CORPORATE SOCIAL RESPONSIBILITY AND THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE OF EQUITY BANK

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MAY, 2019
DECLARATION

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

Signed _________________________ Date: ____________________

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D53/OL/NYI/24887/2014

Declaration by the Supervisor

This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

The research project is dedicated to my lovely family members, Dad, Rt. Rev Joseph M. Kagunda, my mum, Emily Mwangi, sisters, Pauline Mwangi and Gladwel Mwangi and my brother Ian Mwangi who offered invaluable support and motivation to do this important work.
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OPERATIONAL DEFINITION OF TERMS

Benefits Salient in CSR  This refers to the desired outcomes that accrue out of CSR activities and how the employees feel about them enough to warrant motivation to better productivity by them.

Financial CSR Activities  this refers to actions and events like rebates to customers and low interests done by the bank using the money to engage in CSR.

Performance  This is about the achievements or goals met by the banks calculated against standards predetermined of profitability, Market Share, Return on Investments and Assets and customer satisfaction.

Philanthropic CSR  This refers to the corporate social responsibility done to make the life of beneficiaries better in terms of education, health and other humanistic endeavors.

Ratio of CSR contribution  this refers to the amount of money invested in CSR every year against the yearly earnings of the banks.
ABSTRACT

Various attempts have been made with the aim of exploring the significance of Corporate Social Responsibility across numerous organizations throughout the world. However, there is limited literature that exists about the significant influence of corporate social responsibility on organization performance in Kenya. The goal of this study was to explore the influence of Social Corporate Responsibility on organization performance. It specifically sought to establish the influence of philanthropic CSR activities benefits salient to CSR activities CSR contributions and financial-focused CSR on Equity Bank performance. This study was guided by three theories namely Triple Bottom Line Theory, the Stakeholder Theory as well as the Fiduciary Capitalism Theory. This study adopted a descriptive research design with all the 238 management staff at Equity Bank being the target population and the Saunders, Lewis and Thornhill (2011) formula was used to select the 105 management staff from the different departments. In order to answer the research questions, the study incorporated merits of secondary data which formed a basis for comparison with findings. The study employed a Likert-style rating questionnaire to get responses from the management staff. Test-retest method was used to evaluate reliability of the instruments while data was analyzed using descriptive and inferential statistics and presented in tables. The findings of the study were: philanthropic CSR (β=.375, t=5.968, p<0.001), benefit salient(β=.267, t=2.593, p<0.004), CSR contributions, (β=.376, t=4.383, p<0.000), and financial focused CSR, (β=.281, t=5.129, p<0.000), had a significant influence on organizational performance of commercial banks in Kenya. The study concludes that: Philanthropic CSR, benefit salient on CSR, CSR contributions and financial focused CSR activities had a positive and significant influence on Equity Bank organizational performance. The study thus makes the following recommendations: Equity bank management should continue to invest more in the corporate social responsibility aspect done to make the life of beneficiaries better in terms of education, health and other humanistic endeavors. They should improve on strategies that improves on the desired outcomes that accrue out of CSR activities and improve by seminars and involvement actions how the employees feel about CSR enough to warrant motivation to better productivity by them. Equity bank management should improve on the amount of money invested in CSR every year against the yearly earnings of the banks. This will help to entrench CSR even more and improve organizational performance. Equity bank management should enact actions and events like rebates to customers and low interests done by the bank using the money to engage in CSR. These will also work to improve organizational performance of the bank. The findings may be significant to the management of equity bank with information on how CSR has influenced their performance.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

There have been several reports of tough times for the banking industry both globally and in African Countries like Kenya. To improve the efficiency of banks, organizations have embraced different types of strategies from technological innovations to strategies dealing with competition and marketing. Corporate Social Responsibility is among one of the most used strategies in various organizations. Scholars have attempted to describe the main reason why commercial entities would voluntarily interact with the social welfare of others through their activities. (Bowen, 1953) state that most companies participate in activities that are voluntary and social simply as a means to place themselves as legitimate members in a society and shore up the performance of their organizations in the long-run.

Empirical research has assessed the achievements of banks and their general status across the world and found out that the current venture into advanced financial activities has ushered in a rise in risk and decreased income (De Young & Roland, 2011; Goddard, Smith & Markus, 2012; and Stiroh & Rumble, 2016). An eccentric picture tends to come up outside the US. Smith et al. (2003) investigated the general achievement of selected banks in 15 countries across the EU and concluded that noninterest income has become fickle compared to interest income and thus banks in Europe were not performing better. They also found a negative correlation between two income streams of banks which led to a conclusion different from the studies in the US, that income not generated from interests stabilizes bank income. This in a way illustrates why in Europe, big banking institutions have a superior performance (in
comparison of market-based measures) across an uninterrupted time frame compared to the small banks (Baele, Oron & Ovile, 2011). However, evidence from other parts of Europe shows that it’s riskier for small banking institutions to venture into income activities that do not rely on interests than to center on the traditional business areas (Mercieca, Armstrong & Erin, 2011).

Generally, some of the first world countries like the USA are undergoing a major banking crisis with the Citibank group recording an excess of 40 billion dollars in losses (Elliot 2016). However, Canadian Banks have been able to withstand the challenges in the global financial market with Elliot (2016) crediting this to regulatory discipline as well as the cultural mindset that is present among banks in Canada.

Most scholars have majored their studies on Specific European Countries. In their study, Acharya, et al. (2012), sampling from the Italian banks, find that performance of banks has improved due to the new incursion into the diversity of assets across bank loan portfolios. Hayden et al. (2012), used data from several German banking institutions and their specific bank loan portfolios in order to assess the degree to which the banking activities available in different organizations and areas improved efficiency. They found few benefits, with all current activities being key to decreasing bank efficiency. In the most inclusive similar study by Laeven and Levine (2011), the authors assess how banking activities affected the value of major banking institutions in 42 countries. Their main findings were the selling value of banking and other financial services firms is mostly lesser than that of specialized organizations and institutions. Therefore, the benefits of the economies of scope may not be enough to allow most banks in Europe and the USA to perform at their peak.
Across Africa, Kirkpatrick, Murinde, and Tefula (2014) performed an empirical study of 89 commercial banks from several African countries from the year 2001 to 2014. The findings of the study was that banks are usually on an average of 65% profit efficiency and 80% cost efficiency with reference to the DFA and SFA merits. The study by Kirkpatrick, Murinde, and Tefula (2014) also suggest that the penetration of foreign banks in Africa has yielded more foreign owed banks thus leading to reduced profits and the x-efficiency of most African Banks. Conclusively, it can be argued that banking performance in Africa is better when it is still domesticated as opposed to foreign entry in its management.

The Kenyan situation is no different. The banking industry in Kenya has undergone great changes in the costs of financial assets it holds in the past decade. The amount of loans being given in banks have been greatly affected by both external and internal factors. According to the Central Bank Report (2016), the existing proportion of gross advances to total industry assets of is 57% and 55% as at December 2008 and December 2011 respectively. The biggest challenge being experienced by most commercial banks in Kenya is the attempt to increase the amount of non-performing assets. This mainly due to the fact that the said assets have to be accounted for in any financial institution’s income or they can be written off thus creating a major impact on the performance of the entire banking sector. A vigorous banking sector is characterized by its ability to cope with adverse economic shocks and its ability to contribute to the stability of the entire financial sector and the economy at large (Business intelligence 2014).
1.1.1 Corporate Social Responsibility

According to Du et al (2010), CSR is an ethics based theory that an organization has a duty benefit the society and this helps sustain the state of equilibrium. It’s the role of each particular organization to participate in CSR in an attempt to sustain an equilibrium between the economy and the ecosystems. The equilibrium should be evident among economic development as well as the welfare of both the society and the environment.

Holme and Watts (2000) described CSR as the pledge or obligation to have an ethical policy and practice that allows for economic progress for the company, the society and individuals that stand to gain something, either directly or indirectly, from such an engagement. This is done in such a way that also allows governments to partner with similar minded businesses and the businesses stand to gain by allowing it to get tax reprieve among other benefits. Galbreath (2012), on his part categorized CSR in the form of ethical, legal, economic options and philanthropic endeavors. CSR all about the relationship between the business world and the society, and how the companies relates with its stakeholders i.e.: employees, buyers, investors, suppliers, local community and special interest groups (Carroll, 2011). Therefore, CSR is how an organization reacts to its social plans.

As stated earlier, most organizations in the past were deemed only as profit maximizing entities. Currently, most originations are considered as an essential part of the social life due to the sweeping modification of the business environment and the role of many firms (Karaibrahimoglu, 2010). The element that is CSR is fundamentally a tool for diverse organizations to perform varied activities that fund and offer valid solutions to social problems in an attempt to accomplish their obligation towards society and
therefore allowing them to produce and assign the resources in powerful and efficient ways (Pestrick & Quinn, 2001). Therefore, CRS is arguably the best tool that can be used to gain competitive advantage, a reason that is making CRS become more important to many firms and organizations (Porter & Kramer, 2002). However, literature by Ailawadi et al. (2011) and Gineitiene and Ziogelyte (2010), brings in to light that the concept of CSR needs further discussion since there is no widely accepted definition. Previous definitions focus on corporate activities which were not implied by economic or legal requirements. In their literature, Lindgreen and Swaen (2010) argue that though an increase in the number of firms starting socially responsible activities, it is still not clear how it should be defined. Due to the new trend by consumers attitudes regarding environmental protection, ecology, social responsibility and their consumption habits, most companies are now seeking new alternatives of activities that integrate principles of social responsibility (Banyte, Brazioniene, & Gadeikiene, 2010).

