primary and Secondary data. The primary data was collected through use of structured questionnaires as the only convenient means of data collection. The instrument for data collection was in the form of a structured questionnaire. The questionnaire was disbursed physically to the financial institutions managers, and employees. The questionnaire consisted of two sections; - 1) General information regarding the Banking institutions and 2) Consistency of CSR practices and information regarding their usage.

### 3.5. Validity

Validity is how far and how much can an instrument measures what it is intended to measure and carry out as it is supposed to perform (Mugenda & Mugenda, 2003). In conducting this research study, emphasis was laid on how valid the research instrument which is the questionnaire in this case, was. This means that a pilot test was conducted first on a few respondents before the actual study. According to Kothari & Garg (2014), 10% of the sample size is sufficient for a pilot study. Therefore, a pilot study will be done on one commercial bank. The sample for the pilot test was not featured when the questionnaire in respect of this study was being conducted. This enabled the researcher to know approximate time the study took. Besides, the respondents comfort in answering the questions will be determined. It was also assist used to enable the researcher to find out if respondents understood the questions asked in the questionnaire and to help come out with any reforms if there was any need to perfect the research instrument.

### 3.6. Reliability

The reliability of a research instrument is the measure of how much such measures could bring out the outcome if such trials are repeated (Mugenda & Mugenda, 2008). Cooper & schindler (2008) recommend a figure more than 0.7 to be an acceptable reliability coefficient. The reliability of the instrument was tested by use of Cronbach's alpha.

$$\text{Cronbach's alpha: } \alpha = \frac{n}{n-1} \left(1 - \frac{\sum V_i}{V_{test}}\right) = 24/23(1 - 0.235/0.868) = 0.868$$

n = number of questions

$V_i$  = variance of score on each question

V test = total variance of overall scores on the entire test

It was found to be 0.87, hence the research instrument was reliable.

### **3.7. Data Analysis**

The study used descriptive and inferential statistics.

To determine the effect of CSR and competitiveness of financial institutions in Kericho Town, Kenya, the researcher took up a multiple regression analysis using the following analytical model

$$Y = 0.849 + 0.229X_1 + 0.124X_2 + 0.241X_3 + 0.210X_4$$

Where: Y= Competitiveness of commercial Banks in Kericho Town.

X<sub>1</sub>= Philanthropic practices

X<sub>2</sub>= Ethical practices

X<sub>3</sub>= Economic practices

X<sub>4</sub>= Community based practices

**Table 3.3: Operationalization and Measurements of Variables**

Variable	Type of variable	Indicators	Quantification	Measurements
CSR strategy	Independent	Philanthropic practices <ul style="list-style-type: none"> <li>• Shared values in relation to customers</li> <li>• Good communication with stakeholders</li> <li>• Mutual respect with suppliers</li> </ul>	No. of retained clients Percentage Market share Number of suppliers	Rating 1-5-nominal scale
		Ethical practices <ul style="list-style-type: none"> <li>• Compliance to regulations</li> <li>• Accountability</li> </ul>	No. of stakeholder complains No. of safety approvals No. of ISO certification No. of bank statements issued No. of financial reports	Rating 1-5. Nominal scale
		Economic practices <ul style="list-style-type: none"> <li>• Entrepreneurship support</li> <li>• Financial literacy</li> <li>• Contribution to community</li> </ul>	No. of enterprises supported No. of financial literacy training No. of certification No. of documented CSR activities	Rating 1-5 Nominal scale
		Community based practices <ul style="list-style-type: none"> <li>• Education</li> <li>• Charitable activities</li> </ul>	No. of beneficiaries of education programs No. of charitable activities	Rating – 1-5. Nominal scale
Competitiveness	Dependent	Competitiveness <ul style="list-style-type: none"> <li>• Customer relations</li> <li>• Market share</li> <li>• Suppliers relationship</li> </ul>	No. of retained customers The market share size Size of resources used No. of suppliers	Rating 1-5-nominal scale

*Source: Research data (2017)*

### **3.8. Ethical Considerations**

In regard to this, the researcher sought authority from various and relevant institutions in regard to this research from the onset of this research study. The questionnaire contained an explanatory letter from the University which outlined the significance of the study as well as the assurance to the respondents that their response to the questionnaire was held in confidence and was only used in regard to the study. The respondents were not to indicate their particulars in the questionnaire.

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND DISCUSSION

#### 4.1. Response Rate

The return rate for the bank employees' respondents were 50(98%) and customers' respondent 78(97.5%). The return rate was considerable high that opted for continuity to other analysis.

**Table 4.1: Customer and banks employee distribution**

	Frequency	Percent	Valid Percent	Cumulative Percent
Bank employees	50	39.1	39.1	39.1
Valid Customers	78	60.9	60.9	100.0
Total	128	100.0	100.0	

*Source: Research data (2017)*

The banks employees 50(39.1%) and the customer 78(60.9%) of the total respondent (table 5).

