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VALUE RELEVANCE OF CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE AMONG LISTED FIRMS AT THE NAIROBI SECURITIES EXCHANGE

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Abstract: *Companies have increasingly used corporate social responsibility expenditure on social activities like education, sports and health activities to boost their corporate image and brand value with the intention of translating this into a favorable market valuation in line with the social impact theory. Accordingly, this study aims to establish how corporate social responsibility expenditure on social activities particularly education, sports and health affects the market value of publicly listed companies at the Nairobi Securities Exchange (NSE). The study relies on a census of 12 qualifying companies over the study period of 5 years of 2015 through 2019 based on semi-annual financial statement and NSE secondary data on expenditures and values respectively. To achieve this objective the study relies on the descriptive research design and pooled multivariate linear regression are used in the study to establish the effect. Based on the t-statistic and p-value at 95% confidence interval, the findings reject the null hypotheses and show that all the three expenditures on social programmes have a positive effect on market value of the companies listed at the NSE. The study was limited on its focus on public companies on an aggregate level and therefore recommends further study based on private companies, the various segments of the NSE and by use of the panel analysis model. It further recommends that expenditure be diversified to a variety of social programmes so as to have a strong joint effect on market value.*

Keywords: *Corporate Social Responsibility Expenditure; Value Relevance; Market Value*

I. Introduction

Classical economic theory holds that corporate entities exist to maximize shareholder value (Friedman, 1970). Corporate social responsibility expenditure on social activities like education, sports and health is a covert public relations activity that should lead to tangible benefits for the sponsoring business (Kevin, 2013). It is expected to contribute to shareholder value in the perspective of Friedman (1970). If this is true, it is expected that corporate sponsorship should increase brand awareness of the sponsoring company products which in turn should increase sales and thereby promote firm value. Awareness in essence evokes a sense of familiarity with the product. This in itself is expected to provide some competitive advantage to the sponsoring company (Kevin, 2013).

It is the expected benefit that compels companies to sponsor social activities. For such activities with wide interest in the public, the sponsor who is allowed to display their logo, slogans and other associated brand aspects, stands to benefit from the high publicity associated among the general public that interacts with the event (Pickton & Broderick, 2005). Common social areas that have potential to attract high levels of publicity arising from expenditure on social programmes include sports, education and health activities (Akwensivie, Narteh & Iden, 2014).

The concept of the effect of corporate social responsibility expenditure on value has concerned researchers from around the globe. Accordingly, several studies from around the globe have been undertaken to establish how corporate social responsibility expenditure affects company market value. The findings have been mixed and varied.

In a nutshell, whereas corporate entities are increasingly engaging in corporate social responsibility expenditure on social activities especially education, sports and health efforts, it is not clear whether and how such sponsorship affect the firm market value. This is because both empirical and theoretical evidence is conflicting as to how sponsorship affects market value (Spence, 1973; Ullmann, 1985; Cornell & Shapiro, 1987; Reiser *et al.*, 2012; Eisdorfer & Kohl, 2015). In particular it is not clear how sports sponsorship, education sponsorship and health sponsorship affects the market value among the publicly listed companies in Kenya. From a theoretical angle, the theories that explain effect of corporate sponsorship on firm value are contradictory. Whereas the signaling effect theory of Spence (1973) and the social impact theory of Cornell and Shapiro (1987) postulate a positive effect of corporate sponsorship on firm value, the shift of focus theory of Ullmann (1985) on the other hand indicate that the effect in in fact negative.

Reiser *et al.*, (2012) for instance find a positive effect of sports corporate social responsibility expenditure on firm value while Eisdorfer and Kohl (2015) show that the impact could be negative if the sponsored teams in sports activities lose their games. These contradictions are replicated in all spheres of corporate social responsibility expenditure on social activities.

Contextual literature is equally confounding with respect to how corporate social responsibility expenditures on education activities affects the market value of the sponsoring firms. In Kenya, there are several studies that evaluate corporate sponsorship of education activities. These include Ng'etich (2016); Kimani (2017) and Kipruto (2014). Whereas Kipruto (2014) finds a positive effect on performance while Ullman (1985) presupposes a negative effect. On firm value.

