

EFFECTS OF CSR SECTORIAL EXPENDITURE ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA

^{1*}**Nyambane Daniel Magucha**
griffilaenterprises@gmail.com

^{2**}**Professor Willy Muturi**
mmuturi2001@gmail.com

^{1,2} *Jomo Kenyatta University of Agriculture and Technology P.O Box 62000-00200 Nairobi, Kenya*

Abstract

The involvement in CSR activities is beneficial to corporate bodies in several ways among them being; to maintain and boost a company's reputation and brand image, to get a social license to operate, reduce the risk of a company's business, expand access to resources for business operations, opening up wider market opportunities, reduce costs associated with environmental impacts, improving relationship with stakeholders, increase employee morale and productivity. This study adopted the descriptive survey design and the study also tested for a linear relationship between expenditure incurred on corporate social responsibility programs and the financial performance of commercial banks in Kenya. Descriptive statistics was used to analyze the data and the results were interpreted and presented using percentages, pie-charts and measures of central tendency. The target population of this study was 80 employees from different commercial banks in Kenya. A drop and pick later approach was adopted for research questionnaires that were distributed at random to the respondents within the target population. These questionnaires formed the primary data for our research work. Secondary data on the other hand was obtained from commercial banks financial records, financial statements prepared by the foundations of the respective commercial banks and CBK annual reports. Research findings established a positive correlation between expenditure on CSR programs and the performance of commercial banks in Kenya. The study concludes that the expenditure on CSR sectorial programs in educational programs, health programs, environmental conservation programs and sports related programs have a positive impact on an organization's over all financial performance.

Keywords: Performance of commercial banks, Expenditure on Health Programs, Expenditure on Educational Programs, Corporate Social Responsibility

1.1 Introduction

The Corporate Social Responsibility (CSR) as a concept entails the practice whereby corporate entities voluntarily integrate both social and environmental enhancement in their business philosophy and operations, Ocran (2011). A business enterprise is primarily established to create value by producing goods and services that are needed by a society. According to Schnackers (2007) the World Business Council for Sustainable Development (WBCSD) sees CSR as a continuous commitment by business to contribute to economic

development while improving the quality of life of the workforce and the community and society at large. According to Charma (2013) Corporate Social Responsibility (CSR), is a concept whereby companies integrate social, environmental and health concerns, in their business strategy policy and operations and in their interests with stakeholders on a voluntary basis. According to Sharma (2013) the social responsibility of businesses encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time. As the world is shrinking due to globalization, the concept of corporate social responsibility (CSR) is increasingly becoming important nowadays and the term “Corporate Social Responsibility” abbreviated as CSR is widely used in everyday business.

Ocran (2011) study on the effects of Corporate Social Responsibility on profitability of Multinational Companies, a case study of Nestle Ghana Limited, found out that as CSR of Nestle Ghana increases, there was a corresponding increase in profitability of Nestle Ghana. He concluded that there was a positive correlation between CSR and company profitability. Kipruto (2014) study on the effects of CSR on performance of Commercial Banks in Kenya revealed that participation in CSR activities increases a company’s financial performance. Being a good corporate citizen attracts new and unexpected customers, new capital, tax exemptions, government favours and in the end achieving greater profitability. The study concluded that CSR has a positive and significant effect on a firm’s profitability. Nelling (2009) study on the effects of CSR on profitability of commercial banks, found out that banks’ performance was not affected by the CSR programs. The study concluded that there was no significant relationship between CSR and companies profitability. Cornett, (2014) study on CSR on the financial performance of commercial banks in the USA, found that both adjusted ROA and ROE are positively related to CSR scores. He concluded that there was significant relationship between CSR programs and profitability of commercial banks. Chege, (2014) study on the effects of CSR on the profitability of commercial banks in Kenya found out that there was positive relationship between CSR and the profitability of commercial banks in Kenya. She concluded that CSR participation had a significant relationship with banks performance. From the reviewed studies, it is clear that CSR as a whole does not give a conclusive directional relationship with firm’s financial performance. These study findings reveal varied results on the impact of CSR activities of commercial bank’s financial performance. This research is therefore aimed at bridging this existing research gap by carrying out an in depth inquiry on the effects of CSR sectorial expenditures on the financial performance of commercial banks in Kenya.

There are a total of 44 licensed commercial banks in Kenya. They include: African Banking Corporation, Barclays Bank (Kenya) Limited, Chase Bank (Kenya), Commercial Bank of Africa, Cooperative Bank of Kenya Limited, Consolidated Bank of Kenya Limited, Credit Bank Limited, Development Bank of Kenya Limited, Diamond Trust Bank Kenya Limited, Dubai Bank Kenya Limited, Equatorial Bank Commercial Bank Limited, Equity Bank Limited, Fidelity Commercial Bank Limited, Giro Commercial Bank Limited, Imperial Bank Limited, Kenya Commercial Bank Limited, Middle East Bank of Kenya Limited, National Bank of Kenya Limited, Paramount Bank, Prime Bank Limited, Stanbic Bank Kenya Limited, Standard Chartered Bank Limited, Transnational Bank Limited, Bank of Africa, Bank of Baroda, Bank of India, Brighton Kaleyke Bank, Citibank, Ecobank, Family Bank, Fina Bank Limited, First Community Bank Limited, Guardian Bank, Gulf African Bank Limited, Habib Bank AG Zurich, I & M Bank Limited, Jamii Bora Bank Limited, K – Rep Bank Limited, NIC Bank, Oriental Commercial Bank Limited, United Bank of Africa, Victoria Commercial Bank Limited, Habib Bank Limited and Post Bank Kenya Limited (CBK, 2017). There are also a total of five representative offices of foreign banks in Kenya. They include the following: HDFC, Ned Bank, Hong Kong and Shanghai Banking Corporation, First Rand Bank, and Bank of China. The operations of Commercial banks in Kenya are regulated by various legislatures. For instance, the Kenya Deposit Insurance Act of 2015 gives