#### 4.2 Bio-data

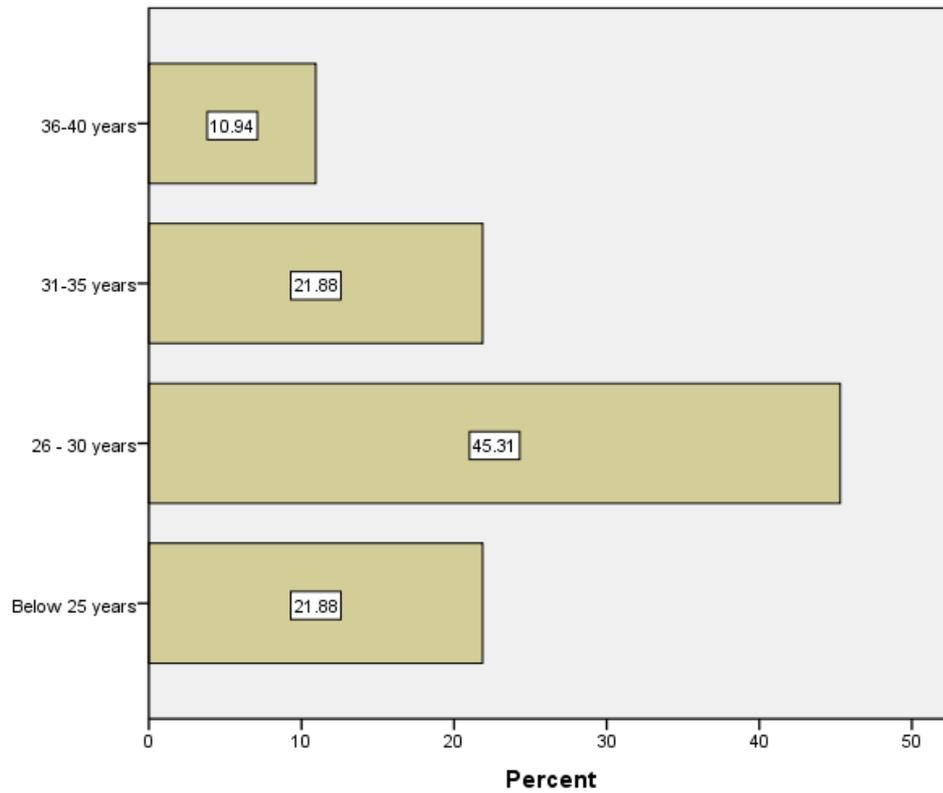
The bio-data comprise of age of respondents and duration of working in the organization as indicated below.

**Table 4.2: Age of the Respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 25 years	28	21.9	21.9	21.9
26 - 30 years	58	45.3	45.3	67.2
Valid 31-35 years	28	21.9	21.9	89.1
36-40 years	14	10.9	10.9	100.0
Total	128	100.0	100.0	

*Source: Research data (2017)*

The largest number come from age bracket of 26 – 30 years with 58(45.3%), below 25 years and 31-25 years both had 28(21.9%) and final 36 – 40 years 14(10.9%) of the respondent (table 6).



*Figure 4.1: Age of Respondent*

**Source: Field data (2017)**

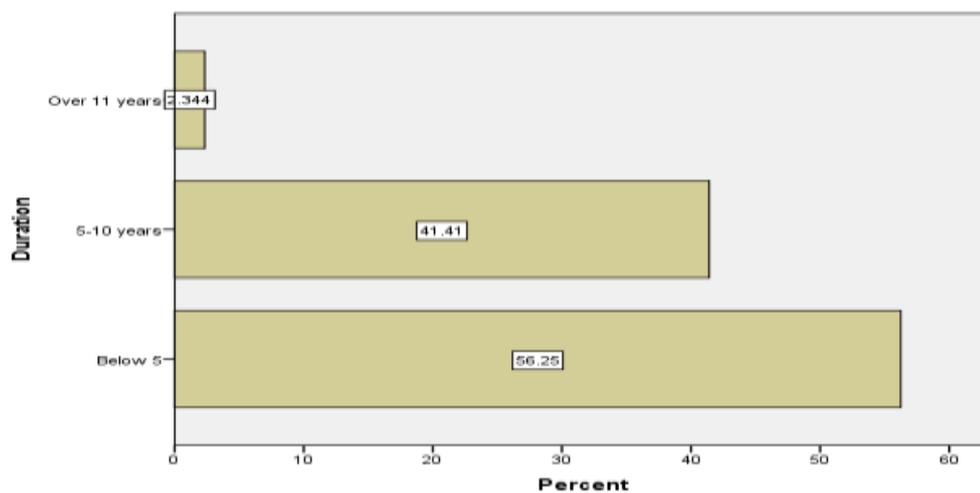
The largest age group come from the youth from 35 years and below. These are the educated group and show and encourage use of bank and also working force in the commercial banks. The age of 35 years and above are few both as bank customers and as bank’s employers. The largest group is from 26 – 30 years which are newly employed and young customer.

**Table 4.3: Duration of Working in the Organization**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 5	72	56.3	56.3	56.3
5-10 years	53	41.4	41.4	97.7
Over 11 years	3	2.3	2.3	100.0
Total	128	100.0	100.0	

*Source: Research data (2017)*

Those who have worked and been customers below 5 years 72(56.3%) were the largest number of respondents. The duration 5 – 10 years 53(41.4%) of respondents follows and those of over 11 years were the lowest of them all (table 7).



*Figure 4.2: Duration of working in organization*

*Source: Field data (2017)*

The most of the customer are new below 5 years. This imply that there has been more customer joining the banking services and new banker been employee.