Some researchers have argued that there is always a conclusive relationship between a company’s reputation and its success since CSR can in the end improve the competitiveness of a company, (Weber, 2008). The representation of the rapport between CSR and the success of an organization is however, not significantly comprehended about the whole idea of CSR and its activities (Angelidis, Massetti and Magee–Egan, 2008). CSR gives competitive advantage to firms that embrace it and therefore, firms with good corporate reputation and have valuable products are supposed to accrue more positive returns (Neville, Bell and Menguc, 2005). Companies that have unique products that are almost impossible to imitate may also have an upper hand in attaining a sustained superior performance (Barney, 2011).
1.1.2 Organizational Performance

Every organization perform their tasks in an influential way and in a manner it desires. Chong (2008) illustrates several approaches used to determine the organization’s performance. These are the system resource method, goal method, stakeholder method coupled with competitive value method. Stakeholder approach together with the competitive value style, appraise performance of a firm premised on external stakeholders’ satisfaction e.g. suppliers, customers’, competitors. It aims at the ability of an organization to meet its stakeholders’ expectations and needs. Goal approach is commonly used since it is simple, understandable and focusses on internal objectives (Chong, 2008; Zahra, 2012). Managers are able to access whatever information they need for purposes of the evaluation. This approach is all about the extent to which an organization achieves its objectives. System resource approach on the other hand assesses an organization’s ability to obtain the necessary resources.

According to Richard et al. (2008), the goal approach directs the owners-managers be more attentive on the measure of their financial objectives e.g. Returns on investments, returns on equity, returns on sales, sales growth, revenue and non-financial measures (subjective) e.g. customer loyalty and satisfaction, employee satisfaction, increasing staff, brand awareness, performance relative to competitors and owners’ satisfaction. (Richard et al, 2008). For any organization to grow its performance, multiple strategies have to be used which may include innovations, marketing and competitiveness procedures. A common strategy recently used is the focus on Corporate Social Responsibility.
1.1.3 Equity Bank

Equity Bank is a notable bank that became a fully-fledged commercial bank in 2014 operating under the name Equity Bank Limited (EBL). Two years later, it was subsequently included in the Nairobi Securities Exchange and is currently the largest bank in the Kenyan market. It has grown from a small enterprise to the most powerful financial service provider in the region with additional branches in five other countries in Africa, namely, Congo, Rwanda, South Sudan, Tanzania and Uganda (Equity Bank Official Website, 2017).

In early 2013, Equity Bank was ranked top in the best Bank in Kenya Tier 1 list that includes all banks with assets worth over 150 million Kenya shillings. At the time, Equity Bank owed assets worth an excess of 252 Kenyan Billion shillings. It was also recognized and awarded banking institution that charges the lowest transactional charges due to its affordability and inclusivity. At the time, Equity Bank was also awarded as the bank with the highest deposit base with the base at the time being more than 70 billion Kenyan Shillings.

The diverse nature of the strategy used by Equity really paid off with the organization recording a 13% pre-tax growth in the first quota of 2016 and the acquisition of a new strategic investor. The profit growth was from 5.4 billion to 6.1 billion within a period of one financial year. The growth was mainly credited to the banks revenue diversity with customer deposits increasing by over 30% in the year 2016. The Group’s aggregate operating income increased by 19% from 11.1 billion to Ksh 13.2 billion up recorded in their said period. The rise in revenue was instigated by the achievement to channel none funded revenues which increased from 36% to 42% of the operating income. Due to expansion of the IT sector, the total expenses for the year rose by over 20% in the
year 2014. Due to numerous investments done by the Equity Bank Group, the value of assets rose by over 26% rising to over 370 billion Kenyan shillings. Another notable growth was in the amount of loans which rose over 25% to stand at 224 billion Kenyan shillings by March 2015 with the quality of the loan book being maintained. Additionally, the Return on Equity (ROE) and Return on assets was improved to a value of 27% and 4.8% respectively. Another major income boost was the innovation of Equitel which its active subscribers being over 650,000 (Equity bank official homepage, 2016). The Wings to Fly project has so far collected 2.8 Billion shillings of which so far, 1.9 billion has been spent on educating over 20,000 beneficiaries.

Companies that tend to devote minimal amount of their resources to CRS usually have a high ROI thus showing an inverted U shaped rapport between CTS and an organization’s performance Bowman & Haire, 2014). Without taking into account the empirical factors, CSR should generally improve an organization’s financial performance. And yet, these findings are far removed from the unique situation that developing countries face and particularly financial institutions like Equity Bank. This study consequently intends to fill the significant gap that exists in exploring the influence of corporate social responsibility on organizational performance of Equity Bank through their Wings to Fly program.

1.2 Statement of the Problem

Even though the existence of information on the purpose of CSR from the environmental and societal angle, there is little understanding about how CSR affects organizational performance particularly that of Equity bank and the Wings to Fly program. Contextually, the study examined reports on CSR at Equity bank and did not find any that linked CSR to performance of the bank in an empirical and analytical way;
only stating without evidence that it did. Further, apart from the soft benefits linked to CSR there is no information on the financial linkage between the cost of CSR and performance of the bank. Consequently, it become important to also look at the theoretical ramifications that follow the empirical understanding of CSR and bank performance and this study thus hoped to fill this significant gap.

On a global scale, Marcia, Markus and Oakley, (2013) did a study on corporations in the USA to find out the benefits of CSR to their organizations with their findings being that larger institutions tend to be remunerated for being socially responsible. However, their research did consider the effect of CSR on the organizations’ performance considering both measurements in terms of financial and non-financial indicators.

Carmen-Pilar, Rosa and Lisa, (2011) on their part looked at service sector companies in Norway and asserted that size of the firm was precisely corresponding to its CSR asset. An increase in any firm’s investment in CSR, creates positive returns in both the short and the long term. For a firm to seen as positively socially responsible, there has to accountable of the welfare of its stakeholders. The study concluded that in determination of ROE of a particular firm, it is crucial to consider its implementation of CSR strategy and its size. The study however only looked at the financial performance measurements of the companies namely profitability and ROE while this study will look at some significant non-financial measurements.

According to studies done in Kenya, there is a relationship between the organization’s profitability and CSR (Okoth, 2012). In his research on the inspiration of CSR on financial outcomes of most banks in Kenya, the study concluded that CSR has an impact on both ROA and ROE. But as noted earlier, these studies have only looked at the
financial performance measurements of the companies namely profitability and ROE while this study looked at some significant non-financial measurements to cover all the bases for a much reliable and dependable result.

According to Okiro, Omoro and Kinyua (2013) in their study on influence of CSR on commercial banks financial performance; they found out that organizations can create a foundation and an avenue for improving their product worth and promote themselves by embracing Corporate Social Responsibility. The study however did not measure any performance elements and was thus incomplete. Further, based on the findings of these studies, identifying the components of the CSR programmes in a specified organization are the link between CSR and the cooperate performance. For this study’s purposes, the philanthropic, benefit salient, ratio of CSR contributions and financial aspects of CSR was the study’s main focus. Additionally, most studies given were unsuccessful in showing the force that CSR possesses on a firm’s outcome; thus, the presence of a gap in knowledge. This study thus, intended to close the gap by examining the force exerted by this corporate social responsibility activities on an organization’s outcome.

1.3 Objective of the Study

The study evaluated the influence of Corporate Social Responsibility on the performance of an organization, with the case study being the Equity Bank.

1.3.1 Specific Objectives

The study also sought to specifically consider the following specific objectives

i. To establish the influence of philanthropic CSR activities on organizational performance
ii. To determine the influence of benefit salience in the corporate social responsibility on organizational performance.

iii. To assess the influence of CSR contributions on organizational performance

iv. To evaluate the influence of financial focused CSR activities on organizational performance

1.4 Research Questions

i. What is the influence of philanthropic CSR activities on organizational performance at Equity Bank?

ii. How does benefit salience in the corporate social responsibility affect organizational performance at Equity Bank?

iii. What is the influence of CSR contributions on organizational performance at Equity Bank?

iv. How do financial focused CSR activities affect organizational performance at Equity Bank?

1.5 Hypotheses

H$_{01}$: Philanthropic CSR activities do not have notable dominance on the performance of Equity Bank.

H$_{02}$: Benefit salience in the corporate social responsibility does not have notable dominance on the performance of Equity Bank.

H$_{03}$: CSR contributions do not have significant influence on organizational performance of Equity Bank.
H₀₄: Financial focused CSR activities do not have notable dominance on the performance of Equity Bank.

1.6 Significance of the Study

This study may be of paramount significance to a number of both internal and external information users who include Bank managers who based on the findings will want to increase the CSR contributions for better bank performance, strategy executors, and government agencies, the public and funding partners. The external government agencies such as Efficiency Monitoring Unit (EMU), Vision 2030 Secretariat and auditors will easily access pre-requisite information for respective decision making. Moreover, the study’s findings are set to induce a renewed dimension of performance by the banking players to their clients (the customers) through anticipated enhancement of external and internal efficiency of CSR for better performance. Finally, this study may be of importance to fellow academicians with findings that would be useful in their professional body particularly scholarly work dealing with CSR and performance.

1.7 Scope of the Study

The main focus of the study was the influence of Corporate Social Responsibility on performance of Equity Bank. The study considered philanthropic, benefits salient, financial focus and ratio of CSR contributions as predictor variables for performance. Geographically, the study’s scope covered the Equity Bank headquarters in Nairobi County. Relevant data was particularly collected from CSR appropriate management staff and the staff at the Wings to Fly secretariat to form the basis for generalization and recommendations using descriptive survey research design. The study was done within six months from June 2018-November 2018.
1.8 Limitations of the Study

The limitation of the study was brought about by the fact that this is a survey study, hence the findings may not necessarily be generalized to other institutions particularly public and nonbanking sector entities that have dissimilar characteristics on how they dealt with CSR. However, other entities may glimpse into the findings and domesticate them to their situation because the present study was done reliably and credibly. Secondly, the study encountered certain financial records that were dense but this was mitigated by financial experts who simplified their interpretations.