guidelines that all commercial banks should insure all deposits domiciled in Kenya. Under this Act, the following deposits should be insured: current account deposits, savings account deposit, call deposits, fixed term deposits and foreign currency deposits. The insured deposits as per the Act are those held by commercial banks, financial institutions and mortgage financial companies as defined in the banking Act Cap 488. Of particular importance too is the Banking Act 2016. The Banking Amendment Act 2016 came into operation in September 2016. The Act provides that banks shall not charge more than 4 per cent the base rate set and published by the Central Bank of Kenya (CBK). The CBK's CBRR, (Central Bank of Kenya Reference Rate) is currently 10 per cent thereby bringing the maximum interest chargeable on a credit facility to 14 per cent. The CBRR does not apply to currency other than the Kenyan shilling.

1.2 Statement of the problem

The involvement in CSR activities is beneficial to corporate bodies in several ways among them being; to maintain and boost a company's reputation and brand image, to get a social license to operate, reduce the risk of a company's business, expand access to resources for business operations, opening up wider market opportunities, reduce costs associated with environmental impacts, improving relationship with stakeholders, increase employee morale and productivity (Mbithi, 2015). Environmental pollution is a worldwide problem and its potential to influence human populations is great Fereldoun (2007). The major sources of environmental pollution include human population growth, industrial and agricultural practices. Water pollution for instance is a potent agent of diseases such as cholera, typhoid and tuberculosis. Agricultural, domestic and industrial wastes are the major environmental pollutants while sewage is the biggest pollutant of fresh water when discharged into them. Air pollution is a common phenomenon throughout the world especially in developed countries. Air pollution affect human health in that it leads to chronic respiratory diseases thereby leading to a shorter lifespan especially for city dwellers. According to the World Health Organization (WHO) statistics of 2008, 6% of the deaths in Austria, France and Switzerland might be associated with exposure to air pollution and natural forces as well Fereidoun (2007). Empirical evidence on the effects of expenditure on CSR related programs on a firm's financial performance has yielded mixed results. Mbithi (2015) studied on the effects of corporate social responsibility on organizations profitability for the banks listed in the Nairobi Stock Exchange. The specific objectives of his study included establishing how CSR programs on employee relation practices, environmental relations and customer relations practices, affect profitability within the banking industry in Kenya. His study however, ignored the effects of expenditure on educational programs, effects of expenditure on health related programs and the effects of expenditure on sports CSR related activities and how they influence performance of commercial banks in Kenya. The study too was limited only to those banks listed in the Nairobi stock exchange market which ignoring the rest of other commercial banks. Chege (2014) studied on effects of CSR on the profitability of commercial banks in Kenya. Her specific objectives of the study were: contribution of employee volunteerism, community health programs and financial literacy to profitability of commercial banks in Kenya. The study however, failed to show how educational programs, environmental conservation initiatives and sports related CSR expenditure influence profitability of commercial banks in Kenya. Kipruto, (2014) studied on the Effects of Corporate Social Responsibility on Financial Performance of Commercial Banks in Kenya found out that CSR is good for the financial performance of commercial banks in Kenya. The study findings were that CSR has a positive and direct effect on the firm's financial performance. Thus the aim of this research work is to bridge this existing knowledge gap in this field. The problem statement of this study sought to find out the relationship of CSR sectorial expenditure on the financial performance of commercial banks in Kenya.

1.3 General objective

The general objective of the study was to establish the effect of CSR sectorial expenditure on the performance of commercial banks in Kenya.

1.3.1 Specific Objectives

- i. To evaluate the effect of expenditure on educational programs on the performance of commercial banks in Kenya.
- ii. To assess the effect of expenditure on health programs on the performance of commercial banks in Kenya.
- iii. To determine the effect of expenditure on environmental conservational programs on the performance of commercial banks in Kenya.
- iv. To evaluate the effect of expenditure on sports programs on the performance of commercial banks in Kenya.

1.4 Scope of the study

This research entailed an in depth study on how corporate social responsibility impacts on performance of commercial banks in Kenya. However, this research was limited to finding out, how much in monetary terms these commercial banks commit to meeting expenditure on corporate social responsibility programs. The target population in this study comprised 80 employees randomly selected from various commercial banks in Kenya. The target population comprised of all cadres of employees including support staff, clerks, lower level managers, middle level managers and senior managers.

EMPIRICAL LITERATURE REVIEW

2.1 Expenditure on Educational Programs

Business organizations are now viewed as corporate citizens and as such are expected to fulfill certain civil responsibilities. A new concept of Corporate Conscience is fast becoming popular and acceptable. Since business utilizes abundant social resources and possesses quite a big amount of social power, therefore it has to work as a social and as a corporate citizen and help the society in solving its problems Gavai, (2010). This looks on how an organization sponsors the education of bright and needy members of a community in order to enable them pursue education despite their levels of poverty for equal opportunities in future. CSR activities in education entails to work on several educational initiatives in order to provide quality education, training, skills enhancement for improving the quality of living and livelihood. This objective is achieved through the following initiatives thus: promoting primary and secondary education, enabling higher education through merit cum means scholarship, skill development and vocational training. This research study seeks to establish the effect of financing education on the performance of commercial banks in Kenya.

Ongolo, (2010) investigated the relationship between CSR and market share of supermarkets in Kisumu City for the period 2006 to 2010. He sought to determine the factors that motivated the practice of CSR among supermarket in Kisumu city. The findings revealed that there was a strong relationship between CSR and market share. Institutions that had invested more in CSR had higher sales revenues. The researcher also realized that there was a positive correlation coefficient between market share index and CSR. Larger supermarkets

preferred education, water and sanitation, while other supermarkets preferred to support the less fortunate in society as CSR activities.