### **4.3 Corporate Social Responsibility and Competitive Advantage**

This section summarizes responses related to corporate social responsibility and competitive advantage. A Likert scale was used to rate the response as strongly agree (SA = 5), agree (A = 4), undecided (U =3), disagree (D = 2) and strongly disagree

(SD = 1). The frequency percentage were indicated, mean and standard deviations were computed and interpreted.

**Table 4.4: Philanthropic Practices**

Questions	5(SA)	4(A)	3(N)	2 (D)	1 (SD)	Mean	S.D
Shared values leads to good customer relations in terms of the number of retained clients	70(54.7%)	43(33.6%)	15(11.7%)	0(0.0%)	0(0.0%)	4.4297	0.6951
Good communication with stakeholders increase market share	86(67.2%)	28(21.9%)	14(10.9%)	0(0.0%)	0(0.0%)	4.5625	0.6845
Mutual respect improves relationship in respect to the number of suppliers	85(66.4%)	29(22.7%)	14(10.9%)	0(0.0%)	0(0.0%)	4.5547	0.6852
Philanthropic practices determines competitiveness	45(35.2%)	69(53.9%)	14(10.9%)	0(0.0%)	0(0.0%)	4.2422	0.6368

**Source: Research data (2017)**

Shared values was found to have led significantly to good customer relations in terms of the number of retained clients (mean of 4.4297). The share values were important as it provided vision and mission of the organization. The corporate responsibility is then significant in terms of the shared values of the organization. The variation was low (standard deviation of 0.6951). Good communication with stakeholders was highly linked with increase in market share (mean of 4.5625). Organization having poor communication leads to poor relationship between customer and the organization. Variation in communication on stakeholders and subsequently market share was low (standard deviation of 0.6845). On mutual respect it improves to a greater extent the relationship in respect to the number of suppliers (mean of 4.5547). Suppliers are one of the stakeholder that are important in the value chain. Its variation on supplier relationship was low (standard deviation of 0.6852).

The result indicated that philanthropic practices importantly determined competitiveness of commercial banks (mean of 4.2422). The variation in

philanthropic practice was low (standard deviation of 0.6368) on competitive advantage. The philanthropic practices been a social aspect has positive influence on the performance of the organization. According Drucker (1988) he noted level of knowledge is closely linked with the social cultural factors in the community.

**Table 4.5: Ethical Practices**

Questions	5(SA)	4(A)	3(N)	2 (D)	1 (SD)	Mean	S.D
Compliance with safety regulations improves relations in form of retained clients	70(45.3%)	58(45.3%)	0(0.0%)	0(0.0%)	0(0.0%)	4.5469	0.4998
Accountability of commercial banks by issuing bank statements improves customer retention	71(55.5%)	57(44.5%)	0(0.0%)	0(0.0%)	0(0.0%)	4.5547	0.4990
Compliance with ISO affects the banks' market share	71(55.5%)	28(21.9%)	29(22.7%)	0(0.0%)	0(0.0%)	4.3281	0.8240
Compliance with service related contracts improves supplier relationship	56(43.8%)	58(45.3%)	0(0.0%)	0(0.0%)	14(10.9%)	4.1094	1.1921
Ethical practices affects the competitiveness of commercial banks	63(49.2%)	55(43.0%)	3(2.3%)	0(0.0%)	0(0.0%)	4.3594	0.7810

**Source: Research data (2017)**

Compliance with safety regulations significantly improved relations in form of retained clients (mean of 4.5469). Its variation on relations was low (standard deviation of 0.4998). The accountability of commercial banks through issuing statements greatly improves customer retention (mean of 4.5547). Its variation was considerably low (standard deviation of 0.4990). Compliance with ISO is one of the important consideration in licensing commercial bank by Central Bank of Kenya and it affects the banks' market share to a great extent (mean of 4.3281). Its variation was low (standard deviation of 0.8240). The banks were considered to have complied with service related contracts that significantly improved supplier relationship (mean

of 4.1094). There was some slight variation (standard deviation of 1.1921), which requires the scrutiny of the effect of contractual compliance on supplier relationship.

Ethical practices positively affected the competitiveness of commercial banks (mean of 4.3594). The variation of ethical practice on competitiveness was low (standard deviation of 0.7810). Carroll (2008) concurred that good reputation in the eye of people enable competitive advantage in respect of the social consideration. This good behavior can only be done through ethical considerations and practices. Compliance with safety regulations, bank statements, compliance with ISO and service related contracts as ethical practices affected the competitive of commercial bank Kenya.