1.9 Organization of the Study

This project had five chapters. The first chapter has the introduction to the study comprising of the background of the study, statement of the problem, the purpose and objective of the study, significance, scope and limitations of the study. The second chapter has the literature review which comprises the theoretical, empirical and conceptual framework as well as the summary and research gaps while chapter three covers the research methodology outlining the target population, sample design used, instruments of data collection, sample size and validity and reliability of instruments to be used and data analysis. Chapter four is about the results and discussion of the findings and specifically has the demographic results, the descriptive analysis results and the inferential analysis results. Chapter five comprises of the summary of findings, conclusions and recommendations.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The main content of this chapter is a literature review on the concepts of Performance, CSR as well as the empirical link between philanthropic, ethical, financial and environmental focus elements of CSR on performance. The chapter also presents a theoretical review and conceptual framework. Further, the section offers significant research gaps that would be filled by the present study.

2.2 Theoretical Review

This study was based on three major theories which are the Triple Bottom Line Theory, the Stakeholder Theory and finally the Fiduciary Capitalism Theory

2.2.1 Triple Bottom Line Theory

The triple bottom line (TBL) theory was initially significantly espoused by Elkington (1999) who argued that this theory is a central component of the CSR platform from which organizations can operate. Henriques and Richardson, (2014) in articulating the tenets of triple bottom line (TBL) theory and the link to CSR argued that there is a close rapport between corporate responsibilities and economic, social, and environmental bottom lines (Karaibrahimoglu, 2010). It’s argued that most organizations see the economic bottom line as the universal area of importance in any business and is always pictured and is determined by the financial statistics. On the social bottom line aspect, the idea is presented as issues the entail the resource available and how stakeholder make use of them while the environmental bottom line is about the natural capital
utilized to create tasks for organizations in their CSR activities (Henriques & Richardson, 2014).

Therefore, “sustainability accounting” is incorporated to create a groundwork for the financial influences of sustainability revolving around the central concept for an organization. The basic argument for this accounting framework is to calculate the worth of a firm accruing from their efforts to the society within the context of TBL (Karaibrahimoglu, 2010). Participating in environmental and social implications of an organization, instead of focusing on monetary aspects only, has recently gained significant attention. This theory thus became important in articulating the influence of corporate responsibilities on organizational performance; a performance that is constantly and closely related to economic, social, and environmental bottom lines of such businesses. For this study, the financial and philanthropic elements were closely tied to this theory as it linked the elements to getting work done from top of the organization to the bottom of the community.

2.2.2 Stakeholder theory

Stakeholder theory was first postulated by Mitchell (1997) and is presently a major impression for explaining how businesses and the society are related. (Carroll & Buchholtz, 2013). It is the presence of multiple parties whose relationships are bound equally and reciprocate depending on the relationship or any contradicting interests existing within the firm. “In stakeholder literature there are some wide definitions that attempt to make specifications verifiable by reality and experience, that basically any one can be affected by and in return affect a business’s actions” (Mitchell, 1997, pg 854).
In other fields of business literature, a business is privileged to its purpose and its surroundings (Carroll & Buchholtz, 2013) which elucidates the diverse understandings of stakeholders in an organization. Here, generally, society is viewed as a succinct macro environment that also entails the outside surrounding.

A stakeholder-based method portends diverse advantages for stakeholders in groups or organizations (Perrini, 2005). An example is, each group of stakeholders are given a go ahead to identify and successfully complete their duties having in mind the company’s policies and activities. Apart from that, it permits companies to observe their business’s irregular and diversified environment in order to meet the needs of the society the firm operates in and ensure its satisfaction (Perrini, 2005).

According to Roberts, (2013), stakeholders have vested interests and specific expectations of the organizations. These interests include Authorizers, business partners, external influencers and customers. Donaldson and Preston, (2005) asserted that the stakeholder theory is grouped into three unique categories of normative, descriptive and instrumental forces. This theory was appropriate for this study has it involved all stakeholders from equity bank to the community and looked at how they harnessed corporate social responsibility to benefit the community.

### 2.2.3 Fiduciary Capitalism Theory

Fiduciary Capitalism Theory of CSR as postulated by Friedman & Friedman, (1962), which is touted to culminate to shareholder value-oriented administration, asserts succinctly that the main objective of a firm is seeking profit coupled with the expansion of the economic value for its shareholders is the only social responsibility a business should strive to meet (Friedman & Friedman, 1962). The stakeholders are the most important in a business set up therefore ones their needs have been met then the firm
has no other responsibilities. According to Friedman (1962), in such an economy, the only social responsibility of business; to use the available resources and engage in activities that will only lead to an increase in profits so long as it doesn’t break any rules, which means, engaging in open and free competitions, without unethical means. In the same vein, companies like Equity bank have a fiduciary duty to the society. In answer to that duty, they engage in CSR activities to not only improve their bottom line but to also do good to the society; this is the reason this theory was relevant to the present study.

2.3 Conceptual Review

2.3.1 Concept of Corporate Social Responsibility:

This origin of this concept was in the year 1953 after the publication of Bowen’s book Social Responsibilities of Businessmen (Valor, 2005). Kotler and Lee (2005) acknowledge that it is hard to pin down the concept since it overlaps with other similar concepts that include as sustainable business, corporate citizenship and business ethics which are all explained by Moon (2002). Additionally, Mohr, Webb and Harris (2001) explain CSR as the company’s responsibility and its effort to minimize harmful influences and to optimize its long run positive and useful impacts on the society. Therefore, CSR is how an organization reacts to its social plans. As stated earlier, most organizations in the past were deemed only as profit maximizing entities. Currently, most originations are considered as an essential part of the social life due to the extreme modification in the firm environment (Karaibrahimoglu, 2010). Therefore, CRS is arguably the best tool that can be used to gain competitive advantage, a reason that is making CRS become more important to many firms and organizations (Porter & Kramer, 2002). However, literature by Ailawadi et al. (2011) and Gineitiene and
Ziogelyte (2010), brings in to light that the concept of CSR needs further discussion since there is no widely accepted definition. Carroll (2011) defines CSR as hierarchy of 4 responsibility levels: economic, legal, ethical and philanthropic components. Lantos (2002) defines 3 responsibility types: ethical, altruistic and strategic responsibility levels.

2.3.2 Concept of Performance

Investorwords (2011) defines performance as the outcome of activities of an investment or firm over a specific period of time. Chong (2008) states four main approaches used to measure the organization’s performance. These are the system resource approach, goal approach, stakeholder approach and competitive value approach. Stakeholder approach and the competitive value approach, evaluate performance of an organization based on external stakeholders’ satisfaction e.g. suppliers, customers’, competitors. It aims at the ability of an organization to meet its stakeholders’ expectations and needs. Goal approach is commonly used since it is simple, understandable and focusses on internal objectives (Chong, 2008; Zahra, 2012). Managers are able to access whatever information they need for purposes of the evaluation. This approach is all about the extent to which an organization achieves its objectives. It is best for managers since the objectives are set the organization itself depending on the interest and capability of the owner.

According to Richard et al. (2008), the goal approach directs the owners-managers to focus their attentions on the financial measures (objective) e.g. Returns on investments, returns on equity, returns on sales, sales growth, revenue and non-financial measures (subjective) e.g. customer loyalty and satisfaction, employee satisfaction, increasing staff, brand awareness, performance relative to competitors and owners’ satisfaction.
2.4. Empirical Literature

2.4.1 Philanthropic CSR activities and organizational performance

Marcia, Otgontsetseg and Hassan (2013) in a descriptive survey investigated CSR in its philanthropic format and the study noted that primarily, CSR in its philanthropic format was necessary for the development of system quality and improvement of companies. But they also mentioned that CSR in its philanthropic format was important to acquire the benefits that accrue out of a good CSR system. The study used path analysis and found out that marginally, CSR in its philanthropic format had a positive impact on performance in production companies. The study did not however look at the same situation in the Kenyan context and in the commercial banking service and this gap was potentially filled by the present study. It also did not consider using inferential statistics as a means to offer comprehensive analysis of findings.

Lorraine (2012) did a descriptive study and examined CSR philanthropy and management, the study noted that one of the most significant risk for any project is negative attitude by stakeholders to the project and lack of philanthropic CSR. The study that was a qualitative study using content analysis found out that philanthropic CSR succeeded proportionately to the improved attitudes of the stakeholders. There is therefore a need to examine philanthropic CSR and how it influences performance in banks in Kenya. It also did not consider using inferential statistics as a means to offer comprehensive analysis of findings.

A study done by Carmen-Pilar, Rosa and Lisa (2011) highlighted in an explanatory study the benefits of philanthropic CSR and how stakeholder attitude impact it. The study was a comparative study that used correlational analysis to ascertain the significance of attitude on philanthropic CSR performance in the private sector in the
USA. The study found out that attitude is grown when staff are sufficiently trained and that the training then leads to better performance of any activity including philanthropic CSR. The study noted that many construction firms employed philanthropic CSR in many diverse ways but that eventually they settled on one that had positive staff reviews and better attitude. This implies that ideally, philanthropic CSR is necessary for improved banking performance but to what extent is the reason for the present study.

Kitzmuellery and Shimshack (2012), also did a qualitative study on philanthropic CSR and its impact on organizational performance of firms in Sweden. The study used secondary data from the Sweden Securities Exchange and noted certain important issues. Firstly, the study noted that philanthropic CSR is necessary for progressive organizations. The study also noted that the said philanthropic CSR was a hinge from which operational success of companies listed was realized. This means that philanthropic CSR could as well portend much for banking performance but to what extent becomes a reason for the present study. Qualitative studies have gaps in quantifying findings and thus offering a strong predictive element for future consideration.