A study by Ratemo, (2013) revealed that disclosure of the CSR activities by organizations was used as a measurement tool of performance in the sense that the investment in CSR activities was an indication of the level of resources available and more especially the value that the organization had ascribed to the beneficiaries of the program. Though CSR was considered part of the organization operations, its impacts on the organization's financial performance was slightly different from that of other functions such as production, finance, selling and distribution. Therefore it would not be possible, to establish a clear relationship between CSR and Corporate Performance, the social and environmental responsibility of the organization was likely to remain at the level of empty mission statement and isolated add – on activities which in turn would affect the performance of the organization. The study revealed that CSR, practices were aligned with the strategic intent and that generally the CSR programs met the expectations of employees, investors, and local communities

2.2 Expenditure on Health Programs

The main objective for commercial banks financing health services as a CSR activity is to address issues around affordability and accessibility of quality health care and bring about improvement in awareness and health seeking behavior thereby enabling a better living. Health sector clearly stands out as a leader when discussing CSR issues. Part of the reason is its close relation to multiple stake holders of the society, government and other private sectors. There are many reasons why it pays for companies both big businesses and Small Medium Enterprises to be socially responsible and be cautious about the interests of key stakeholders. The health care industry has a variety of challenges that the average person may not fully understand. Issues such as stringent regulatory, compliance, intense labor shortages in nursing, increased and costly technological advancements, implementation of international quality standards and substantial community dependence make this industry one of the most operationally difficult sector, Kweyon, (2009). CSR helps the health sector to elaborate on social issues that could serve to improve their images and enhance the stakeholder engagement by making their performance indicators available to the public. This creates a positive image with the community and will eventually translate into increased revenue for the organization, Shabana, (2010). The health sector plays a very crucial role in the development of any given economy. A healthy nation, translates to increased economic development. The ministry of Public Health Services particularly plays a key role in championing the provision of health services to the general public. But due to frequent budget deficits, the government budgetary allocation to the ministry is not sufficient to cater all the sectorial needs. The health of a society, directly affects commercial banks profitability. It is in this regard that commercial banks do support the provision of CSR health services.

2.3 Expenditure on Sports Programs

Commercial banks do participate in the sponsoring of sports in the surrounding communities. They do so in many ways including but not limited to: talents discovery among the youths, provision of financial support to various football, volley and rugby clubs, provision of sports facilities including games kits, shoes, and nets. Through such like initiatives, banks are able to win more additional customers through the opening of new accounts. This ultimately increases the bank's deposits and thus enhanced banks' profitability.

Okiro, (2013) tested the relationship between investment in CSR and sustained growth of commercial banks in Nairobi County. The researchers sought to establish the relationship between banks sustained growth and CSR. The findings revealed an increased positive attitude towards CSR in terms of investment. There was a general agreement that CSR was essential for the success of the firm. Since commercial institutions work to

generate profits by offering the best services to customers, they would provide proper care to retain its customers. The researchers found out that investment in CSR activities had a positive effect on a banks sustained growth. The findings indicate that there was a weak positive relationship between the variables and that only 11% of bank sustained growth could be explained by investing in CSR activities.

Lorraine, (2009) studied the relationship between CSR and financial performance using structural equation modeling. The study findings were that, all respondents had knowledge of the term CSR, however, not all respondents used the term CSR and other names such as Corporate Citizenship and Corporate Responsibility and Sustainability were found to be as alternatives. It was noted that some SMES felt the word Corporate alienates small firms and implied CSR is more complicated than it is in reality, while some large firm's respondents felt that the word "social" confined their CSR activities to those of a social nature. With regard to the management of CSR, all large firms interviewed had devoted persons or departments to CSR while no SME had a separate CSR department the management of CSR was assumed by the top management, in most cases the CEO. While definition of CSR differed from firm to firm, Lorraine, (2009) realized that a commonality among them was that CSR was generally defined by reference to the stakeholder theory in that a firm was responsible if it took into account the interests and needs of the group of stake holders. CSR activities are positively correlated to firm size.

While studying economic perspectives of CSR, Shimshack, (2012) realized that individual preferences were the ultimate driving force behind any form of CSR. In the presence of Social stakeholder preferences, firms may use strategic levels or strategic CSR to maximize profits while not for profit firms may use CSR to satisfy shareholders social ambitions. Only if managers take CSR activities beyond strategic levels or shareholders preferences does CSR constitute moral hazard. The study revealed that when people make donations or privately provide public goods, such as charity, there may be many factors influencing their decisions. Social pressure, guilt, sympathy or simply a desire for "a warm glow" may all be important. Margolis, (2007) while carrying out a Meta - analysis of the results from 167 studies, found out that 27% of the analyses showed a positive relationship, 58% showed a non – significant relationship, and 2% showed a negative relationship between Corporate Social Responsibility and he performance of commercial banks.

2.4 Expenditure on Environmental Conservation Programs

In recent years, there has been global pressure on the enactment and adoption of stringent legislations pertaining to environment protection in and around the globe. Karuti, (2015) study suggests that companies have been taking proactive initiatives for emission reduction in anticipation of future policy with respect to environment. Chrisma, (2001) study on environmental activities has not been conclusive. Russo, (1997) study reveals a link between environmental commitments with enhanced financial performance. Alvarez, (2001) reveals that practical environmental management enhances a firm's market value, reputation and financial performance. Environmental conservation activities include; a forestation, beautification, garbage collection and cleanliness among others. Grant, (1991) study suggests that a re-organization and a specific differentiation of a firm.