**Table 4.6: Economic Practices**

Questions	5(SA)	4(A)	3(N)	2 (D)	1 (SD)	Mean	S.D
Entrepreneurship support to enterprises improves customer relations hence retained customers	99(22.7%)	29(22.7%)	0(0.0%)	0(0.0%)	0(0.0%)	4.7734	0.4203
Training on financial literacy improves the market share	58(45.3%)	56(45.3%)	14(10.9%)	0(0.0%)	0(0.0%)	4.2344	0.9178
Contribution to community improves market share	58(45.3%)	70(54.7%)	0(0.0%)	0(0.0%)	0(0.0%)	4.4531	0.9176
Entrepreneurship support improves utilization of resources	42(32.8%)	72(56.3%)	14(10.9%)	0(0.0%)	0(0.0%)	4.2188	0.6267
Financial literacy improves supplier relationship	99(77.3%)	15(11.7%)	14(10.9%)	0(0.0%)	0(0.0%)	4.6641	4.5469
Economic practices influences competitiveness of commercial banks	73(57.0%)	52(40.6%)	3(2.3%)	0(0.0%)	0(0.0%)	4.5469	0.5450

**Source: Research data (2017)**

Entrepreneurship support to enterprises was crucial in improvement of customer relations hence retained customers (mean of 4.7734). The variation was low (standard deviation of 0.4203) indicating that the support is quite normal. On training customers' financial literacy improved to grate extent the market share (mean of 4.2344). The variation was relatively low (standard deviation of 0.9178), meaning it was significant enough for training customer financial literacy to affect the market share. The contribution to community improved significantly the market share (mean

of 4.4531). There was low variation (standard deviation of 0.9176) on contribution of community affecting the market share. The study found out that entrepreneurship support improved significantly, the utilization of resources (mean of 4.2188). The variation was low (standard deviation of 0.6267) hence the support is quite normal in use of resources. Financial literacy helps to improve suppliers' relationship when customer is provided with financial literacy (mean of 4.6641). Its variation on the relationship was low (standard deviation of 0.5469).

The study finding showed vital influence of economic practices on the competitiveness of commercial banks (mean of 4.5469). The variation of economic practices on competitiveness was low (standard deviation of 0.5450). Hence increase performance. Economic role of the business as corporate social responsibility has been linked with performance (Amalric & Hauser, 2005). This research found that competitiveness in commercial banks were as result of economic role's played by the commercial banks.

**Table 4.7: Community Base Practices**

Questions	5(SA)	4(A)	3(U)	2 (D)	1 (SD)	Mean	S.D
Opportunities created by commercial banks influences customer relations	57(44.5%)	71(55.5%)	0(0.0%)	0(0.0%)	0(0.0%)	4.4453	0.4990
Educating the community increases market share	57(44.5%)	57(44.5%)	0(0.0%)	14(10.9%)	0(0.0%)	4.2266	0.9154
Charitable activities builds customer relationship	71(55.5%)	57(44.5%)	0(0.0%)	0(0.0%)	0(0.0%)	4.5547	0.4990
Economic practices increase competitiveness of banks	71(55.5%)	57(44.5%)	0(0.0%)	0(0.0%)	0(0.0%)	4.5547	0.4990
Community based practices increase competitiveness of banks	45(35.2%)	68(53.1%)	14(10.9%)	1(0.8%)	0(0.0%)	4.2266	0.6666

*Source: Research data (2017)*

Opportunities created by commercial banks had significantly high influence on customer relations (mean of 4.4453). There was low variation in opportunities created by banks on customer relation (standard deviation of 0.4990). The results indicated

that educating the community importantly increases market share (mean of 4.2266). The variation was low (standard deviation of 0.9154). On charitable activities the findings showed that it greatly builds customer relationship (mean of 4.5547). The variation was low (standard deviation of 0.4990).

Economic practices highly increased the competitiveness of banks (mean of 4.5547). There was low variation in economic practices on competitiveness (standard deviation of 0.4990). Community based practices influences the competitiveness of commercial banks significantly (mean of 4.2266). The variation was low (standard deviation of 0.6666) showing that the practices and competitiveness are normal related. According to Drucker (1988), community practices improved customer retention. Murila (2013) agreed that education through creation of knowledge and awareness CSR was important to the community.

**Table 4.8: Competitiveness of Commercial Bank**

Questions	5(SA)	4(A)	3(U)	2 (D)	1 (SD)	Mean	S.D
Corporate social responsibility has influence customer relationship	56(43.8%)	69(53.9%)	3(2.3%)	0(0.0%)	0(0.0%)	4.4141	0.5402
Corporate social responsibility has determined market share	55(43.0%)	71(55.5%)	2(1.6%)	0(0.0%)	0(0.0%)	4.4141	0.5254
Corporate responsibility has affected suppliers relationship	35(27.3%)	64(50.0%)	29(22.27%)	0(0.0%)	0(0.0%)	4.0469	0.7083
Corporate responsibility improves competitiveness	51(39.8%)	70(54.7%)	7(5.5%)	0(0.0%)	0(0.0%)	4.3438	0.5810

**Source: Research data (2017)**

Corporate social responsibility was found to be positively crucial in influencing customer relationship (mean of 4.4141), market share (mean of 4.4141), suppliers' relationship (mean of 4.0469) and hence competitiveness (mean of 4.3438). The variation was low. Standard deviation of 0.5412, 0.5254, 0.7083 and 0.5810 respectively. McWilliams and Siegel (2000) found out that there was significant relationship between the strategic corporate social responsibility and sustainable

competitive advantage. The research was linked mostly to the resource based view that was used to determine the strategy value of corporate social responsibility.

#### 4.4 Inferential Statistics on CSR and Competitiveness

The summary inferential statistics was analyzed using regression analysis. The coefficient of determination and regression analysis. The model provides the solution for the hypothesis.