Klingebiel and Rammer (2011) in their study entitled “philanthropic CSR for Innovation Performance: The Effects of Breadth, Uncertainty, and Selectiveness”, demonstrated in an elaborate literature review that the option to select philanthropic CSR approach positively affects performance. Data was generated out of the 2012 Mannheim Innovation Panel that comprised the German element in the European Community Innovation Survey (CIS). They further established that a strategy of philanthropic CSR to a wider range of projects upsurges sales of fresh products, particularly if these are really original, that is fresh to the market. The influence of
greater extensiveness seems to outweigh that of augmented resource allocation per each project. They noted further suggestion that the performance effect of extensiveness increases with profitable doubt. It is also sturdier for companies that assign resources additional selectively at later phases of the innovation process. However, how philanthropic CSR been used as a factor and how it has influenced remains significantly uninvestigated. It also did not consider using inferential statistics as a means to offer comprehensive analysis of findings.

2.4.2 Financial Focused CSR Activities and Organizational Performance

Kitzmuellery and Shimshack (2012), investigated succinctly the economic viewpoints on CSR, and came to the realization that penchants shown by specified firms characterized the key factors affecting the CSR applied. When social shareholders preferences are evident, many firms use this strategic CSR to maximize their profits, however nonprofit organizations tend to use CSR to satisfy shareholders social ambitions. The study showed when persons engage in private giving for public good, often altruism is not the main goal always. Guilt, pressure from social circles and desire to appear good may be the greatest motivators. The study did not however look into the philanthropic elements and the financial activities and how they influence bank performance.

Margolis, Elfenbein and Walsh (2011), explored via a meta-analysis the issues of financial focused CSR activities of over 167 cases that showed significant positive relationship and at other instances negative relationships that exists when looking at the link inherent in CSR and CFP. A CSR project that when over expectation resulted in a progressive abnormal return of about 1.8% compared to a project that failed. Again, the
study failed to consider the philanthropic elements and the financial activities and how they influence bank performance.

In the most inclusive similar study by Laeven and Levine (2011), the authors assess how financial CSR activities affected the value of major banking institutions in 42 countries. Their main findings were the selling value of financial CSR and other financial services firms is mostly lesser than that of specialized organizations and institutions. Therefore, the benefits of the economies of scope may not be enough to allow most banks in Europe and the USA to perform at their peak. The study was however not comprehensive in its methodology and thus failed the test of dependability.

Across Africa, Kirkpatrick, Murinde, and Tefula (2014) performed an empirical study of 89 commercial banks from several African countries from the year 2001 to 2014. The findings of the study was that banks are usually on an average of 65% profit efficiency and 80% cost efficiency with reference to the DFA and SFA merits. The study by Kirkpatrick, Murinde, and Tefula (2014) also suggest that the penetration of foreign banks in Africa has yielded more foreign owed banks thus leading to reduced profits and the x-efficiency of most African Banks. Conclusively, it can be argued that banking performance in Africa is better when it is still domesticated as opposed to foreign entry in its management. The study considered financial CSR issues but in passing and this affected the findings

2.4.3 Benefit salient in CSR and Organizational Performance

Asforth and Mael, (2009) did a case study in a private company in Australia and tried to explain the benefit salient in CSR activities. His study used qualitative analysis via interview Schedules to analyze the data. They identified organizational identification defined as the degree to which organizational members perceive that an organization
shares their defining attributes as a major benefit salient from CSR. This is in line with the social identity theory that allocates positive feedback from people who perceive that either the organization is of prestigious pedigree or could help amass higher self-esteem (Ashforth & Mael, 2009). Employees would rather work for a good citizen that contributes to the welfare of society than for a poor citizen that cares only about itself; and are willing to be productive in the process. The study however looked more at corporate image and not performance as this study will.

Gouldner (2000) on his part did a study on benefit salient from CSR activities in 22 small scale companies in Norway. Using descriptive survey research methods, he found out that CSR actions are not limited to philanthropic activities but include the benefits salient from the CSR. However, the link between benefit salient and bank performance was not conversed. The study did not however have inferential statistics in its analysis thus lowering the dependability of the findings.

Galbreath (2009) found from his descriptive study targeting 30 companies in Sweden, that CSR cannot only be philanthropic or an obligation towards ethics, CSR can be carried out within six elements of corporate strategy, adding up to good organization practice, profitable to the economy and to the wellbeing of society (Galbreath, 2009). What all these studies have not done however, is to link the benefit salient to CSY to performance measures which this study hopes to do. The study did not however have inferential statistics in its analysis thus lowering the dependability of the findings.

According to Du et al (2010), CSR is an ethics-based theory that an organization has a duty benefit the society and this helps sustain the state of equilibrium. It’s the role of each particular organization to participate in CSR in an attempt to sustain an equilibrium between the economy and the ecosystems. The equilibrium should be
evident among economic development as well as the welfare of both the society and the environment. The study did not however have inferential statistics in its analysis thus lowering the dependability of the findings.

Holme and Watts (2000) described in their explanatory study the benefit salient in CSR as the pledge or obligation to have an ethical policy and practice that allows for economic progress for the company, the society and individuals that stand to gain something, either directly or indirectly, from such an engagement. This is done in such a way that also allows governments to partner with similar minded businesses and the businesses stand to gain by allowing it to get tax reprieve among other benefits.

Galbreath (2012), on his part categorized CSR in the form of ethical, legal, economic options and philanthropic endeavors. CSR all about the relationship between the business world and the society, and how the companies relates with its stakeholders.

2.4.4 CSR Contributions and Organizational Performance

Ongolo (2012) explored the link between ratio of CSR contributions and market share posted by Kisumu based supermarkets. The findings confirmed a significant link existing between CSR contributions ratio and market share of the said Kisumu supermarkets. Businesses that had staked more on CSR experienced a high income. He also realized that both CSR and market share index moved in tandem hence signifying a positive correlation coefficient. Big supermarkets ventured in mostly education and sanitation while other supermarkets helped those less fortunate in their environs.

Okiro, et al (2013) investigated the rapport amidst investment in CSR and continual growth in Nairobi based banks. The main purpose of the research was to determine the connection between the continual growth of banks and CSR. From the study, there was
a remarkable attitude towards corporate responsibility in terms of investments. There was a consensus that CSR was important for a firm to be successful. Offering proper care and better service to customers with the aim of increasing and retaining them would be the most appropriate way for firms to generate more income. According to the researchers’ findings, there existed a feeble but positive link between the CSR and continual growth of banks and that CSR could only explain 11% of banks growth.

A research done by Gichana (2014) on CSR practice by Kenyan organization purposed to identify corporate responsibility practices listed in the Nairobi Stock Exchange together with the ratio of CSR contributions and the reasons that led to these firms choosing the specific CSR practices. The findings showed that all these firms were adept at long term preparation and possessed strategies in place or had already started embracing social responsibility. Majority of the companies focused mainly on the health issues and education as their corporate responsibility and extended the same to their employees by providing medical cover, house allowance and pension schemes. Almost none of the organizations addressed water conservation and management. Most of the respondents mainly focused on internal implications instead of the water problem in general. The acknowledgement of CSR as the central value was best explanation for the findings. Other associated factors are: meeting government requirement on degradation by contributing to the community and using it a platform to advertise products.

Okoth (2012) in his study, realized that there was a positive effect of CSR to the financial performance of banks whether medium or large and that CSR had no impact on the returns on assets of small bank. It instead had a positive and recommendable impact on returns on assets and return on equity for all banks when totaled. It’s therefore
not in the interest of shareholders for small banks to participate in corporate responsibility activities since they could end up using their own wealth without getting any returns.

2.5 Summary and Research Gaps

This section presents the research gaps that have been highlighted from reviewed literature and what the present study will focus on. Based on the findings of the study, while many other studies only looked at the financial performance measurements of the companies namely profitability and ROE this study looked at some significant non-financial measurements. Also, many studies did not measure any performance elements and were thus incomplete. Further, based on the findings of these studies, identifying the components of the CSR programmes in a specified organization are the link between CSR and the cooperate performance. For this study’s purposes, the philanthropic, benefit salient, ratio of CSR contributions and financial aspects of CSR were the study’s main focus. Additionally, most studies reviewed were unsuccessful in showing the force that CSR has on a firm’s outcome; thus, the presence of a gap in knowledge. This study closed the gap by examining the force exerted by this corporate social responsibility activities on an organization’s performance. It also filled the gap that has been presented in table 2.1 as far as it looked at financial measures for organizational performance.
<table>
<thead>
<tr>
<th>Author and Year</th>
<th>Focus of study</th>
<th>Findings</th>
<th>Gap</th>
<th>Focus of current study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marcia <em>et al.</em>, (2013)</td>
<td>Corporate Social Responsibility and its Impact on Financial Performance: Investigation of U.S. Commercial Banks</td>
<td>the biggest firms seemed to receive substantial rewards for being socially responsible</td>
<td>Their study did not consider the influence of CSR on the organizations’ performance using both the financial and non-financial measures</td>
<td>Influence of CSR on organizational performance.</td>
</tr>
<tr>
<td>Carmen-Pilar, Rosa and Lisa, (2011)</td>
<td>Do the Best European Socially Responsible Companies get better financial performance</td>
<td>The size of the firm was directly linked to the firm’s investment in CSR The more a firm invested in CSR, the more profits they generated</td>
<td>The study only looked at the financial performance measurements of the companies namely profitability and ROE</td>
<td>This study looked at some significant non-financial measurements like customer satisfaction</td>
</tr>
<tr>
<td>Markus (2014)</td>
<td>Effect of CSR on financial performance of commercial banks in Kenya</td>
<td>CSR has an influence on ROA and ROE.</td>
<td>The study only looked at the financial performance measurements of the companies namely profitability and ROE</td>
<td>This study looked at customer satisfaction as an additional measure</td>
</tr>
<tr>
<td>Okiro, Omoro &amp; Kinyua (2013)</td>
<td>influence of CSR on commercial banks financial performance</td>
<td>firms can get CSR to initiate a platform for progressing their brand equity and to promote themselves.</td>
<td>Relationship amidst CSR and corporate performance was the focus of this study</td>
<td>The philanthropic, benefit salient, CSR contributions and financial aspects of CSR was the study’s main focus.</td>
</tr>
</tbody>
</table>
2.6 Conceptual Framework

The conceptual framework offers a diagrammatic illustration of the link between the independent variables of ratio of CSR contributions, financial CSR and philanthropic CSR and the dependent variable of performance of Equity Bank. The IVs are assumed to influence positively the performance of the bank if done infectively and vice-versa as seen in Figure 1 below.