A study by Gichana, (2004) on CSR practice by Kenyan companies sought to identify social responsibility practices adopted by the firms listed in NSE and the factors that explain the kind of CSR practices adopted by these firms. The study found out that all the companies practiced long term planning and had strategies on social responsibility in place. It was observed that majority of these firms focused on health and education in their practice and were responsible to their employees by offering them medical, housing and pension schemes. It was also observed that water conservation and management was poorly addressed with most of the

respondents focusing on internal implication on their activities rather than the water situation as a whole on factors that drive companies to adopt CSR the recognition of CSR as a core value was the most cited explanation. Other factors include giving back to the community as a way of meeting government requirements on degradation as a medium of advertisement.

The study by Marcia, (2013) investigated whether US commercial banks in aggregate were taking substantive steps at being socially responsible, if their socially responsible activities had changed since the financial crisis and whether they were being rewarded for their actions. The study used publicly available data on CSR to analyze CSR strengths and concerns. It found out that the largest banks consistently had higher CSR activities and CSR concerns during the sample period. Further, this group saw a steep increase in CSR activities and a steep drop in CSR concerns has the worst of the financial crisis passed. The study, also found that most profitable banks, banks with higher capital ratios and banks hat charged lower fees on deposits had significantly higher CSR strengths. The researcher found out that banks, with more females and minorities on board of directors, had significantly higher CSR strengths. Examining the relationship between CSR and bank performance, the researcher too realized that the largest banks' both size adjusted ROA and ROE were positively and significantly related to CSR scores. For these banks, the increased participation in CSR activities enhanced their financial performance.

2.5 Performance of Commercial Banks

Okoth, (2012) found out that CSR was good for the financial performance of large and medium sized banks and had no effect on the ROA of small banks. The researcher realized that CSR had a positive and significant effect on ROA and ROE for all commercial banks when aggregated. However, when classified on the basis of market size, the study revealed that CSR improved financial performance of larger and medium size banks while the effect on ROA of small bank was insignificant. The study concluded that CSR had a positive effect on the financial performance of small banks. The study concluded that it was not in the interest of shareholders to engage in CSR activities as doing so could only drain their wealth without any return. The relationship between CSR performance and financial performance is complex and inconclusive, Angelidis, (2008). From the above CSR studies, different research findings emerge. Whereas other studies indicate positive relationship between CSR and performance of commercial banks, others establish negative relationship. Other studies however, indicate no relationship at all between corporate social responsibility and performance of commercial banks. While the study of the topic is widely investigated across the globe, however, the relationship of financing CSR activities in education, health care services, sports and environmental conservation and performance of commercial banks in Kenya still remains unclear. Although much research on CSR in Kenya has been conducted, few studies have however, focused on the relationship between CSR and financial performance. The above past studies for instance have failed to establish how the financing of educational, health, environmental conservation and sports CSR activities affects the financial performance of commercial banks in Kenya. This study not only examines the relationship between CSR and financial performance, but also investigates the effects of specific socially responsible activities. This study is therefore aimed at bridging this existing knowledge gap in CSR by establishing the relationship between financing CSR related activities in education, health, sports and environmental conservation and performance of commercial banks in Kenya.

2.6 Research Gaps

Empirical evidence on the effects of expenditure on CSR related programs on a firm's financial performance has yielded mixed results. Mbithi (2015) studied on the effects of corporate social responsibility on organizations profitability for the banks listed in the Nairobi Stock Exchange. The specific objectives of his

study included establishing how CSR programs on employee relation practices, environmental relations and customer relations practices, affect profitability within the banking industry in Kenya. His study however, ignored the effects of expenditure on educational programs, effects of expenditure on health related programs and the effects of expenditure on sports CSR related activities and how they influence performance of commercial banks in Kenya.

RESEARCH METHODOLOGY

This study adopted the descriptive survey design and the study also tested for a linear relationship between expenditure incurred on corporate social responsibility programs and the financial performance of commercial banks in Kenya. Descriptive statistics was used to analyze the data and the results were interpreted and presented using percentages, pie-charts and measures of central tendency. The target population of this study was 80 employees from different commercial banks in Kenya. A drop and pick later approach was adopted for research questionnaires that were distributed at random to the respondents within the target population. These questionnaires formed the primary data for our research work. Secondary data on the other hand was obtained from commercial banks financial records, financial statements prepared by the foundations of the respective commercial banks and CBK annual reports. Linear regression inferential statistics was used to test the relationship between the dependent and independent variables.

RESEARCH FINDINGS AND DISCUSSION

4.1 Expenditure on Educational Programs on the performance of Commercial Banks

The study sought to find out the influence of expenditure on educational programs on the performance of commercial banks in Kenya. The responses were tabulated in table below and analyzed using mean and standard deviation on a Likert scale ranging from 1-5 where 5 represented strongly agree and 1 represented strongly disagree.

Table 1: Educational programs and Performance of Commercial Bank

Statement	SD	D	MA	A	SA	Mean	Std Dev.
The bank has a written policy regarding educational CSR activities	4	4	10	23	32	4.02	0.665
The organization contributes towards supporting educational CSR activities.	2	5	12	32	22	3.91	0.763
The bank contributes towards the construction of classes in school	3	3	15	36	16	3.80	0.814
The bank offers scholarship programs to bright students from needy families	2	6	11	25	29	4.00	0.615
The bank supports education sector by providing, exercise books to schools.	6	4	7	29	27	3.91	0.700
Average						3.93	0.7114

The findings of the study indicate that the commercial banks have written policies that are intended to meet expenditure on CSR related activities in education programs (with a mean of 4.02 and standard deviation of 0.665); The commercial banks provide financial support towards supporting educational related CSR activities that have an influence in the performance of commercial banks (mean of 3.91 and standard deviation of 0.763); Employees in commercial banks believe that their banks contribute in the construction of classes in the surrounding communities (mean of 3.80 and standard deviation of 0.814); There exist scholarship programs offered by commercial banks to bright students from needy families (mean of 4.00 and standard deviation of

0.615); The bank supports the educational sector by providing exercise books to schools (mean of 3.91 and standard deviation of 0.700)

These findings are consistent with those of Poter and Karmer (2006) who elaborated the interdependence between corporate and society with direct impact to community. It came out very strong that CSR indicators are very key in driving profitability in that all four indicators presented to respondents scored very highly. CSR not only drives appeal to bank by different stakeholders but also enables the business drive growth from new customers, investors and also opens up the bank to new business ventures in new markets.