**Table 4.9: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.701 <sup>a</sup>	.492	.476	.40639	.492	29.787	4	123	.000

a. Predictors: (Constant), Community based practices, Economic practices, Ethical practices, Philanthropic practices

*Source: Research data (2017)*

The coefficient of determination indicated that 49.2% of the variation was due to corporate social responsibility on the competitive advantage but 50.8% of the variation was as result of other factors other than corporate social responsibility (R Square = 0.492).

**Table 4.10: Regression analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		
	B	Std. Error	Beta			Lower Bound	Upper Bound	
1	(Constant)	.849	.497		1.708	.090	-.135	1.834
	Philanthropic practices	.229	.073	.251	3.149	.002	.085	.372
	Ethical practices	.124	.060	.167	2.057	.042	.005	.244
	Economic practices	.241	.089	.226	2.710	.008	.065	.416
	Community based practices	.210	.067	.241	3.145	.002	.078	.343

a. Dependent Variable: Competitiveness in customer relations, market share and suppliers relationship

*Source: Research data (2017)*

The model indicated that philanthropic, ethical, economic and community based practices were significant on the competitiveness of the commercial banks. The beta coefficient indicates in descending order the effect of philanthropic (Beta = 0.229), ethical (Beta = 0.124), economic (Beta = 0.241) and community based practices (Beta = 0.210) on the competitiveness of the commercial bank. According to McWilliams and Siegel (2001) he also agreed that corporate social responsibility strategies was significantly provide the organization with competitive advantage. He based on the resource based theory to develop the strategic values for the corporate social responsibility.

**H<sub>0</sub>1: There is no significant effect of philanthropic practices on competitiveness of commercial banks in Kericho town, Kenya.** The result indicated that P-value was 0.002 meaning that ( $P < 0.05$ ). The null hypothesis was reject. These implies that there is significant influence of philanthropic practices on competitiveness of commercial banks. This concur with Drucker (1988) who found that the practices done CSR are linked with performance.

**H<sub>0</sub>2: There is no significant effect of ethical practices on competitiveness of commercial banks in Kericho town, Kenya.** P-values was 0.042 which less than 0.05. The null hypothesis was rejected. Hence there was significant effect of ethical practices on the competitiveness of commercial banks. Carroll (2008) concurred that reputation of a company affect the competitiveness and with good conduct and ethic there is high production in the organization.

**H<sub>0</sub>3: There is no significant effect of economic practices on the competitiveness of commercial banks in Kericho town, Kenya.** The P-value 0.008 was less than 0.05, hence the null hypothesis was rejected. There is significant effect of economic practices on the competitiveness of commercial banks. Amalric & Hauser, 2005 found that economic based CSR was important in increasing performance of the organization. This concurred with the findings above which also related to the study of Maclagan (2002) that found the same findings.

**H<sub>0</sub>4: There is no significant effect of community based practices on competitiveness of commercial banks in Kericho town, Kenya.** The results further

indicated that community based practices was significant on competitiveness of commercial banks. The null hypothesis was rejected because P value 0.02 was less than 0.05. This concurred with Murila (2013) on the community based CSR been important not only for the organization for development of society.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATION

#### 5.1. Summary of Findings

The results from the findings indicated youngest people are opening accounts. On the other hand, there are significant young generation joining employment as bankers this is from the age bracket below 35 years. The results further showed significant amount of people have work for about five years and also the opened account in the same duration. A large proportion has either worked within 10 years or a customer within the same period. It then not that bank customers and job turnover has been increasing with time.

##### 5.1.1 Philanthropic Practices and effect on Competition

The researcher found that share values led to good customer relation. It indicated that the bank with good communication with stakeholders increased significantly their market share. The finding relating to respect within the organization played significant role in improving the number of suppliers. This then indicated that philanthropic practices determined competitiveness of the organization.

The p-value in the regression model was  $P=0.002$  which found that philanthropic practice significantly affects the competitive advantage of the organization ( $P<0.05$ ). It shows that there is positive relationship between philanthropic practice and competition of the banks in Kenya.

##### 5.1.2 Ethical Practices and effect on competitiveness

The study revealed that most the banks complied with the safety regulations improves. It affected the relations in form of retention of clients. The banks accountability of commercial banks was improved through the issuance of statement. The banks were ISO compliance and it assisted so much in increasing the market share. Compliance with service related contracts was crucial in creation of suppliers' relationship. The study on ethical practices concluded that it significantly affected competitiveness of commercial banks.

The banks has been practicing ethical practices which has improved the competitiveness of the commercial banks. Since  $P=0.042$  indicated that the ethical practices were significant on the competitiveness of the organization ( $P<0.05$ ).

### **5.1.3 Economic Practices and effect on competitiveness**

On evaluating economic practice, the researcher found out entrepreneurship support enterprises did significantly improved customer relations. This assist in customers' retention. The study result indicated that training on financial literacy improved the market share to a greater extent. The contribution to the community assisted in improving market share. The entrepreneurship support was important in the improvement in utilization of resource. There was high link between financial literacy and the supplier relationship. Overall economic practices were seen to be very important since it showed significant influence on the competitiveness of commercial banks.

It was found ( $P = 0.008$ ) implying that economic practices significantly improved the competitiveness of the commercial banks ( $P<0.05$ ). The economical practice has positive impact on competitiveness of the organization.