From a health corporate social responsibility expenditure point of view, the effect of corporate expenditure on value of a firm is differential as is confirmed by the confounding extant literature. USAID for instance indicates the effect of corporate social responsibility expenditure on social activities on company value is dependent on many dynamics including cost strategy, employee engagement strategy, customer engagement strategy and resource disposal. Accordingly, literature is still not clear as to how each of these affects firm value. In addition, the expenditure of firm on health as a social engagement varies from firm to firm depending on corporate objectives. It may be interesting to see the effect of such varying expenditure on firm value especially for firms quoted at the NSE

In summary, the study aims to establish the effect of corporate social responsibility expenditure on education, sports and health social activities on market value of publicly listed companies in Kenya.

II. Literature

There are four important theories that underpin the value relevance of corporate social responsibility expenditure. Firstly is the signaling effect theory. This theory was advanced by Spence (1973). It postulates that engaging in and financing social responsibility activities is a covert way of signaling to the public the financial ability of a firm and its general concern for the overall welfare of the society. It is this perceived financial strength that help investors buy into the firm and thereby improve the financial performance of this firm with an obvious positive impact on the market value of the firm. Turban and Greening (1997) support this theoretical orientation by showing that indeed financing of social activities signals social attractiveness of the social responsible company and therefore greatly improves its market perception and market value. They indicate that this is more the case in less than efficient markets where investors rely on company signals to predict firm value. This is because for the more efficient markets, investors are likely to carry out fundamental analysis beyond relying on firm signals. Such an analysis could reveal the true value of the firm rather than the implied value arising from the corporate social responsibility signals. According to Turban and Greening (1997), the signals send by the financing of social activities enhances competitive advantage over the firms that do not engage in social responsibility activities.

Secondly is the social impact hypothesis of Cornell and Shapiro (1987). The theory asserts that corporate expenditure of social responsibility activities has a positive influence of firm value through the positive influence on business reputation. In their argument, Cornell and Shapiro (1987) indicate that the improved reputation of a firm through its social activity activities greatly diminishes its business risk and helps attract favourable regulatory action. It is such improved image, reduced risk and improved relations with stakeholders that help attract investments which ultimately boost financial performance and translates into enhanced firm value. The overall conjecture is tied to the positive publicity that firms attract when they finance social activities.

This theory has attracted support from a number of empirical studies including Benabou and Tirole (2010) and Waddock and Graves (1997). From the Chinese market, Kao, Shiu and Lin (2016) provide evidence that engaging in social activities provides social insurance for the relevant firms and thereby help to positively improve on firm performance and the attendant firm value. In essence the engagement by a firm in social activities helps cement social legitimacy in the minds of the consuming and investing public and thereby improve market value.

Thirdly is the shift in focus theory of Ullmann (1985) which holds an opposing view to the both the social impact hypothesis and the signaling effect theory and postulates that engaging in expenditure on social activities like education, sports and health has a negative effect on firm value through reduced profitability. According to the theory, which has received support from Becchetti, Cicirettiand and Hasan (2009), corporate financing of social activities imposes more costs of the businesses and thereby reduce their profits. With reduced profits, the value of the companies in the market place is diminished.

The proponents of the theory argue that the additional private costs imposed on the businesses are avoidable and are therefore unnecessary drags on business market value. The theory speculates that the additional operational costs not only reduces immediate profitability of the business, but also impedes the competitiveness of the business given its reduced financial resources. This inevitably has a negative effect on the value of the business in the market place. Some empirical evidence has supported this theory. Statman, Fisher and Anginer (2008) for instance found an inverse relationship between the rating in corporate social responsibility and the market performance and thereby market value of companies. Highly rated firms were shown to have low market values and vice versa.

There is a string of empirical evidence that supports this theoretical supposition of Ullmann (1985) that corporate social responsibility initiatives and expenditure have a negative effect on firm value especially the firm value in the capital markets. The negative effect arises from the overly exorbitant costs that are associated with CSR investments that make it difficult for the organization to recoup such investments from business operations and the improved brand awareness and image. One such result is that of Becchetti, Di Giacomo and

Pinnacchio (2008). Becchetti et al., (2008) sought to establish if corporate social responsibility affects corporate performance. Based on panel data analysis of companies listed in the USA, the findings indicated that firm performance is negatively affected by CSR expenditure. This implies that firm value is negatively impacted upon by CSR