4.2 Expenditure on Health related CSR Programs and Performance of Commercial Banks

The study sought to find out the influence of expenditure on health programs on the performance of commercial banks operating in Kenya. The responses were tabulated in table below and analyzed using mean and standard deviation on a Likert scale ranging from 1-5 where 5 represented strongly agree and 1 represented strongly disagree.

Table 2: Health programs and Performance of commercial banks

Statement	SD	D	MA	A	SA	Mean	Std Dev.
The bank has a written policy on the provision of health services.	8	2	3	33	27	4.09	0.825
The bank supports the construction of new health centers in the surrounding	5	4	6	38	20	3.87	.832
The bank pays for specialized treatment	3	5	12	36	17	3.80	.880
The bank offers specialized health facilities to community based health centers	4	6	10	31	22	3.83	0.753
The bank pays for specialized health services	6	8	7	30	22	3.72	0.771
Average						3.86	0.8124

The findings of the study indicate that majority of commercial banks have an elaborate written policy on the provision of health services to the surrounding communities (mean of 4.09 and standard deviation of .825); Commercial banks also do offer financial support in the construction of new health centers in the surrounding community (mean of 3.87 and standard deviation of .832); Commercial banks also do assist in the payment for hospital bills for specialized treatment in hospitals for members of surrounding community (mean of 3.80 and standard deviation of .880); The commercial banks also offer specialized health equipment to health centers from the surrounding community (mean of 3.83 and standard deviation of .753); Commercial banks also settle medical bills for treatment given to members of the community for specialized health services (mean of 3.72 and standard deviation of .771)

According to Okiro, Omoro and Kinyua (2013) noted that commercial banks can use CSR to create a platform for improving their brand value and to promote themselves. The link between CSR and corporate performance can only be clear if the components of the CSR programs in an organization are clearly identified before the relationship of the joint and several functions can be established. However, if CSR programs are well planned for and executed, it will be easier to meet market expectations such as dealing with corruption, human rights, environmental management in supply chain.

4.3 Expenditure on environmental conservation programs and Performance of Commercial Banks

The study sought to find out the influence of expenditure on environmental conservational programs on the performance of commercial banks. The responses were tabulated in table below and analyzed using mean and standard deviation on a Likert scale ranging from 1-5 where 5 represented strongly agree and 1 represented strongly disagree.

Table 3: Environmental conservational programs and Performance of Commercial Banks

Statement	SD	D	MA	A	SA	Mean	Std Dev.
Banks supports the financing of environmental conservation activities in the surrounding communities.	6	8	11	26	22	3.65	0.662
Banks support the financing in the afforestation initiatives in the surrounding community.	12	9	10	24	18	3.36	0.783
Banks participate in waste garbage collection and disposal initiatives and cleaning the surrounding.	8	7	16	24	18	3.60	0.950
Banks participate in soil erosion conservation efforts by construction gabions and other soil conservation initiatives.	2	0	15	34	22	4.01	0.768
Banks actively incorporate green agenda initiative.	1	2	13	43	14	3.96	0.836
Average						3.73	0.7998

The findings of the study indicate that the bank supports in the expenditure on environmental conservation activities in the surrounding communities (mean of 3.65 and standard deviation of .662); The banks also do support by incurring expenditures made on a forestation initiatives in the society programs (mean of 3.36 and standard deviation of .783); The banks also participate in waste garbage collection and disposal initiatives and in cleaning the surrounding society (mean of 3.60 and standard deviation of .950); The commercial banks also do participate in the soil conservation initiatives through the construction of gabions and also through pursuing other soil erosional conservational initiatives (mean of 4.01 and standard deviation of .768); The commercial banks also have adopted and incorporated in their strategies the green agenda initiative (mean of 3.96 and standard deviation of .836)

These findings are in agreement with (Ong’olo, 2012) who demonstrates that CSR plays a critical role in a firm’s financial success .The commercial banks should apply banking act on legislation and regulation to deliver social and environmental objectives in the banking sector, shrinking government resources along with a distrust of regulations, have led to the exploration of voluntary initiatives. The CSR increases competitive steady growth that embraces CSR activities for a long time that critical to shareholders who invest time and money to the business and customers who eventually purchase products and services and generate revenue to the banks.

4.4 Expenditure on Sports Programs and the Performance of Commercial Banks

The study sought to find out the influence of expenditure on sport programs on the performance of commercial banks. The responses were tabulated in table below and analyzed using mean and standard deviation on a Likert scale ranging from 1-5 where 5 represented strongly agree and 1 represented strongly disagree.

Table 4: Sport programs and Performance of Commercial Banks

Statement	S	D	MA	A	SA	Mean	Std Dev.
Banks have elaborate written policies leading to the financing of on the sports activities.	1	3	15	39	15	3.83	.617
Banks supports the nurture of sports talents among the youths.	2	5	11	51	4	3.70	.768
Banks operate financial sponsorship programs to sports clubs in the community.	2	6	23	28	14	3.63	.702
Banks donate trophies to winning teams during inter school competitions.	7	4	23	25	14	3.47	.672
Banks donate sports facilities such as shoes, games kits, nets to schools and clubs	0	1	11	39	22	4.12	.772
Average						3.75	0.759

The findings of the study indicates that commercial banks have elaborate CSR policy that leads to the financing of and meeting expenditure on sports activities (mean of 3.83 and standard deviation of .0617); The commercial banks also do support in the nurture of sports talents among the youths in the surrounding communities (mean of 3.70 and standard deviation of .768); The commercial banks also do offer financial sponsorship programs to sports clubs and schools from the surrounding communities (mean of 3.63 and standard deviation of .702); The commercial banks provide donations in the form of trophies to winning teams during inter schools competition, inter clubs in the surrounding (mean of 3.47 and standard deviation of .672); The commercial banks management supports in the donation of sports facilities such as shoes, games kits, nets to schools and clubs in the surrounding community (mean of 4.12 and standard deviation of .772).