### **5.1.4 Community Based Practices and effect on competitiveness**

The aspect of community based practices indicated that the opportunity created by the commercial banks did significantly influenced the customer relations. The researcher found out that also education the community played a role in increasing customer relation by greater extent. The result showed that economical practices was important since it increased the competitiveness of the banks.

Community based practices was considered to significantly improve the competitiveness of banks ( $P = 0.02$  less than  $0.05$ ). Community based practice has a positive effect on the competitiveness of the organization.

The competitiveness was measured using customer relationship, market share and suppliers' relationship. The result indicated there was significant effect of competitive resulting from this aspects ( $P= 0.00$  which is less than  $0.05$ ). The corporate social responsibility was crucial in this picture to create competitive advantage. The research

found out the competitiveness of the organization was as result of corporate social responsibility with  $R = 0.701$  showing strong relationship between the variables. The information that showed relationship comprised of 49.2% of the variation in the data collected ( $R^2 = 0.492$ ). About of 50.8% of the data were due to other factors not discussed in the objective of the study that contributed to the competitiveness of the banks.

## **5.2 Conclusion**

The study noted the corporate social responsibility significantly determined the competitive environment of the organization. It was attributed by the positive significant contribution of the philanthropic practices of the organization. The ethical practices were important increasing the competitiveness of the organization. The commercial banks economic practices did contribute to the competitiveness advantage. The research noted community based practices were important in the creation of competitiveness.

The competitive advantage is associated with customer relationship, market share and supplier relationship. It was noted to be significant affecting measure of competitiveness of the commercial banks in market. This implies to some extent it can be used as tool of market the company hence recreating a brand name in the community. Safaricom is a good example of some organization who gained large share and practice heavily in corporate social responsibility among other organization.

## **5.3 Recommendations**

The study recommended the commercial banks should then encourage philanthropic practices since it was the highest predictors followed by community and economic practices. The researcher noted that ethical practices were considered the lowest predictor in the competitiveness of commercial banks.

There are room to improvement in corporate responsibility. It as becomes the norm to most of the organization. The government should encourage more on this initiative because it does not only assist the community but the commercial banks and the environment in generation. Other recommendation for the banks to consider as

marketing strategy that can assist them to improve their performance and become more competitive in the market.

### **5.3.1 Further Recommendations for future studies**

The researcher recommended that further research should be done so as to understand other factors that improve competitiveness other than the corporate social responsibility. This was prompted by low correlation coefficient between corporate social responsibility and competitiveness of the organization.

Another recommendation is to assess the relationship between corporate social responsibility and customer retention. The customer retention relation to the public relation which is linked with corporate social responsibility.

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## APPENDIX

### Appendix I: Questionnaire for the Staff of Commercial Banks

The purpose of this questionnaire is to obtain information on CSR as and competitiveness of commercial banks in Kericho town, Kenya. You are therefore requested to participate in this study by filling this questionnaire. The information you will provide will be used solely for the purpose of this study and will be treated with utmost confidentiality. Therefore, fill free to respond to all the questions contained in this questionnaire to the best of your knowledge.

#### SECTION A. DEMOGRAPHIC INFORMATION

1. Which bank do you work for? \_\_\_\_\_

2. What is your age bracket?

Below 25 years [    ]                      26 – 30 years [    ]

31 – 35 years    [    ]                      36 – 40 years [    ]

41 -45 years    [    ]                      46 -50 years    [    ]

Over 51 years    [    ]

3. How many years have you worked in the Bank?

Below 5 years [    ]            5 – 10 years [    ]            Over 11 years [    ]

#### Section B: Impact of Philanthropic practices on the competitiveness of commercial banks in Kericho Town, Kenya

The statement below relates to the effect of philanthropic practices on competitiveness of the commercial banks in Kericho Town, Kenya. Supplied also are five options corresponding to these statements: Strongly agree (SA) = 5, Agree (A),= 4, Undecided (U), = 3, Disagree, D =2 and Strongly Disagree (S D) =1. Please tick the option that best suits your opinion on the statement.

<b>Philanthropic practices</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Shared values leads to good customer relations in terms of the number of retained clients					
Good communication with stakeholders increase market share					
Mutual respect improves relationship in respect to the number of suppliers					
Philanthropic practices determines competitiveness					

**Section C: Impact of Ethical practices on the competitiveness of commercial banks in Kericho Town, Kenya**

The statement below relates to the effect of ethical practices on competitiveness of the commercial banks in Kericho Town, Kenya. Supplied also are five options corresponding to these statements: Strongly agree (SA) = 5, Agree (A),= 4, Undecided (U), = 3, Disagree, D =2 and Strongly Disagree (S D) =1. Please tick the option that best suits your opinion on the statement.

<b>Ethical practices</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Compliance with safety regulations improves relations in form of retained clients					
Accountability of commercial banks by issuing bank statements improves customer retention					
Compliance with ISO affects the banks' market share					
Compliance with service related contracts improves supplier					

relationship					
Ethical practices affects the competitiveness of commercial banks					

**Section D: Influences of Economic practices on competitiveness of commercial banks in Kericho Town, Kenya.**

The statement below relate to the effect of economic practices on competitiveness of commercial banks in Kericho Town, Kenya. Supplied also are five options corresponding to these statements: Strongly agree (SA) = 5, Agree (A), = 4, Undecided (U), = 3, Disagree, D =2 and Strongly Disagree (S D) =1. Please tick the option that best suits your opinion on the statement.