Lastly is the efficient market hypothesis of Fama (1970) which tries to link the effect of information on company share prices and therefore their market value. According to this theory corporate activity information is reflected in the changes in market prices and therefore market value of the affected companies. In this context, it is expected that information about the corporate sponsorship activities of companies is expected to affect the demand and supply of the securities of the sponsoring companies and thereby their corresponding market value. The dynamics of demand and supply of the shares of the sponsoring companies ultimately affect the market price of the shares. Fama (1970) indicates that there are three levels of efficiency, weak level, semi strong level and strong level of efficiency. In line with the weak level of efficiency, the effect of information about the corporate social responsibility expenditure activities of companies is expected to apply to historical sponsoring data as exemplified in the past financial statements and similar public information. In the semi-strong level, share prices and thereby company value is expected to reflect publicly available information about CSR expenditure activities, both past and current. In the strong level of efficiency, all relevant CSR expenditure information be it public or private is expected to be reflected by the share prices and therefore the market value of the firm.

From empirical literature, one string of global literature indicates that social responsibility expenditure on social activities has a positive effect of the market value of the sponsoring firms by increasing the share prices of those companies. Hoje and Maretno (2011) use data from the United States to establish the effect of corporate social responsibility expenditure on the value of firms that expend on corporate social responsibility activities. Just like Servaes and Tamayo (2012), they establish that the effect on value is not direct but through some other external variable. In the case of Hoje and Maretno (2011), the intervening condition that affects how social responsibility expenditure affects value is corporate governance and monitoring systems of corporate activities. Hoje and Maretno (2011) find out that social responsibility expenditure on of social activities has a positive effect on firm value. In addition they find that there is a significantly weaker influence of corporate board leadership, corporate board independence and ownership structure on the effect of corporate sponsorship on firm value as measured by Tobin's. Q. the effect is established to have a less effect when social responsibility expenditure is focused on broad external sponsorships with respect to issues on conservation of the environment.

Zhao et al., (2018) indicates that a critical evaluation of the principles of corporate social responsibility point to the fact that organizations are morally obligated towards the society they operate in. In this respect, firms must look beyond profit maximization and shareholder wealth maximization in order to sustain their business and generate higher value into the future. Zhao et al., (2018) point out that corporate social responsibility initiatives by businesses are likely to serve the interests of such businesses which goes a long way in boosting financial performance and ultimately the value of the firm.

This Zhao et al., (2018) view is supported by the earlier works of El Ghooul, Guedhami, Kwok and Mishra (2011) who evaluated whether corporate social responsibility initiatives affect the cost of capital of organizations. Since cost of capital is the discounting rate for cash flows, it has a direct bearing on the value of the firm. Their findings show that CSR and CSR financial reporting have a significant positive effect on firm value. They indicate that this effect is indirect through the ability of CSR reports to provide an understanding of the quality of corporate management and the ability to forecast firm value.

Some studies indicate that the effect of corporate social responsibility expenditure on firm value is conditional and dependent on other external factors. Servaes and Tamayo (2012) for instance indicate that the impact of corporate social responsibility expenditure is only positive for firms with high levels of awareness as indicated by the advertising budgets. They further show that if the level of advertising is low, then the impact of corporate social responsibility expenditure on firm value becomes negative at best very insignificant. Servaes and Tamayo (2012) further provide evidence that the effect of corporate social responsibility expenditure on firm value may be influenced by the public reputation of the expending firms. They reveal that the impact of corporate social responsibility expenditure on social activities will still be negative even if the level of awareness is high among customers if the related firm has a poor pubic reputation. In summary, the evidence from Servaes and Tamayo (2012) point out that the effect of corporate social responsibility expenditure on firm value is conditional on the level of awareness of the firm and the firm’s corporate reputation in the public.

Evidence shows that the effect of corporate social responsibility expenditure on social activities could also have a negative effect of firm value. In Brazil, an emerging market, Crisóstomo, Freire and de Vasconcellos (2011) try to assess the effect of corporate social responsibility expenditure on, among other variables, firm value. They rely on content analysis to mine financial and corporate sponsorship data. Their approach based on regression analysis related corporate social responsibility indices to firm value measures to have a general trend on how corporate social responsibility expenditure affects performance of a firm. Their findings indicate that corporate social responsibility expenditure leads to destruction of firm value such that it can be concluded that such expenditure is negatively related to firm value.