**Independent Variable-CSR**

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Benefits Salient in CSR</th>
<th>Ratio of CSR contributions</th>
<th>Financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philanthropic CSR</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Charity Events</td>
<td>• Identification index</td>
<td>• Cost of CSR offered</td>
<td>• Amount of CSR cash distributed</td>
</tr>
<tr>
<td>• Donations of sales</td>
<td>• Social exchange options</td>
<td></td>
<td>• Cash for cash CSR projects</td>
</tr>
<tr>
<td>• Promotion of company service</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Dependent Variable**

Performance of Equity Bank
- Profitability
- Return on Investment
- market share

*Figure 2.1 Conceptual Framework*

*Source: Author (2017)*
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research method to be adopted in attaining the intended study objectives. It particularly identifies the research design, the targeted population, size of the sample and the procedure used in acquiring the samples, research instruments, data collection procedure, the validity of the research and reliability, data analysis and the study’s ethical considerations.

3.2 Research Design

This study adopted a descriptive research design which, according to Kothari (2014), is structured to review a number of logical sub-units or units of analysis within organizations. Morris and Wood (2011) acknowledge the benefit of descriptive design particularly when the purpose of the study is to gain a wider understanding of the context of the research and processes being enacted. Moreover, they argue that the design has the ability to come up with answers to the research questions. Since this study seeks to describe the influence of CSR on performance, specifically look at how philanthropic, benefit, CSR contributions, and financial activities influence performance and since it is also set up to acquire knowledge on what has been happening, this research design became appropriate.

3.3 Target Population

In this study, all the 238-management staff across the 9 departments of Equity Bank was the target population. The management staff was selected because they were on the
upper echelons of decision making and as a result, they understood the issues of CSR and how they influence performance as illustrated in Table 3.1.

**Table 3.1 Target Population**

<table>
<thead>
<tr>
<th>Department</th>
<th>Management Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Finance</td>
<td>38</td>
</tr>
<tr>
<td>2. Corporate Strategy</td>
<td>22</td>
</tr>
<tr>
<td>3. Innovation and Payments</td>
<td>19</td>
</tr>
<tr>
<td>4. Human Capital and Administration</td>
<td>33</td>
</tr>
<tr>
<td>5. Corporate and SME Banking</td>
<td>29</td>
</tr>
<tr>
<td>6. Strategic Partnerships, Collaborations and Investor Relations.</td>
<td>16</td>
</tr>
<tr>
<td>7. Operations and Customer Experience</td>
<td>32</td>
</tr>
<tr>
<td>8. Credit</td>
<td>34</td>
</tr>
<tr>
<td>9. Special Projects</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>238</strong></td>
</tr>
</tbody>
</table>

Source: Equity Bank (2017)

**3.4 Sample Size Sampling Procedure**

Henry (1990) argues that use of samples makes it possible a higher overall accuracy than a general census. The smaller number of cases for which the researcher needs to collect data means that more time can be spent designing and piloting the means of collecting these data. Collecting data from fewer cases also adds the possibility of obtaining information that is more detailed. In addition, the researcher devotes additional time used in attempting to collect data from more challenging cases.
The formula, \( n_a = \frac{(n \times 100)}{r\%} \), advocated by Saunder, Lewis and Thornhill (2011) was used to estimate the actual sample size for the study, where:

- \( n_a \) is the actual sample size;
- \( n \) is the minimum estimated sample size,
- \( r\% \) is the estimated response rate expressed as a percentage.

Based on this, and with an estimated 75% response rate the actual sample size was obtained as:

\[
n_a = \frac{(1/3 \times 238) \times 100}{75} = 105 \text{ respondents}
\]

**Table 3.2 Sample Size**

<table>
<thead>
<tr>
<th>Department</th>
<th>Management Staff</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Finance</td>
<td>38</td>
<td>38/238x105 = 16</td>
</tr>
<tr>
<td>2. Corporate Strategy</td>
<td>22</td>
<td>22/238x105 = 10</td>
</tr>
<tr>
<td>3. Innovation and Payments</td>
<td>19</td>
<td>19/238x105 = 9</td>
</tr>
<tr>
<td>4. Human Capital and Administration</td>
<td>33</td>
<td>33/238x105 = 14</td>
</tr>
<tr>
<td>5. Corporate and SME Banking</td>
<td>29</td>
<td>29/238x105 = 12</td>
</tr>
<tr>
<td>6. Strategic Partnerships,</td>
<td>16</td>
<td>38/238x105 = 8</td>
</tr>
<tr>
<td>Collaborations and Investor Relations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Operations and Customer Experience</td>
<td>32</td>
<td>38/238x105 = 14</td>
</tr>
<tr>
<td>8. Credit</td>
<td>34</td>
<td>38/238x105 = 15</td>
</tr>
<tr>
<td>9. Special Projects</td>
<td>15</td>
<td>38/238x105 = 7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>238</strong></td>
<td><strong>105</strong></td>
</tr>
</tbody>
</table>

Source: Equity Bank (2017)

Sampling of the 105 management staff from the departments was done using the Simple Random method.
3.5 Data Sources and Collection Instruments

This study used both primary data and secondary data in the form of document analysis and structured questionnaires.

The study included secondary data by examining documents, especially the financial reports like profit and loss results that were useful in measuring the financial aspects of performance. This data was considered both quantitatively and qualitatively. Additionally, it was used to triangulate findings based on other data such as written materials and primary data that was gathered through questionnaires.

The study employed a Likert-style rating, and quantity questions to get responses from the management staff. In those areas where clarifications and descriptions will of key concern, open-ended question items were used to provide the required space. According to Dillman (2000), significant use of questionnaires within business and management research is made in the survey strategy since each person (respondent) receives same questionnaires which if an adequate method of collecting data from an enormous sample before quantitative analysis.

3.6 Validity and Reliability of Research instruments

3.6.1 Validity of Instruments

Dornyei (2013) defined validity as the efficiency of an instrument when serving its purpose. There are three types of validity; face-which is concerned with the effectiveness of psychological testing and its aims and hence not appropriate for this study; construct that is concerned with the scale of measurement and also not appropriate for social science and content validity. Content validity was most appropriate for this study as it was concerned with how well the contents of the questionnaires offered valuable and appropriate responses. To measure content validity,
therefore the study supervisors examined the contents of the instruments and advised the researcher on its validity. Also, a pilot study was done on 11 of the management staff at Equity bank. The 11 represents approximately 10% of the sample size. Their responses was removed from the actual study. The pilot study is useful to test the dependability of the instruments.

3.6.2 Reliability of Instruments

Dornyei (2013) defines reliability of an instrument as the extent to which the instrument is free from errors of measurement. Thus, the intent of this study was to conduct a rigorous instrument validation exercise through pre-testing. The pilot units, equivalent to one-tenth of the proposed sample size, was obtained from comparable members of the population from which the sample for the full study is taken. The results from the pilot study was tested using Cronbach Coefficient formula. Any figure above 0.7 was deemed a mark of acceptable reliability. The reliability results from the pilot study showed a reliability index of 0.703 which being above 0.7 is a mark of acceptable reliability.

3.7 Data Collection Procedure

First, an introductory letter was obtained from the university and then used to acquire a permit for conducting the study from the National Commission of Innovation and Technology (NACOSTI). The researcher then collected the necessary data required for the respondents. The data was obtained through the use of data collection questionnaires which was filled with the relevant data from the firms’ respondents.

The researcher also got consent from Equity Bank to conduct the study and once the consent was granted the researcher visited the bank to make appointments for the data collection, informing the organization the kind of information that was needed and the
reason for conducting the study. The researcher gave the respondents ample time to collect the information that was needed for the study and collected it once it was made available. A high level of confidentiality and privacy was observed and the findings of the study were only submitted to the university and the managers of the firms.

3.8 Data Analysis and Presentation

Data was collected, coded and cleaned and then analyzed with the help of descriptive statistics involving percentages and mean scores to determine varying degrees of response-concentration. Standards deviations to measure response-disparity particularly for the pre-coded Likert-scale question items will also be generated. This is done with help of the software by the name Statistical Package for Social Sciences (SPSS) Version 22.0. The derived distributions was presented using graphical and tabular tools. Both the Pearson correlation and Linear Regression Techniques was used to test the research hypotheses.