<b>Economic practices</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Entrepreneurship support to enterprises improves customer relations hence retained customers					
Training on financial literacy improves the market share					
Contribution to community improves market share					
Entrepreneurship support improves utilization of resources					
Financial literacy improves supplier relationship					
Economic practices influences competitiveness of commercial banks					

**Section E: Influence community based practices on competitiveness of commercial banks in Kericho Town**

The statement below relate to the effect of community based practices on competitiveness of the commercial banks in Kericho Town, Kenya. Supplied also are five options corresponding to these statements: Strongly agree (SA) = 5, Agree (A), =

4, Undecided (U), = 3, Disagree, D =2 and Strongly Disagree (S D) =1. Please tick the option that best suits your opinion on the statement.

<b>Community based practices</b>	5	4	3	2	1
Opportunities created by commercial banks influences customer relations					
Educating the community increases market share					
Charitable activities builds customer relationship					
Economic practices increase competitiveness of banks					
Community based practices increase competitiveness of banks					

#### **Section F: Competitiveness of commercial banks in Kericho Town**

The statement below relates to the competitiveness of the commercial banks in Kericho Town, Kenya. Supplied also are five options corresponding to these statements: Strongly agree (SA) = 5, Agree (A) = 4, Undecided (U), = 3, Disagree, D =2 and Strongly Disagree (S D) =1. Please tick the option that best suits your opinion on the statement.

<b>Competitiveness of the commercial banks</b>	5	4	3	2	1
Corporate social responsibility has influence customer relationship					
Corporate social responsibility has determined market share					
Corporate responsibility has affected suppliers relationship					
Corporate responsibility has improve in customer relationship, market share and supplier relationship					

*Thanks for your cooperation.*

## **Appendix II: Questionnaire for the Customers**

The purpose of this questionnaire is to obtain information on CSR and competitiveness of commercial Banks in Kericho town, Kenya. You are therefore requested to participate in this study by filling this questionnaire. The information you will provide will be used solely for the purpose of this study and will be treated with utmost confidentiality. Therefore, fill free to respond to all the questions contained in this questionnaire to the best of your knowledge.

### **SECTION A. DEMOGRAPHIC INFORMATION**

1. What is your age bracket?

Below 25 years [  ]                      26 – 30 years [  ]

31 – 35 years [  ]                      36 – 40 years [  ]

41 -45 years [  ]                      46 -50 years [  ]

Over 51 years [  ]

1. How long have you been a customer to this bank?

Below 5 years [  ]    5 – 10 years [  ]    Over 11 years [  ]

### **Section B: Impact of Philanthropic practices on the competitiveness of commercial banks in Kericho Town, Kenya**

The statement below relates to the effect of philanthropic practices on competitiveness of the commercial banks in Kericho Town, Kenya. Supplied also are five options corresponding to these statements: Strongly agree (SA) = 5, Agree (A),=

4, Undecided (U), = 3, Disagree, D =2 and Strongly Disagree (S D) =1. Please tick the option that best suits your opinion on the statement.

<b>Philanthropic practices</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Shared values leads to good customer relations in terms of the number of retained clients					
Good communication with stakeholders increase market share					
Mutual respect improves relationship in respect to the number of suppliers					
Philanthropic practices determines competitiveness					

**Section B: Impact of Ethical practices on the competitiveness of commercial banks in Kericho Town, Kenya**

The statement below relates to the effect of ethical practices on competitiveness of the commercial banks in Kericho Town, Kenya. Supplied also are five options corresponding to these statements: Strongly agree (SA) = 5, Agree (A),= 4, Undecided (U), = 3, Disagree, D =2 and Strongly Disagree (S D) =1. Please tick the option that best suits your opinion on the statement.

<b>Ethical practices</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Compliance with safety regulations improves relations in form of retained clients					
Accountability of commercial banks by issuing bank statements improves customer retention					
Compliance with ISO affects the banks' market share					
Compliance with service related contracts improves supplier relationship					
Ethical practices affects the competitiveness of commercial					

banks					
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**Section C: Influences of Economic practices on competitiveness of commercial banks in Kericho Town, Kenya.**

The statement below relate to the effect of economic practices on competitiveness of commercial banks in Kericho Town, Kenya. Supplied also are five options corresponding to these statements: Strongly agree (SA) = 5, Agree (A),= 4, Undecided (U), = 3, Disagree, D =2 and Strongly Disagree (S D) =1. Please tick the option that best suits your opinion on the statement.

<b>Economic practices</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Entrepreneurship support to enterprises improves customer relations hence retained customers					
Training on financial literacy improves the market share					
Contribution to community improves market share					
Entrepreneurship support improves utilization of resources					
Financial literacy improves supplier relationship					
Economic practices influences competitiveness of commercial banks					

**Section D: Influence community based practices on competitiveness of commercial banks in Kericho Town**

The statement below relate to the effect of community based practices on competitiveness of the commercial banks in Kericho Town, Kenya. Supplied also are five options corresponding to these statements: Strongly agree (SA) = 5, Agree (A),= 4, Undecided (U), = 3, Disagree, D =2 and Strongly Disagree (S D) =1. Please tick the option that best suits your opinion on the statement.