Kimani (2017) carried out a study to establish the impact of corporate social expenditure on social responsibility activities using Equity Bank as a case study. The study was motivated by the highly popular “wings to fly” program, an education sponsorship program run by one of the largest bank in Kenya, Equity bank. In the study the effect of social responsibility expenditure on firm value was evaluated indirectly by focusing on how the expenditure program affects customer perceptions of the bank customers particularly customer awareness. It is expected that the awareness will have a direct benefit on bank value. Using a descriptive cross-sectional survey, the study found out that indicate that corporate sponsorship of education programs firstly help create a sense of purpose for beneficiaries and secondly, provide a rationale for customer loyalty among the stakeholders closely linked with the beneficiaries of the sponsorship program. The findings further indicated that corporate expenditure on education programmes has a positive effect on corporate image and therefore by extension corporate market value.

From a sports social responsibility corporate expenditure perspective, Makungu (2014) carried out a study to establish the effect of sports social responsibility expenditure on performance of Kenyan firms involved in sports. Using a descriptive survey and primary data based on a questionnaire, the study evaluated the separated effect of sports social expenditure among other variables on financial performance of 87 companies that engage in sports sponsorship in Kenya. The regression analysis results showed that sports social responsibility expenditure is instrumental in improving a company’s brand image. When taken further, this implies that sports sponsorship has a positive effect on company market value. This conclusion is supported by the study’s finding that sports sponsorship enhances customer loyalty to the sponsoring firm especially because the study confirmed that customer loyalty has a positive impact on firm financial performance. Other aspects that were positively impacted by sports sponsorship on the basis of Makungu (2014) include corporate reputation and demand for the products supplied by the sports social responsibility provider of funds.

Ng'etich (2016) carried out a study to find out the antecedents to the adoption of sports sponsorship as a social responsibility focus tool by telecommunication companies in Kenya. The study focused on how three strategies namely brand awareness, media division and brand image affect a firms decision to use sports as the approach to marketing. Relying on primary data based on an interview guide, content analysis was subsequently used in data analysis. The findings indicated that corporate image, brand awareness and media fragmentation all had a positive effect on adoption of sports social responsibility expenditure as a marketing tool and thereby a public relations tool by telecommunication companies in Kenya. The findings also revealed that the decision to adopt sports sponsorship as a public relations and marketing tool is further influenced by market competition, the attitude of the firm managers and the performance of the firm on the basis of sales turnover.

Mwancha and Ouma (2017) carried out a study to find out the effect of Safaricom corporate social responsibility expenditure activities on turnover, market share and brand recognition. The survey relied on a sample of 75 individuals based on primary data collected through structured questionnaires. The study revealed that expenditure on social activities by the company had a positive effect on sales, profit, capital employed, market share, brand image and return on investments in the company. This is a long way of saying that expenditure on social activities by Safaricom had a positive impact on the company corporate and market value. This study is instrumental because Safaricom is a large company in the Kenyan corporate sector whose sponsorship activities cut across many social activities including education, healthcare and sports. It can then be seen that sponsorship of these activities positively impacts the value of a firm.

III. Methodology

This study uses descriptive research design and covers a 5 year period that runs from January 2015 to December 2019 using semi-annual earnings data of the listed companies at the Nairobi Securities Exchange. This design is appropriate because Saunders, Lewis and Thornhill (2012) recommends that if the intention of the study is to describe the relationship that exists between variables, then the descriptive approach is the best design to be implemented. The t-statistic, p-value and F-ratio are used to test the null hypotheses that education, sports and health social responsibility expenditure have no significant effect on company value. This is tested at 95% confidence interval.

The population of this study comprises all the 64 companies quoted at the NSE as at 31st December 2019, the period over which the study is covered. The choice of this population is desirable because it comprises large companies which are likely to engage in corporate sponsorship as part of their corporate social responsibility activities. In addition, Saunders, Lewis and Thornhill (2012) advise that one should a study when they are confident of the availability of data. Companies listed at NSE are under mandatory disclosure requirements of the Capital Markets Authority (CMA) and therefore they continuously supply data that is instrumental in carrying out this study. Further it is possible only to establish market value for companies that trade on a stock exchange. Out o the 64 companies, 12 qualified for analysis since they all simultaneously engaged in corporate social responsibility expenditure of education, sports and health activities.

The data to be used in this study was collected from secondary sources. The data with respect to corporate sponsorship was collected from the public relations departments of the study companies using a secondary data collection sheet. Further secondary data about the total corporate expenses was collected from semi-annual published accounts of the businesses. This information was used in establishing the ratio of expenditure on social activities to the total expenses of the companies. Finally, data about market value was collected by identifying the market capitalization of the companies at the end of each of the semi-financial periods under consideration in the study.