These findings concur with Okoth (2012) who reveals that CSR improves financial performance of all commercial banks irrespective of their size. This can also lead to fundamental idea of CSR for business corporations that may have an obligation to work towards meeting the needs of a wider array of stakeholders. Also the study fully supports the findings of Ong’olo (2012) and those of Gathungu and Ratemo (2013). CSR enables a firm to penetrate the market, remain competitive in a stiff and volatile market and generate profits for a foreseeable future. Commercial banks that started as small have their profitability improve over a long period

4.5 Regression Analysis

The dependent variable of the proposed model was performance of commercial banks while the independent variables of the study were; expenditure on educational programs, expenditure on health programs, expenditure on environmental conservational programs and expenditure on sports related programs. The model is as follows;

$$ROA = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

$$ROE = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

The dependent variable of the study was the performance of commercial banks in Kenya as measured by ROA and ROE, while the independent variables were X_1 = expenditure on educational programs, X_2 = expenditure on health programs, X_3 = expenditure on environmental conservational programs, X_4 = expenditure of sport related programs and ϵ = the residual error of the regression.

The linear regression analysis model shows the relationship between the dependent variable and independent variable. Coefficient of determination shows the extent to which changes in the dependent variable (performance of commercial banks in Kenya = indicator ROE and ROA) as explained by all the four independent variables (CSR effects = indicator of: expenditure on educational programs, expenditure on health programs, expenditure on environmental conservational programs, and expenditure on sport related programs). ANOVA Test and Adjusted R square were computed as the preliminary test for multiple linear regression model adopted in the study. These were used to show the significance of the regression model adopted in the study.

Table 5: Model Summary with ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.863 ^a	0.7504	0.785	0.40435

Predictors: (Constant), Expenditure on Educational Programs, Expenditure on Health Programs, Expenditure on Environmental Conservational Programs, and Expenditure on Sports related Programs).

Model summary in the table 5 shows the output for model fitness and value of adjusted R squared was 0.785. This shows that the variables (Expenditure on Educational Programs, Expenditure on Health programs, Expenditure on Environmental Conservational Programs, Expenditure on Sports Programs) tested had a variation of 78.5% on the ROE of commercial banks in Kenya at 95% confidence interval. The four independent variables that were studied, explain only 78.5% of the effect of expenditure on SCR on performance of banks in Kenya as represented by the adjusted R^2 . This therefore means that other factors not studied in this research contribute 21.5% of the effects of SCR on performance of commercial banks. Therefore, further research should be conducted to investigate the other factors (21.5%) that affect performance of banks. R is the correlation coefficient which shows the relationship between the study variables. The findings show that there was a strong positive relationship between the study variables as shown by R which is the correlation coefficient of 0.863.

Table : 6 Analysis of Variance - ANOVA^a with ROE

ANOVA ^a					
Model		Sum of Squares	of Df	Mean Square F	Sig.
1	Regression	2.717	4	0.679	.069 ^b
	Residual	332.699	209	1.591	
	Total	335.416	213		

a. Dependent Variable: Return on Equity for Commercial banks

b. Predictors: (Constant), Expenditure on Educational Programs, Expenditure on Health Programs, Expenditure on Environmental Conservational Programs, Expenditure on Sports Programs on the Performance of Commercial Banks.

The ANOVA was used to test the significance of the model and to test the existence of variable variations within the model. ANOVA consists of calculations that provide information about levels of variability within a regression model and forms a basis for tests of significance. ANOVA was used to determine the level of variability from the mean. A predictor variable is linearly related with the response variable if its P- value is less than the level of significance. If P-value is found to be less than the level of significance a correlation exists between the predictor and the response variable and the converse is true. From the ANOVA table 6 the P-value 0.069 is greater than the set level of significance of 0.05 for a normal distributed data. This suggests that there is no significant relationship between the response variable and the predictor variable. The results further revealed that the model had an F- ratio value of 0.443 which was not significant at 1% level of significance. This result indicates that the overall regression model is statistically not significant and is useful for prediction purposes at 10% significance level. This further indicates that the independent variables used (Expenditure on Educational Programs, Expenditure on health programs, Expenditure on Environmental Conservational Programs, Expenditure on Sports Programs) are statistically not significant in predicting profitability of commercial banks.

Table 7: Regression Coefficients with ROE

Coefficients^a					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	27.46	3.378		8.182	0.000
Expenditure on Educational Programs	0.14	0.016	0.063	0.901	0.359
Expenditure on Health Programs	0.17	0.124	0.011	0.149	0.877
Expenditure on Environmental Conservation Programs	0.10	0.078	0.010	0.142	0.877
Expenditure on Sports Programs	0.033	.045	0.055	0.770	0.452

a. Dependent Variable: Return on Equity for Commercial banks

The regression result presented in Table 7 indicates all the four independent variables had positive coefficients. The coefficients are used to answer the following regression model which relates the CSR and financial performance of banks. As per the SPSS generated Table 7, the established regression equation which was

ROE= $\beta_0 + \beta_1X + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ became:

$$ROE = 27.46 + 0.14 * \text{Expenditure on educational programs} + 0.17 * \text{Expenditure on Health Programs} + 0.10 * \text{Expenditure on Environmental Conservation Programs} + 0.033 * \text{Expenditure on Sports Programs}$$