<b>Community based practices</b>	5	4	3	2	1
Opportunities created by commercial banks influences customer relations					
Educating the community increases market share					
Charitable activities builds customer relationship					
Economic practices increase competitiveness of banks					
Community based practices increase competitiveness of banks					

### **Section F: Competitiveness of commercial banks in Kericho Town**

The statement below relate to the competitiveness of the commercial banks in Kericho Town, Kenya. Supplied also are five options corresponding to these statements: Strongly agree (SA) = 5, Agree (A) = 4, Undecided (U), = 3, Disagree, D =2 and Strongly Disagree (S D) =1. Please tick the option that best suits your opinion on the statement.

<b>Competitiveness of the commercial banks</b>	5	4	3	2	1
Corporate social responsibility has influence customer relationship					
Corporate social responsibility has determined market share					
Corporate responsibility has affected suppliers relationship					
Corporate responsibility has improve in competitiveness					

*Thanks for your cooperation.*

### Appendix III: University Research Authorization Letter



#### KENYATTA UNIVERSITY GRADUATE SCHOOL

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 8710901 Ext. 57530

Our Ref: D53/KER/PT/28524/2014

DATE: 17<sup>th</sup> May, 2017

Director General,  
National Commission for Science, Technology  
and Innovation  
P.O. Box 30623-00100  
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR JULIUS KIPLANGAT YEGON – REG. NO. D53/KER/PT/28524/2014

I write to introduce Mr. Julius Kiplangat Yegon who is a Postgraduate Student of this University. He is registered for MBA degree programme in the Department of Business Administration.

Mr. Kiplangat Yegon intends to conduct research for a MBA Project Proposal entitled, "Corporate Social Responsibility and Competitiveness of Commercial Banks in Kericho Town, Kenya".

Any assistance given will be highly appreciated.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Lucy N. MBAABU', written over a circular stamp.

MRS. LUCY N. MBAABU  
FOR: DEAN, GRADUATE SCHOOL

GK/lms

## Appendix IV: NACOSTI Research Authorization Letter



### NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: 020 400 7000  
0713 788787, 0733404243  
Fax: +254-20-318265, 318269  
Email: dg@nacosti.go.ke  
Website: www.nacosti.go.ke  
When replying please quote

NACOSTI Upper Kabete  
Off'Wayaki Way  
P.O. Box 30625-00100  
NAIROBI-KENYA

Ref No: NACOSTI/P/17/84734/18726

Date: 10<sup>th</sup> October, 2017

Julius Kiplangat Yegon  
Kenyatta University  
P.O. Box 43844-00100  
NAIROBI.

#### **RE: RESEARCH AUTHORIZATION**

Following your application for authority to carry out research on "*Corporate social responsibility and competitiveness of commercial banks in Kericho Town, Kenya*," I am pleased to inform you that you have been authorized to undertake research in Kericho County for the period ending 9<sup>th</sup> October, 2018.

You are advised to report to the Bank Managers of selected Commercial Banks, the County Commissioner and the County Director of Education, Kericho County before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

GODFREY P. KALERWA MSc., MBA, MKIM  
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The Bank Managers  
Selected Commercial Banks.



## Appendix V: County Commissioner Research Authorization Letter



**THE PRESIDENCY  
MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT**

Telegrams: .....  
Telephone: Kericho 20132  
When replying please quote  
[kerihocc@yahoo.com](mailto:kerihocc@yahoo.com)

COUNTY COMMISSIONER  
KERICHO COUNTY  
P.O. BOX 19  
KERICHO

REF: MISC.19 VOL.III/6

19<sup>th</sup> October, 2017

TO WHOM IT MAY CONCERN

**RE: RESEARCH AUTHORIZATION – JULIUS KIPLANGAT YEGON**

Authorization has been granted to Julius Kiplangat Yegon by National Commission for Science, Technology and Innovation, as per a letter Ref: No. NACOSTI/P/17/84734/18726 dated 10<sup>th</sup> October, 2017 to carry out research on "*Corporate Social responsibility and competitiveness of Commercial Banks in Kericho Town -Kenya*" for a period ending 9<sup>th</sup> October, 2018.

Kindly accord him the necessary assistance.

COUNTY COMMISSIONER  
KERICHO COUNTY

B.O. ABONYO  
FOR : COUNTY COMMISSIONER  
**KERICHO COUNTY**

CC:  
The County Director of Education  
**Kericho County**

**Appendix VI: Ministry of Education Research Authorization Letter**



**MINISTRY OF EDUCATION**

**STATE DEPARTMENT OF BASIC EDUCATION**

FAX NO.05221361

When Replying Please Quote:

County Education Office

P.O BOX 149

**KERICHO**

**REF:** KER/C/ED/GC/2/VOL.1/

17<sup>TH</sup> OCTOBER,2017

**TO WHOM IT MAY CONCERN.**

**RE: RESEARCH AUTHORIZATION – JULIUS KIPLANGAT YEGON.**

The above named has been authorized by National Council for Science, Technology and Innovation to undertake research on "*Corporate social responsibility and competitiveness of commercial banks in Kericho Town, Kenya*" for a period ending 9<sup>th</sup> October,2018.

Accord him the necessary assistance.



**COUNTY DIRECTOR OF EDUCATION**  
**KERICHO COUNTY.**