Pooled multiple linear regression was used to establish how the three independent variables of corporate social responsibility education expenditure, corporate social responsibility sports expenditure and corporate social responsibility health expenditure are related and therefore affect market value of the spending firms. The analysis model to be used is:

$$LnMV = \beta_0 + \beta_1 ESRER + \beta_2 SSRER + \beta_3 HSRER + e$$

In this case, LnMV is the natural logarithm of average company value as shown by company market capitalization (CAP) in trillions of shillings; ESRER is education social responsibility expenditure ratio as measured by the expenditure on education sponsorship as a ratio of total business expenses; SSRER is sports social responsibility expenditure ratio as measured by the expenditure on sporting sponsorship as a ratio of total business expenses; HSRER is health social responsibility expenditure ratio as measured by the expenditure on health sponsorship as a ratio of total business expenses; e is a random error term representing other determinants of market value of publicly listed sponsorship companies outside education, sports and health sponsorship expenditure while β_i are the coefficients of the sponsorship activities to be tested in the research.

The model parameters are tested to check if it is suitable for the analysis. In this case analysis of variance (ANOVA) test is carried out on the overall model using the F-statistic. The model is shown to be suitable for analysis if the F-ratio of the model is greater than the significance value. To test the effect of the various corporate sponsorship activities on the market value as derived from the model the t-statistics and p-value at 95% confidence interval are used. The testing involves checking the output t-values of the coefficients and comparing them with the standard t-values from the student t-distribution tables at 0.05 of significance for a two tail test and the appropriate degrees of freedom. The coefficient is shown to be statistically significant if the regression t-value is greater than the standard t value from the t-tables as argued out by Shadish, Cook and Campbell (2002). The nature of the effect is determined from the sign on the output coefficient. It is deemed to be a positive effect if the sign is positive and a negative one if the coefficient sign is negative.

The p-value is used to confirm the findings from the t-test. In this regard, the coefficient p-value is compared with 0.05, which is the level of significance at the 95% confidence interval. The coefficients are deemed to be statistically significant if the output p-value is less than 0.05. If greater than 0.05, the sponsorship activity are deemed to have no effect on the value of the CSR expending firm at the NSE.

IV. Results and Discussion

Before using the model for analysis, the model suitability and stability were evaluated. This involved evaluating the model regression statistics of multiple R and R square. The findings are presented in Table 1.

The findings in Table 1 indicate a multiple R value of 0.82052. This implies that the coefficient of correlation between educational social responsibility expenditure, sports social responsibility expenditure and health social responsibility expenditure on one hand and firm value on the other is a strong positive correlation of 0.82052. The obvious conclusion from this is that social responsibility expenditures have a strong association with market value. The higher the expenditures on these programmes, the greater the market value of the business and vice versa.

Table 1: Multiple Linear Regression Statistics of CSR Expenditure on Firm Value

Regression Statistics	
Multiple R	0.82052
R Square	0.67325
Adjusted R Square	0.66502
Standard Error	0.00939
Observations	120

The R-square value from table 1 reflecting regression statistics for multivariate regression is 0.67325. This shows that the coefficient of determination is 67.325%. In this sense, 67.3% of the changes in the market value of a firm listed at the NSE is explained by expenditure programmes on education, sports and health sponsorship while the remaining 32.7% is dependent on factors beyond this model. Saunders, Lewis and Thornhill (2012) indicates that adjusted R square is used to compare the goodness of fit for regression models that contain multiple independent variables. In the context of this study, when the adjustment is made for the three independent variables in the multiple regression equation, the adjusted R square is provided in table 1 as 0.66502. This indicates that the adjusted explanatory power of the model is 66.502 % with the remaining 33.498 being accounted for by factors beyond those specified in the study model.

To further assure of the stability and suitability of the multiple linear regression in evaluating the effect of corporate social responsibility expenditure on education, sports and health on the market value of firms at the NSE, ANOVA test using F statistic was used. Saunders, Lewis and Thornhill (2012) indicates that the model is suitable for data analysis via multiple linear regression when the regression F is greater than the critical F. In this respect, table 4.15 shows that the regression F is 5.27108 while the critical F is 0.00192. This indicates that the null hypothesis that the model is unsuitable for analysis is rejected with the conclusion that the data adequately fits the model for multiple linear regression. Given that there are three independent variables and one independent variable, out if the 120 observations, the relevant degrees of freedom are 116.