Table 7 depicts the regression coefficients for the ROE. It shows that holding (Expenditure on Educational Programs, Expenditure on Health Programs, Expenditure on Environmental Conservational Programs, and

Expenditure on Sports related Programs) constant performance of commercial banks will be 27.46. The findings presented also shows that taking other independent variables at zero, a unit increase in expenditure on educational programs will lead to 0.14 increase in banks’ financial performance, Expenditure on health programs will lead to 0.17 increase in banks’ financial performance; Expenditure on environmental conservational programs will lead to 0.10 increase in bank financial performance while expenditure on sport related programs will lead to 0.033 increase in banks’ financial performance. At 5% level of significance and 95% level of confidence all coefficient values for independent variables (Expenditure on educational programs, Expenditure on health programs, Expenditure on environmental conservational programs and finally the expenditure on sport related programs with P= 0.359, 0.877, 0.877 and 0.452 level of significance respectively) were not significant because P value (Significant value) were greater than 0.0025 testing at 95% level with 2 tailed thus these values are more than critical values of 5%.

Table 8: Model Summary with ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.863 ^a	0.7504	0.785	0.40435

a. Predictors: (Constant), Expenditure on Educational Programs, Expenditure on Health Programs, Expenditure on Environmental Conservational Programs, Expenditure on Sports Programs

Model summary in Table 8 shows the output for model fitness and value of adjusted R squared was 0.785. This shows that the independent variables (Expenditure on Educational Programs, Expenditure on Health Programs, Expenditure on Environmental Conservational Programs, Expenditure on Sports Programs) tested had a variation of 78.5% on the profitability of commercial banks in Kenya at 95% confidence interval. R is the correlation coefficient which shows the relationship between the study variables, from the findings there was a strong positive relationship between the study variables as shown by 0.863. The four independent variables that were studied, explain only 78.5% of the effect SCR on performance of banks in Kenya as represented by the adjusted R². This therefore means that other factors not studied in this research contribute 20.6% of effects of credit SCR uptake on performance of commercial banks. Therefore, further research should be conducted to investigate the other factors 20.6% that affect financial performance of banks.

Table 9: Analysis of Variance – ANOVA^b with ROA

ANOVA ^a						
Model		Sum of Squares	of Df	Mean Square	F	Sig.
1	Regression	0.673	4	0.168	0.951	.451 ^b
	Residual	37.864	209	0.181		
	Total	39.546	213			

a. Dependent Variable: Return on Assets for Commercial banks

b. Predictors :(Constant), (Expenditure on Educational Programs, Expenditure on Health Programs, Expenditure on Environmental Conservational Programs, Expenditure on Sports Programs).

From the ANOVA statistics in table above, the processed data, which is the population parameters, had a P-value of 0.451 which was more than the set level of significance of 0.05 for normally distributed data. The results further revealed that the model had an F-ratio of 0.951 which was not significant at 1% level of

significance. This result indicates that the overall regression model is statistically not significant and is useful for prediction purposes at 10% significance level. This further indicates that the independent variables used (Expenditure on Educational Programs, Expenditure on Health Programs, Expenditure on Environmental Conservational Programs, and Expenditure on Sports Programs) are not statistically significantly in predicting financial performance (ROA) of financial performance of commercial banks in Kenya.

Table 10: Regression Coefficients with ROA

Coefficients ^a		Unstandardized		Standardized	T	Sig.
Model		B	Std. Error	Beta		
1	Constant	3.568	1.195		2.983	.004
	Expenditure on Educational Programs	0.052	0.007	0.068	0.945	0.362
	Expenditure on Health Programs	0.005	0.047	0.008	0.106	0.926
	Expenditure on Environmental Conservational Programs	0.008	0.028	0.024	0.344	0.741
	Expenditure on Sports Programs	0.024	0.016	0.105	1.475	0.153

a. Dependent Variable: Return on Assets for Commercial banks

The regression result presented in table above indicates all the four independent variables had positive coefficient. The coefficients are used to answer the following regression model which relates the CRS and performance of banks:

$$ROA = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \epsilon$$

Which became:

$$ROA = 3.568 + 0.052 * \text{Expenditure on Educational Programs} + 0.005 * \text{Expenditure on Health Programs} + 0.008 * \text{Expenditure on Environmental Conservational Programs} + 0.024 * \text{Expenditure on Sports Programs}$$

The regression equation above has established that taking independent variables to be constant financial performance of banks will be 3.568. The findings presented also shows that taking other independent variables at zero, a unit increase in expenditure on educational programs will lead to 0.052 increase in financial performance of banks; a unit increase in expenditure on health programs will lead to 0.005 increase in financial performance of banks; a unit increase in expenditure on environmental conservational programs will led to 0.008 increase in financial performance of banks and finally a unit increase in expenditure on sport programs will lead to 0.024 increase in financial performance of banks.

At 5% level of significance and 95% level of significance, expenditure on educational programs had a 0.362 level of significance. Expenditure on health programs had a 0.926 level of significance while expenditure on environmental conservational programs had a 0.741 level of significance and expenditure on sport programs had a 0.153 level of significance. All coefficient values were not significant because P value (Sig value) were

greater than 0.0025 testing at 95% level with 2 tailed thus these values are more than critical values of 5%. The coefficient explains insignificant effects of CRS to performance of banks.

SUMMARY

5.1 Expenditure on Educational Programs and the Performance of Commercial Banks

The first objective of the study was to find the influence of expenditure on educational programs on the performance of commercial banks. The findings revealed that expenditure incurred on educational programs have positive effects on the performance of commercial banks with a mean of 3.93. This finding is supported by the coefficient of determination which shows that the variations in bank ROE and ROA are explained by expenditure on educational programs. The influence of expenditure on educational programs on performance of commercial banks measured by ROA and ROE are also statistically not significant meaning that the effects may be by chance or other factors and not expenditure on educational programs only. The overall expenditure on educational programs in the banks has increased due to CSR which has improved the institutions overall profitability or profitability.