Regression Model

\[ \alpha_0 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \]

Where the variables are defined as:

\( \alpha_0 \)- Performance

\( X_1 \)- Philanthropic

\( X_2 \)- Benefit Salient

\( X_3 \)- CSR Contributions

\( X_4 \)- Financial

\( e \)- Error term
3.9 Ethical Considerations

First, an introductory letter was obtained from the university and then used to acquire a permit for conducting the study from the National Commission of Innovation and Technology (NACOSTI). The researcher then collected the necessary data required for the respondents. The researcher also got consent from Equity Bank to conduct the study. This study adhered to the respondents’ privacy, confidentiality, integrity and anonymity. Basically, all ethical considerations mentioned were strictly followed. Privacy which is the need to respect the respondents personal space, confidentially that is characterized by keeping the responses secret until publishing and anonymity that is based on not disclosing the identity of respondents were followed keenly.
CHAPTER FOUR

RESEARCH FINDINGS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presents an elaborate data analysis, its subsequent presentation and interpretation and contextualizes the results within the literature already reviewed. It is sectioned as follows; the response rate, the general characteristics, organizational performance, the influence of philanthropic CSR activities on Organizational Performance; the influence of benefit salience on organizational Performance; and, the influence of CSR contributions on Performance and the influence of financial focused CSR activities on organizational performance at Equity Bank. It finally presents the correlation and regression analyses as selected analytical tools to test the hypotheses.

4.2 Response Rate

The study used simple random sampling to select 105 management staff from equity bank. From this, only 75 management staff responded fully and this corresponds to 71.4% of response rate, a figure that is acceptable (Kothari, 2004).

4.3 General Characteristics of the Respondents

The study was concerned with determining the influence of Corporate Social Responsibility on the performance of an organization, with the case study being the Equity Bank. To clearly offer an analysis to answer the subsequent objectives accruing from the main purpose of the study, the respondents were asked about their demographic information. The results are henceforth presented.
4.3.1 Gender Distribution of Respondents

A response as to the gender of the respondents was required and Table 4.1 shows the results.

Table 4.1 Gender of Respondents

<table>
<thead>
<tr>
<th>Group</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>41</td>
<td>54.1%</td>
</tr>
<tr>
<td>Female</td>
<td>34</td>
<td>45.9%</td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Data (2018)

The results explicitly show that 54.1% of the Management staff were male compared to 45.9% who were female. It can consequently be interpreted that most management employees at Equity bank had an almost equal presence of both genders a factor that Gathungu and Ratemo (2013) agreed with when he noted that both genders by reason of the progressive times presently are more inclined to engage in business management in whatever form unlike the past where many businesses management offices were male dominated. This also implies that both the reliability and credibility of the results would be positive considering that both genders would significantly offer their responses on the subject matter.

4.3.2 Age Characteristic of Respondents

The study also sought to evaluate the age characteristic of the respondents and Table 4.1 shows the results.
Table 4.2 shows succinctly that slightly less than half 40.7% were aged 37-46 years, they were closely tied to 34.0% respondents with ages between 27-36 years. The remaining were 46 years upwards which gives the impression that the maturity of the Management staff was significant and they were thus assumed to have the capacity to issues to do with the influence of Corporate Social Responsibility on the performance of an organization.

### 4.3.3 Level of Education Achieved

A response as to the level of education achieved of the respondents was required and Table 4.3 shows the results.

<table>
<thead>
<tr>
<th>Group</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-26 Years</td>
<td>9</td>
<td>9.3%</td>
</tr>
<tr>
<td>27-36 Years</td>
<td>24</td>
<td>34.0%</td>
</tr>
<tr>
<td>37-46 Years</td>
<td>26</td>
<td>40.7%</td>
</tr>
<tr>
<td>47-56 Years</td>
<td>9</td>
<td>9.3%</td>
</tr>
<tr>
<td>Over 56 Years</td>
<td>7</td>
<td>6.7%</td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

*Source: Research Data (2018)*
Table 4.3 Level of Education Achieved

<table>
<thead>
<tr>
<th>Group</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>3</td>
<td>3.10%</td>
</tr>
<tr>
<td>Degree</td>
<td>27</td>
<td>37.3%</td>
</tr>
<tr>
<td>Master’s Degree</td>
<td>31</td>
<td>40.2%</td>
</tr>
<tr>
<td>PHD</td>
<td>14</td>
<td>19.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2018)

The results as presented in Table 4.3 shows that 40.2% had Master’s degree certificates, 37.3% held first degree certificates from universities in various parts of the country, then 19.4% had PHD certificates from universities and the remaining 3.10% with diploma certificates only. This result implies that the Management staff had significant educational backgrounds a situation that Carmen - Pilar et al (2011) noted to be instrumental in getting reliable and credible results particularly as regards microfinance issues but also, the education level is necessary for management for effective decision making.

4.3.4 Work Experience

A response as to the work experience of the respondents was required and Table 4.4 shows the results.
Table 4.4 Work Experience

<table>
<thead>
<tr>
<th>Group</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 2 years</td>
<td>11</td>
<td>13.2%</td>
</tr>
<tr>
<td>2-4 years</td>
<td>21</td>
<td>27.1%</td>
</tr>
<tr>
<td>5-7 years</td>
<td>29</td>
<td>40.1%</td>
</tr>
<tr>
<td>Above 7 years</td>
<td>14</td>
<td>19.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Source: Research Data (2018)*

The result highlights that a significant majority at 40.1% were experienced in the form of 5-7 years, 27.1% were experienced having worked for 2 to 4 years; then 19.6% were experienced in the form of 7 years upwards and just 13.2% were experienced, having worked for 2 years and less. This result is important considering that Gichana (2014) highlighted that many banks were often experiencing high staff turnover attributed to poor pay and huge workload within high pressure working conditions. The result here suggest that equity had done better in that regard and consequently the reliability and credibility of results would here be enhanced as the staff know more about CSR from their significant experience.

4.4 Performance of Equity

The dependent variable was about the performance of Equity Bank. Table 4.5 below shows a summary of the financial results based on the audited reports of 2018.
Table 4.5 Equity Performance Results

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profits</td>
<td>16.6 Billion</td>
<td>18.9 Billion</td>
<td>14.0%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>473.7 Billion</td>
<td>524.5 Billion</td>
<td>11.0%</td>
</tr>
<tr>
<td>Net Loans</td>
<td>266.1 Billion</td>
<td>279.1 billion</td>
<td>5.0%</td>
</tr>
<tr>
<td>Deposits</td>
<td>337.2 Billion</td>
<td>373.1 Billion</td>
<td>11.0%</td>
</tr>
<tr>
<td>Transaction Value</td>
<td>227.4 Billion</td>
<td>251.6 Billion</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

Source: Equity Bank Data (2018)

The results from Table 4.5 shows that equity banks performance had increased significantly at an average growth of 11.0% from the previous financial year. All the parameters of bank performance from profits to income to market share had significantly improved. Literature suggests that a truer mark of acceptable organizational performance are high profitability, income and improved market share. Also, it has been argued that effective planning, good financing and management have been postulated as the major grounds for improvements in bank performance (Longenecker, et al., 2006).
4.5 Descriptive Statistics

4.5.1 Philanthropic CSR Activities

The descriptive analysis results are presented in Table 4.6.

Table 4.6: Descriptive Statistics for Philanthropic CSR Activities variables

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Analysis N</th>
</tr>
</thead>
<tbody>
<tr>
<td>As a bank, we have increased participation in socially responsible activities</td>
<td>4.19</td>
<td>.787</td>
<td>75</td>
</tr>
<tr>
<td>We have devoted persons or departments to CSR</td>
<td>3.90</td>
<td>1.108</td>
<td>75</td>
</tr>
<tr>
<td>CSR at the bank is more prescribed, strategic and united into all facets of the firm</td>
<td>3.40</td>
<td>.917</td>
<td>75</td>
</tr>
<tr>
<td>The company has been rewarded with better profits for being socially responsible</td>
<td>4.12</td>
<td>1.029</td>
<td>75</td>
</tr>
<tr>
<td>We have a reputation of putting our interests above that of our clients</td>
<td>4.08</td>
<td>1.138</td>
<td>75</td>
</tr>
</tbody>
</table>

Source: Research Data (2018)

Table 4.6 shows the descriptive statistics for five variables measured for philanthropic cluster. Based on the results, all the variable means are above 3.0 and compared significant difference with the standard deviations, it is clear that all the variables are significant. Basically, the bank had increased participation in socially responsible activities, they had devoted persons or departments to CSR and CSR at the bank was more prescribed, strategic and united into all facets of the firm. Also, that the company had been rewarded with better profits for being socially responsible.
This result goes in tandem with reviewed literature that argued like Marcia, Otgontsetseg and Hassan (2013) in a descriptive survey investigated CSR in its philanthropic format that primarily, CSR in its philanthropic format was necessary for the development of system quality and improvement of companies. But they also mentioned that CSR in its philanthropic format was important to acquire the benefits that accrue out of a good CSR system. Lorraine (2012) did a descriptive study and examined **CSR philanthropy and management**, the study noted that one of the most significant risk for any project is negative attitude by stakeholders to the project and lack of philanthropic CSR. The study further found out that philanthropic CSR succeeded proportionately to the improved attitudes of the stakeholders

### 4.5.2 Benefit Salience in CSR

The descriptive analysis results are presented in Table 4.7.

**Table 4.7: Descriptive Statistics for Benefi Salient in CSR variables**

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Analysis N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through CSR the bank shares positive attributes of unselfishness as us, the employees</td>
<td>3.29</td>
<td>.867</td>
<td>75</td>
</tr>
<tr>
<td>CSR activities create a positive perception on the part of the customers about how integrity and quality service</td>
<td>4.90</td>
<td>.908</td>
<td>75</td>
</tr>
<tr>
<td>Employees would prefer to engage with a citizen with integrity who has charity that a careless poor citizen</td>
<td>3.48</td>
<td>.937</td>
<td>75</td>
</tr>
<tr>
<td>Employees perform better in a company that engages in CSR</td>
<td>4.33</td>
<td>.938</td>
<td>75</td>
</tr>
</tbody>
</table>

*Source: Research Data (2018)*
Based on Table 4.7 all the variable means are above 3.0 and compared significant difference with the standard deviations, it is clear that all the variables are significant. Basically, through CSR the bank shared positive attributes of unselfishness to the employees, CSR activities created a positive perception on the part of the customers about how integrity and quality service could be achieved and employees would prefer to engage with a citizen with integrity who has charity that a careless poor citizen. Also, employees perform better now that Equity engaged in CSR.