Table 2: Multiple Linear Regression ANOVA Test Results

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	0.18186	0.06062	5.27108	0.00192
Residual	116	1.33404	0.01150		
Total	119	1.51590			

With the rejection of the null hypothesis that the linear regression model was unsuitable for analysis, further evaluation using multiple linear regression was done. The findings are indicated in table 3

Table 3: Multivariate Effect of CSR Expenditure on Market Value

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	0.06176	0.01836	3.36443	0.00104	0.02540	0.09812
ESRER	0.62738	0.26203	2.39428	0.01826	0.10839	1.14637
SSRER	0.27545	0.09599	2.86941	0.00489	0.08532	0.46558
HSRER	0.28035	0.09616	2.91535	0.00427	0.08989	0.47081

The findings in Table 3 reveals that the model from the regression can be specified from the output as:

LnMV = 0.0617 + 0.62738ESRER + 0.27545SSRER + 28035HSRER

The model and the attendant findings are discussed in the ensuing paragraphs. Firstly, the study set to evaluate the hypothesis that education social expenditure has no significant effect on market value of public firms at the Nairobi Securities Exchange. The coefficient of ESRER is 0.26203 with a t-value of 2.39428. Given that the multiple regression t-value for ESRER is greater than the critical value of 1.9801, this null hypothesis is rejected. The conclusion is that ESRER has a positive effect on firm value and that the higher the corporate social responsibility expenditure on education, the greater the firm market value. This conclusion is supported by the p-value of 0.01826 which is less than the critical value of P at 95% confidence interval of 0.05. The findings are similar to those reported for the univariate regression analysis.

These findings are in line with those of Okamoto (2009) who evaluated the effect CSR on corporate financial performance. The study established that CSR initiatives like those in education had a positive influence on financial performance of firms in Japan. The study had relied on artificial neural networks in the analysis and concluded that the higher the social performance of an organization, the greater the firm value and vice versa.

The findings however contradict those of both Deitz, Evans and Hansen (2013) and Mazodier and Rezaee (2013) which reveal that there is a negative effect of expenditure on the market value of firms that spend on CSR activities. This may be in support of the Ullman (1985) theoretical hypothesis that reveal that a poorly planned CSR program may indeed lead to corporate social irresponsibility, as opposed to social responsibility, which on the overall is expected to lead to the reduction in the market value of the concerned firms. Also contradicting these findings is the study by Mulyadi and Anwar (2012) who find that in Indonesia, corporate engagement in social responsibility activities does not have any significant effect on the market value of listed companies in that country.

In the second objective of the study was to evaluate the effect of social expenditure on sporting activities on market value of the listed companies in Kenya. Accordingly, the study set to test the hypothesis that sports social expenditure has no significant effect on market value of public firms at the Nairobi Securities Exchange. The coefficient of SSRER is 0.28035 with a t-value of 2.86941. Given that the multiple regression t-value for SSRER is greater than the critical value of 1.9801, this null hypothesis is rejected. The conclusion is that SSRER has a positive effect on firm value and that the higher the corporate social responsibility expenditure on sports, the greater the firm market value. This conclusion is supported by the p-value of 0.00489 which is less than the critical value of P at 95% confidence interval of 0.05. The findings are similar to those reported for the univariate regression analysis with respect to expenditure on sporting activities. There is extensive literature with respect to how sports CSR positively affects not only the financial performance of firms, but also their capital market value (Makungu, 2014; Ng'etich, 2016).

The last objective of the study was to evaluate the effect of social expenditure on health activities on market value of the listed companies in Kenya. Accordingly, the study set to test the hypothesis that health social expenditure has no significant effect on market value of public firms at the Nairobi Securities Exchange. The coefficient of HSRER is 0.27545 with a t-value of 2.91535. Given that the multiple regression t-value for HSRER is greater than the critical value of 1.9801, this null hypothesis is rejected. The conclusion is that HSRER has a positive effect on firm value and that the higher the corporate social responsibility expenditure on health, the greater the firm market value. This conclusion is supported by the p-value of 0.00427 which is less than the critical value of P at 95% confidence interval of 0.05. The findings are contradictory to those undertaken under univariate analysis which had found out that social expenditure on health programmes has no significant effect on the market value of companies quoted at the NSE. The implication is that taken in isolation, social expenditure hardly affects the market value of the sponsoring firms but when combined with similar expenditure on education and sports programmes, the joint effect is to significantly boost the market value of the companies listed on the stock market.