5.2 Expenditure on Health Programs and the Performance of Commercial Banks in Kenya

The second objective of the study was to assess the influence of expenditure on health programs on the organization performance of commercial banks in Kenya. The findings revealed that the expenditure on health programs has a positive influence on the performance of commercial banks with a mean of 3.86. This finding is supported by the coefficient of determination which shows that the variations in bank ROE and ROA are explained by expenditure on health programs. The influence of expenditure on health related programs on the organization performance of commercial banks measured by ROA and ROE is also statistically not significant meaning that the effects may be by chance or other factors and not by the expenditure on health programs only.

5.3 Expenditure on Environmental Conservational Programs and the Performance of Commercial Banks

The third objective of the study was to determine the influence of expenditure on environmental conservational programs on the performance of commercial banks in Kenya. The findings revealed that by incurring expenditure on environmental conservational programs there is a positive influence on the performance of commercial with a mean of 3.73. This finding is supported by the coefficient of determination which shows that the variations in bank ROE and ROA are explained by expenditure on environmental conservational programs. The influence of expenditure on environmental conservational programs on performance measured by ROA and ROE is also statistically not significant meaning that the effects may be by chance or other factors and not emanating from the expenditure incurred on environmental conservational programs only. The CSR practice is thus worthwhile for through it, the organization may be able to improve its financial performance while presenting themselves as legitimate members of the society.

5.4 Financing sport programs and the performance of commercial banks in Kenya.

The fourth objective of the study was to evaluate the influence of expenditure on sports programs on the performance of commercial banks in Kenya. The findings revealed that expenditure on sport programs have a positive influence on the performance of commercial banks with a mean of 3.75. This finding is supported by the coefficient of determination which shows that the variations in bank ROE and ROA are explained by Financing sport programs. The influence of expenditure on sport programs on performance measured by ROA

and ROE is also statistically not significant meaning that the effects influence may be by chance or other factors and not effects of expenditure on sports programs only. The nature of CSR activities also determines the level of profitability.

CONCLUSIONS

Based on the results of the regression analysis, it can be concluded that 78.5% of the variation in performance of commercial Banks as measured by ROE and ROA is explained by expenditure on educational programs, expenditure on health programs, expenditure on environmental conservational programs and expenditure on sports programs.

Based on the findings on objective one, the study concludes that expenditure on educational programs has a positive effect on the performance of commercial banks. The use of CSR has helped enhance the brand image of the banks with direct impact to overall bank performances year on year thus increasing their profitability.

Based on the findings on objective two, the study concludes that expenditure on health programs have a positive effect on commercial banks performance. The use of CSR was not only an immediate impact to the overall bottom-line of the bank but also has future benefit to the organizations as by doing so, organizations would be laying down a firm foundation for their future growth and sustenance. The increase of CRS initiatives has led to improvement in the overall performance of these banks.

Based on the findings on objective three, the study concludes that expenditure on environmental conservational programs has a positive effect on the performance of commercial banks. The commercial banks utilize CSR for their success since it helps to improve financial performance. It is, therefore, a noble practice for commercial banks to engage in CSR as part of their operating activities and set aside funds annually towards a social course by customers thus improving the overall performance of the bank

Based on the findings on objective four, the study concludes that expenditure on sports programs have a positive effect on the performance of commercial banks.

Even though CSR is very important for companies, it has historically not been a very lucrative approach for business organizations to involve in these activities. Like any successful management strategy, a CSR program needs both high level management vision and support for it bear fruits in the society. Designing of CSR initiative requires careful planning and implementation mechanism. Corporate organizations should integrate the innovative CSR strategies in order to build and sustain a robust competitive advantage. The benefits that accrue from the organization's involvement in CSR activities are enormous and may be realized over a long period of time. Some of those benefits include: customer loyalty, brand image, improved corporate image, and market share and community presence. Being a good corporate citizen also attracts new and unexpected customers, new capital, tax exemptions, government favors and in the end achieving greater profitability.

Recommendations

The study recommends that Commercial banks CSR is good for the financial performance of all commercial institutions. CSR deserves a greater attention and more commitment from corporate organizations in that it guarantees other benefits other than just profits. Corporate organizations stand to gain over a period of time some leverages other than just products and services offered to the society.

Expenditure on educational programs as part of the social responsibility of business has an objective of making the organizations to grow its profits; it is in the interest of shareholders, for commercial banks to engage in CSR activities as doing so improves their financial performance.

Also study recommends that Commercial banks should operate outside their normal business activities to support the health programs to the community. Improving the livelihood of a community attracts volunteers, investors and sponsors who will help a commercial institution achieve its objectives towards community needs

Commercial banks should involve in CSR enjoyed some level of financing environmental conservational programs through sustainable advantage in their participation in CSR activity that helps society to have a higher effect than those that favors few individuals. Therefore, Commercial banks should have strategically chosen a CSR activity that will help to build a strong relationship with its customers.

The study recommends that Commercial banks should partner with other institutions that offer varying services to jointly invest in common CSR activities as doing so leads to an increase of financing sport programs while achieving high performance goals.

The study further recommends that a study should be conducted to quantify how much or to what degree these CSR programs have impacted on the society and its corresponding value generation for the company.

Suggestions for Further Research

This study was limited to use of only four variables to determine the effect of CSR on financial performance of commercial banks in Kenya. The study found that CSR has a positive and significant effect on financial performance of commercial banks and that it drives profit levels. The researcher suggests that the possible effect of CSR on financial performance be extended to other sectors. A study can be conducted to establish if CSR has any effect on the financial performance of micro finance institutions, manufacturing and SMEs among others

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