This result has a concurrence to reviewed literature. Asforth and Mael, (2009) did a case study in a private company in Australia and tried to explain the benefit salient in CSR activities. They identified organizational identification defined as the degree to which organizational members perceive that an organization shares their defining attributes as a major benefit salient from CSR. This goes in tandem with social identity theory that asserts that persons prefer a high prestigious firm that helps to amass self-esteem than those that don’t (Ashforth & Mael, 2009). Employees would rather work for a good citizen that contributes to the welfare of society than for a poor citizen that cares only about itself; and are willing to be productive in the process.

4.5.3 CSR Contributions

The descriptive analysis results are presented in Table 4.8.
Table 4.8: Descriptive Statistics for CSR contributions Variables

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Analysis N</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR is good for the financial performance of the bank</td>
<td>4.22</td>
<td>.922</td>
<td>75</td>
</tr>
<tr>
<td>The amount of CSR contribution is significant enough that it influences the financial performance of the bank</td>
<td>4.93</td>
<td>1.122</td>
<td>75</td>
</tr>
<tr>
<td>The bank intends to improve its contribution to ensure that the company generates better reputation and better performance</td>
<td>4.38</td>
<td>1.132</td>
<td>75</td>
</tr>
</tbody>
</table>

Source: Research Data (2018)

Based on Table 4.8 all the variable means are above 3.0 and compared significant difference with the standard deviations, it is clear that all the variables are significant. Basically, CSR was acceptable for the financial growth of the bank and the amount of CSR contribution was significant enough that it influenced the financial performance of the bank. Finally, the bank intended to improve its contribution to ensure that the company generated better reputation and better performance.

This result agrees significantly with literature reviewed. Ongolo (2012) explored the link between ratio of CSR contributions and market share. The findings confirmed a significant link existing between CSR contributions ratio and market share. Businesses that had staked more on CSR experienced a high income. He also realized that both CSR and market share index moved in tandem hence signifying a positive correlation coefficient. Okiro, et al (2013) investigated the rapport amidst investment in CSR and continual growth. From the study, there was a remarkable attitude towards corporate responsibility in terms of investments. There was a consensus that CSR was important
for a firm to be successful. Offering proper care and better service to customers with the aim of increasing and retaining them would be the most appropriate way for firms to generate more income.

4.5.4 Financial Focused CSR Activities

The descriptive analysis results are presented in Table 4.9.

<table>
<thead>
<tr>
<th>Table 4.9: Descriptive Statistics for Financial Focused CSR Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variable</strong></td>
</tr>
<tr>
<td>Our organizational preference is the driving force towards CSR</td>
</tr>
<tr>
<td>The bank uses strategic CSR to maximize profits</td>
</tr>
<tr>
<td>The bank makes donations or privately provide public goods to improve performance</td>
</tr>
<tr>
<td>At the bank, CSR ushers in savings in the investments of the firm by lowering costs over a significant number of time</td>
</tr>
<tr>
<td>At the bank, investment in CSR is indicative of the value the firm has pegged on beneficiaries</td>
</tr>
</tbody>
</table>

Source: Research Data (2018)

Based on Table 4.8 all the variable means are above 3.0 and compared significant difference with the standard deviations, it is clear that all the variables are significant. Basically, the bank’s preference was the driving force towards CSR and the bank used
strategic CSR to maximize profits. Also, the bank made donations or privately provided public goods to improve performance. At the bank, CSR ushered in savings in the investments of the firm by lowering costs over a significant number of times. Finally, at the bank, investment in CSR is indicative of the value the firm has pegged on beneficiaries.

In agreement, Kitzmuellery and Shimshack (2012), investigated succinctly the economic viewpoints on CSR, and came to the realization that penchants shown by specified firms characterized the key factors affecting the CSR applied. When social shareholders preferences are evident, many firms use this strategic CSR to maximize their profits, however nonprofit organizations tend to use CSR to satisfy shareholders social ambitions.

4.6 Inferential Analysis

Both Pearson’s correlations and Regression analyses were used to compute the data and finally test the hypotheses. The succeeding sections deals with the two analyses.

4.6.1 Correlation Analysis

There was need to look at the relationship between variables. This was so that it becomes adequate to get scores that would be used to test the hypotheses. Table 4.10 helps in that regard.
## Table 4.10 Correlations

<table>
<thead>
<tr>
<th></th>
<th>Organizational Performance</th>
<th>Philanthropic CSR</th>
<th>Benefit salient CSR</th>
<th>CSR contributions</th>
<th>Financial focused CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropic CSR</td>
<td>.685**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit salient CSR</td>
<td>.615**</td>
<td>543**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.000</td>
<td>.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR contributions</td>
<td>.588**</td>
<td>.420**</td>
<td>.207**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial focused CSR</td>
<td>.720**</td>
<td>.215**</td>
<td>.298</td>
<td>.537**</td>
<td>1</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.004</td>
<td>.000</td>
<td>.001</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

The study variables had a confident correlation with the dependent variable with Financial focused CSR having the maximum correlation of \( r=0.720, p<0.01 \) then Philanthropic CSR with a correlation of \( r=0.685, p<0.01 \) followed closely by benefit salient with a correlation of \( r=0.615, p<0.01 \), CSR contributions had the slenderest correlation of \( r=0.588, p<0.01 \). This designates that all the variables are statistically significant at the 99% confidence interval level 2-tailed. Wong and Hiew (2005) have asserted that correlation coefficient value \( (r) \) should desirably be between 0.5 to 0.8 as that is where strong values are highlighted. Anything below is either medium or weak.
Field (2005) on his part asserted that to avoid multicollinearity, the score should never exceed 0.8 and judging by the results here it is clear the r values are strong and significant as they are between the strong range of 0.5-0.8.

4.6.2 Regression Analysis

To check for the variable predictive power, regression was done and the results are as seen on Table 4.11, 4.12, 4.13. Regression was used to test the following hypotheses:

H₀₁: Philanthropic CSR activities do not have notable dominance on the performance of an organization.

H₀₂: Benefit salience in the corporate social responsibility does not have notable dominance on the performance of an organization.

H₀₃: CSR contributions do not have significant influence on organizational performance

H₀₄: Financial focused CSR activities do not have notable dominance on the performance of an organization.

Table 4.11 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.872ᵃ</td>
<td>.768</td>
<td>.702</td>
<td>.186</td>
<td>2.370</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Philanthropic CSR, benefit salient, CSR contributions, Financial focused CSR
b. Dependent Variable: Organizational Performance

From table 4.11 it is clear that, bearing in mind the positive nature of the value, that the results of the regression analysis show a positive direction of the correlation

49
relationship between observed value and the predicted value that is shown by the dependent variable. The coefficient of determination $R^2$ value was 0.768. This shows that 76.8 per cent of the variance in dependent variable (Organizational Performance) was explained and predicted by independent variables (Philanthropic CSR, benefit salient, CSR contributions, Financial focused CSR).

Table 4.12 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>212.703</td>
<td>4</td>
<td>48.096</td>
<td>104.301</td>
<td>.001a</td>
</tr>
<tr>
<td>Residual</td>
<td>10.878</td>
<td>207</td>
<td>.694</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>223.581</td>
<td>211</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Philanthropic CSR, benefit salient, CSR contributions, Financial focused CSR
b. Dependent Variable: Organizational Performance

The generated F-statistics ($F = 104.301.$) showed a significance at 5 per cent level (Sig. $F< 0.05$), thus showing that the model was fit and thus, there is statistically significant relationship between Philanthropic CSR, benefit salient, CSR contributions, Financial focused CSR, and Organizational Performance.

Table 4.13 Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.667</td>
<td>.371</td>
</tr>
<tr>
<td>Philanthropic CSR</td>
<td>.375</td>
<td>.068</td>
</tr>
<tr>
<td>Benefit salient</td>
<td>.267</td>
<td>.064</td>
</tr>
<tr>
<td>CSR contributions</td>
<td>.376</td>
<td>.064</td>
</tr>
<tr>
<td>Financial focused CSR</td>
<td>.281</td>
<td>.162</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance
The generated t-value of constant (t = 7.698) shows a significance at .000 per cent level (Sig. F< 0.05), thus making the fitness confirmation positive. Therefore, there is statistically significant relationship between Philanthropic CSR, benefit salient, CSR contributions, Financial focused CSR, and Organizational Performance. The results show that all the variables were statistically significant because they had a p value less than 5%. Further based on the beta results the study thus interprets the model as:

\[ \alpha_0 = 2.667 + 0.375 (X_1) + 0.267 (X_2) + 0.376(X_3) + 0.281 (X_4) + \epsilon \]

This implies that for every unit increase in Philanthropic CSR Organizational Performance increases with 0.375 units, for any increase in benefit salient, Organizational Performance increases with 0.267 units; for any increase in CSR contributions, Organizational Performance increases with 0.376 units and finally for any increase in Financial focused CSR, Organizational Performance increases with 0.281 units.