On the overall, these findings corroborate those of Reiser (2012) who revealed that brand level sponsorship has a lower effect on value than corporate level sponsorship. It further revealed that sponsorship of internal level visibility sports had a higher positive effect than those that were restricted to the national boundaries and that sponsorship of social programmes is most effective when done through a multiple number of channels at the corporate level.

The findings are also in agreement with those of Ting et al. (2020) who evaluated the impact of corporate social responsibility on firm performance by comparing findings from developed and emerging market firms. Using environmental, social and governance scores (ESG)and with a split sample of 3569 developed market firms and 1317 emerging market companies, the study revealed that emerging markets had greater ESG scores indicating their active involvement in CSR initiatives. The findings further revealed that social initiatives have a positive impact on firm values.

The findings can also be compared to those of Kao, Shiu and Lin (2016) provide evidence that engaging in social activities provides social insurance for the relevant firms and thereby help to positively improve on firm performance and the attendant firm value. In essence the engagement by a firm in social activities helps cement social legitimacy in the minds of the consuming and investing public and thereby improve market value. In contradiction of the findings in this study, Crisóstomo, Freire and de Vasconcellos (2011) try to assess the effect of corporate social responsibility expenditure on, among other variables, firm value. Their findings indicate that corporate social responsibility expenditure leads to destruction of firm value such that it can be concluded that such expenditure is negatively related to firm value.

Another contradiction to the overall findings of the study comes from the results of Becchetti, Di Giacomo and Pinnacchio (2008). Becchetti et al. (2008) sought to establish if corporate social responsibility affects corporate performance. Based on panel data analysis of companies listed in the USA, the findings indicated that firm performance is negatively affected by CSR expenditure. This implies that firm value is negatively impacted upon by CSR

V. Conclusion

Three conclusions can be derived from the from the inferential analysis. Firstly, corporate social responsibility expenditure on education programmes has a positive effect on market value of companies at the NSE. Accordingly, companies like Safaricom and Equity Bank (Wings to fly) that focus on education sponsorship are bound to positively increase their market value possibly through the enhanced brand equity and brand recognition.

Secondly, corporate social responsibility expenditure on sporting programmes has a positive effect on market value of companies at the NSE. Accordingly, companies like EABL (Tusker foot Club) and KCB Bank (KCB Football Club), Standard Bank (Stanchart Marathon), UAP (Ndakaini Half Marathon) that focus on sports sponsorship are bound to positively increase their market value possibly through the enhanced brand equity and brand recognition especially because sporting activity is very popular among the world population in general and Kenyans in particular.

Finally, at the multiple linear regression level, it can be concluded that the joint effect of education, sports and health social corporate responsibility expenditure is to have a positive effect on the market value of companies that are listed at the NSE. It implies that sporting and education sponsorship have a synergistic effect on health sponsorship because when jointly considered with this two, health sponsorship effect on market value becomes significantly

A number of limitations were experienced in the course of undertaking this study. It is from these limitations that recommendations for further study are suggested. Firstly, the study focused on public companies listed at the NSE because of the ease of obtaining market value information. It is likely that the companies at the NSE are unrepresentative of the companies that engage in corporate social responsibility expenditure and that the findings in this study may not be generalizable to the excluded companies. It is therefore recommended that a similar study be undertaken for non-listed companies or both listed and non-listed companies and check out if the findings can be corroborated with those in this study.

Another limitation that was experienced with the conceptual scope wherein the study focused on educational, sporting and health social responsibility expenditures and their effect on market value of public firms. Accordingly, it left out other aspects of social responsibility expenditure like environmental conservation expenditure and welfare expenditure programmes. It would be interesting to find out how expenditures on such other social responsibility programmes affects the market value of public companies and where possible private companies.

In addition, the time scope of the study was limited to 5 years spanning 2015 to 2019. This is a relatively short time periods in which important time series data and trends may not be discernible especially because companies in Kenya only release annual financial statements for private companies and quarterly or semiannual statements for listed companies. It is suggested that a similar study be undertaken for a longer period of time.

The last limitation experienced in this study is that it focused on the aggregate values of expenditures by all companies on the NSE having realized that some do not spend on some of the activities. Accordingly, the study relied on average ratios for the entire industry thereby converting the data from a panel format to a time series data. It is suggested that a similar study be undertaken using panel data analysis approach to evaluate if the findings will be significantly different from the time series conclusion made from this study.

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