This regression result goes in tandem with reviewed literature that argued like Marcia, Otgontsetseg and Hassan (2013) in a descriptive survey investigated CSR in its philanthropic format that primarily, CSR in its philanthropic format was necessary for the development of system quality and improvement of companies. But they also mentioned that CSR in its philanthropic. Asforth and Mael, (2009) did a case study in a private company in Australia and tried to explain the benefit salient in CSR activities. They identified organizational identification defined as the degree to which organizational members perceive that an organization shares their defining attributes as a major benefit salient from CSR. This goes in tandem with social identity theory that asserts that persons prefer a high prestigious firm that helps to amass self-esteem than those that don’t (Ashforth & Mael, 2009). Ongolo (2012) explored the link between
ratio of CSR contributions and market share. The findings confirmed a significant link existing between CSR contributions ratio and market share. Businesses that had staked more on CSR experienced a high income. He also realized that both CSR and market share index moved in tandem hence signifying a positive correlation coefficient. Also, in agreement, Kitzmuellery and Shimshack (2012), investigated succinctly the economic viewpoints on CSR, and came to the realization that penchants shown by specified firms characterized the key factors affecting the CSR applied. When social shareholders preferences are evident, many firms use this strategic CSR to maximize their profits, however nonprofit organizations tend to use CSR to satisfy shareholders social ambitions.

Thus, the four hypotheses:

Table 4.14 Hypotheses Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Test</th>
<th>Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_{01}$: Philanthropic CSR does not affect Organizational Performance at Equity</td>
<td>Regression</td>
<td>.000</td>
<td>Significant</td>
</tr>
<tr>
<td>$H_{02}$: Benefit salient does not affect Organizational Performance at Equity</td>
<td>Regression</td>
<td>.004</td>
<td>Significant</td>
</tr>
<tr>
<td>$H_{03}$: CSR contributions does not affect Organizational Performance at Equity</td>
<td>Regression</td>
<td>.000</td>
<td>Significant</td>
</tr>
<tr>
<td>$H_{04}$: Financial focused CSR does not affect Organizational Performance at Equity</td>
<td>Regression</td>
<td>.002</td>
<td>Significant</td>
</tr>
</tbody>
</table>
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter contains a summary of findings, the conclusions drawn and the recommendations made thereof. It finally offers the suggestions for further research.

5.2 Summary of Findings

The study variables had a positive correlation with the dependent variable with Financial focused CSR having the highest correlation of \( r=0.720, \ p< 0.01 \) then Philanthropic CSR with a correlation of \( r=0.685 \ p< 0.01 \) and then benefit salient with a correlation of \( r=0.615 \ p< 0.01 \), CSR contributions had the slightest correlation of \( r=0.588 \ p< 0.01 \). This indicates that all the variables are statistically significant at the 99% confidence interval level 2-tailed.

The results show that all the variables were statistically significant because they had a p value less than 5%. Further based on the beta results the study thus interprets the model as:

\[ Y_0 = 2.667 + 0.375 \ (X_1) + 0.267 \ (X_2) + 0.376(X_3) + 0.281 \ (X_4) + \ e \]

This implies that for every unit increase in Philanthropic CSR Organizational Performance increases with 0.375 units, for any increase in benefit salient, Organizational Performance increases with 0.267 units; for any increase in CSR contributions, Organizational Performance increases with 0.376 units and finally for any increase in Financial focused CSR, Organizational Performance increases with 0.281 units.
5.3 Conclusions

Based on the results, the study thus concludes that Philanthropic CSR was significantly employed and that the company had made deliberate effort to improve on their CSR activities that led to a positive and significant influence on Equity Bank organizational performance. Moreover, CSR contributions were improved and significant and there were a myriad of financial focused CSR activities that were used by the company.

5.4 Recommendations

Based on the study objectives and the accruing conclusions, the study makes the following recommendations:

Equity bank management should continue to invest more in the corporate social responsibility aspect done to make the life of beneficiaries better in terms of education, health and other humanistic endeavors.

Equity bank management should improve on strategies that improves on the desired outcomes that accrue out of CSR activities and improve by seminars and involvement actions how the employees feel about CSR enough to warrant motivation to better productivity by them.

Equity bank management should improve on the amount of money invested in CSR every year against the yearly earnings of the banks. This will help to entrench CSR even more and improve organizational performance.

Equity bank management should enact actions and events like rebates to customers and low interests done by the bank using the money to engage in CSR. These will also work to improve organizational performance of the bank.
5.5 Suggestions for Further Research

This study proposes that further research be done on the CSR activities and how they impact on the strategic positioning of commercial banks. Also, further research should be carried out to examine the extent to which CSR impacts on employee productivity.
REFERENCES


APPENDICES

APPENDIX I: Introduction Letter

Dear Respondents,

I am a Masters student from Kenyatta University undertaking research on Corporate Social Responsibility and performance of Equity Bank. This questionnaires main purpose is to get reliable responses that will help in ascertaining the influence of Corporate Social Responsibility on performance of Equity Bank. Please you are requested to complete all the questions asked and all ethical considerations was followed where you are concerned.

Yours Sincerely,

Mercy Wanja Mwangi
APPENDIX II: QUESTIONNAIRE

Q/No:………………

This questionnaires main purpose is to get reliable responses that will help in ascertaining the influence of Corporate Social Responsibility on performance of Equity Bank. Please you are requested to complete all the questions asked and all ethical considerations was followed where you are concerned.

You are requested to append an indication that you consent

(    ) I Agree       (   ) I disagree

PART ONE-DEMOGRAPHIC INFORMATION

1. Indicate your Gender

   Male   [   ]       Female   [   ]

2. Indicate your Age

   [   ] 19-26 years   [   ] 27-36 years   [   ] 37-46 years

   [   ] 47-56 years   [   ] Over 56 Years

3. Indicate your highest level of education

   [   ] Certificate   [   ] Diploma   [   ] Degree   [   ] Post graduate

4. Indicate how many years you have worked at Equity bank?

   [   ] Less than 5   [   ] 5-10

   [   ] 10 -15   [   ] 15, and above
PART B Philanthropic CSR

5. Please Show the level of agreement or disagreement with the questions asked below by ticking [✓]

SA-Strongly Agree, A-Agree, disagree, strongly disagree, SD-strongly disagree

<table>
<thead>
<tr>
<th></th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>As a bank, we have increased participation in socially responsible activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have devoted persons or departments to CSR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR at the bank is more formal, strategic and integrated into all aspects of the business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company has been rewarded with better profits for being socially responsible</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>we have a reputation of putting our interests above that of our clients</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

PART D- Financial CSR activities

5. Please Show the level of agreement or disagreement with the questions asked below by ticking [✓]

SA-Strongly Agree, A-Agree, disagree, strongly disagree, SD-strongly disagree
<table>
<thead>
<tr>
<th>Item</th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>through CSR the bank shares positive attributes of unselfishness as us, the employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR activities create a positive perception on the part of the customers about how integrity and quality service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees perform better in a company that engages in CSR</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**PART C- Benefit Salient**

6. Please Show the level of agreement or disagreement with the questions asked below by ticking [√]

SA-Strongly Agree, A-Agree, disagree, strongly disagree, SD-strongly disagree

<table>
<thead>
<tr>
<th>Item</th>
<th>SA</th>
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</thead>
<tbody>
<tr>
<td>our organizational preference is the driving force towards CSR</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>the bank uses strategic CSR to maximize profits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the bank makes donations or privately provide public goods to improve performance</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>at the bank, CSR ushers in savings in the investments of the firm by lowering costs over a significant number of time</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
PART E- CSR Contribution

7. Please Show the level of agreement or disagreement with the questions asked below by ticking [✓]

SA-Strongly Agree, A-Agree, disagree, strongly disagree, SD-strongly disagree

<table>
<thead>
<tr>
<th></th>
<th>SA</th>
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<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR is good for the financial performance of the bank</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>The amount of CSR contribution is significant enough that it influences the financial performance of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The bank intends to improve its contribution to ensure that the company generates better reputation and better performance</td>
<td></td>
<td></td>
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</tbody>
</table>

PART B- Performance

9. Please what is your yearly performance? Please supply us with your profit and loss statements……………………………………

10. What is your return on assets, please provide will the financial report to support the results.

11. Please Show the level of agreement or disagreement with the questions asked below by ticking [✓]

SA-Strongly Agree, A-Agree, disagree, strongly disagree, SD-strongly disagree
<table>
<thead>
<tr>
<th>SA</th>
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</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
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</tbody>
</table>

Our sales growth has improved over time to averagely above the 1 billion mark in the last financial year.

Our market share has gone up averagely over 20% in the last financial year.

Our profitability has improved to over 1 billion in the last financial year.

Generally, our performance has grown significantly.
APPENDIX II: UNIVERSITY APPROVAL LETTER

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

FROM: Dean, Graduate School
TO: Mercy Wanja Mwangi
     C/o Business Administration Dept.

DATE: 1st October, 2018
REF: D53/CTY/NYI/24887/2014

SUBJECT: APPROVAL OF RESEARCH PROPOSAL

We acknowledge receipt of your revised Research Proposal as per our recommendations raised by the Graduate School Board of 19th September, 2018 entitled “Corporate Social Responsibility on the Performance of Commercial Banks in Kenya”.

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University’s Website under Graduate School webpage downloads.

Thank you.

[Signature]

HARRETT ISABOKE
FOR: DEAN, GRADUATE SCHOOL

C.c. Chairman, Department of Business Administration
Supervisors:

1. Dr. Jane Wanjiru
   C/o Department of Business Administration
   Kenyatta University

All/mn
APPENDIX III: NACOSTI APPROVAL LETTER

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Ref No. NACOSTI/P/18/56225/25988

Date: 27th November, 2018

Mercy Wanga Mwangi
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 the performance of commercial banks in Kenya” I am pleased to inform you that you have been authorized to undertake research in Nairobi County for the period ending 26th November, 2019.

You are advised to report to the County Commissioner and the County Director of Education, Nairobi 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.

DR. STEPHEN K. KIBIRU, PHD.
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Nairobi County.

The County Director of Education
Nairobi County.