

**A COST BENEFIT ANALYSIS OF THE EXTENT OF CORPORATE SOCIAL
RESPONSIBILITY PARTICIPATION BY KENYAN COMMERCIAL BANKS.**

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DECLARATION

This research proposal is purely my own original work and has not been submitted anywhere for examination.

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This research proposal has been submitted for examination with my approval as the Supervisor.

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DEDICATION

This work is dedicated to my life coach, my dad, Ambrose Makanga Ngari. You have made me the person I am today, and I am grateful. Special thanks to my mum, for supporting, mentoring and instilling in me the spirit of hard work and the importance of education. Thank you for supporting this decision I made, to continue realizing my true potential in life. I will never be able to pay back the love and affection. I also dedicate this work to my beloved siblings, Caleb, David, Roselyne and Peter. You are truly a gift from God! You are more special to me than words can describe. Thank you for keeping me motivated and to never give up on my dream. May this work inspire you to achieve even more greatness?

A big thank you my special friends, I would not have made it this far without your support. Hats off to you all!

ABSTRACT

This study provided the test of the relation between the extent of the CSR participation by commercial banks and the type of CSR activity, the cost and the benefits derived from the undertaking. Many institutions have of late come to appreciate the importance of integrating Corporate Social Responsibility (CSR) in their operations. CSR may be defined basically as a means that corporates indulge as giving back to the society that they operate in. The main objectives of this research was to assess the effect of the different types of CSR activities, costs and benefits of CSR participation and the extent of participation by commercial banks in Kenya. The research design used was a descriptive and cross-sectional survey. The researcher depended on primary sources of data mainly through the use of a questionnaire to commercial banks in Kenya. This data was then statistically studied using multiple regression analysis. The population used was 42 commercial banks and a sample of 30 banks was used to conduct the study. The results depicted a strong correlation between the dependent (participation in CSR) and independent variables (types, cost and benefits of CSR). Additionally, the benefits, cost and type of CSR have a direct relationship with the firm's CSR participation.

TABLE OF CONTENTS

DECLARATION	i
ACKNOWLEDGEMENT	ii
DEDICATION	iii
ABSTRACT	iv
LIST OF FIGURES	viii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background to the Study.....	1
1.1.1 Cost Benefit Analysis	3
1.1.2 Corporate Social Responsibility (CSR)	3
1.1.3 Commercial Banks in Kenya	3
1.2 Statement of the Problem.....	3
1.3 Research Objectives.....	4
1.4 Research Questions.....	5
1.6 Scope of the study.....	6
CHAPTER TWO	7
LITERATURE REVIEW	7
2.1 Introduction.....	7
2.2 Theoretical framework.....	7
2.2.1 Stakeholder Theory.....	7
2.2.2 Legitimacy theory	8
2.2.3 Cost-benefit analysis Theory.	9
2.3 Empirical Review.....	10
2.3.1 To assess the extent to which Kenyan commercial banks participate in CSR activities	10
2.3.2 To assess the types of CSR activities that Kenyan commercial banks engage in.....	11
2.3.3 To assess the specific benefits associated with engaging in CSR activities by Kenyan commercial banks.	11
2.4 Conceptual Framework.....	12
2.5 Gap in Literature.	12

CHAPTER THREE	14
RESEARCH METHODOLOGY	14
3.1 Introduction.....	14
3.2 Research design	14
3.3 Population and Sampling	14
3.4 Data collection Methods.	15
3.5 Data analysis and presentation.....	15
3.6 Validity and Reliability.....	15
3.7 Ethical Statement.	16
CHAPTER FOUR.....	17
DATA ANALYSIS, RESULTS AND DISCUSSION	17
4.1 Introduction.....	17
4.2 Response Rate.....	17
4.3 Demographic Information of the respondents	17
4.4 Factors influencing extent of CSR participation.....	18
4.5 Types of CSR Activities That Kenyan Commercial Banks Engage In.	19
4.6 Benefits of CSR participation by Kenyan Commercial Banks	20
4.7 Results of Regression Analysis.....	21
4.71 Operationalization of Variables	21
4.72 Analysis of Variance.....	21
4.8 Summary	23
CHAPTER FIVE	24
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	24
5.1 Introduction.....	24
5.2 Conclusions.....	24
5.3 Recommendations.....	24
5.4 Limitations to the Study.....	25
5.5 Suggestions for Further Research	25
References.....	27
APPENDIX.....	31
Appendix 1: Letter of Introduction.	31
Appendix 2: List of Licensed Kenyan Commercial Banks.	32

Appendix 3: Questionnaire. 33

LIST OF FIGURES

FIGURE 1 CONCEPTUAL FRAMEWORK.....12

ABBREVIATIONS AND ACRONYMS

CSR: Corporate Social Responsibility.

CBA: Cost Benefit Analysis.

CBK: Central Bank of Kenya.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In the publication of *Making Good Business Sense*, they define corporate social responsibility (CSR) as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. (Holme, Tinto, & Phill, 2000). Of late, CSR has raised a lot of concern as shareholders are shifting their focus from profit making of a company. They are more interested with the various CSR aspects of a company such as ethics, environment, governance and human rights.

Eccles, Ioannou, & Serafeim, (2012) proved that a company gains a competitive advantage and a higher reputation for being socially responsible. Research proves that there is a competitive advantage for corporations that have a higher reputation and are more socially responsible and results to a higher return on investment. However, there is a concern as to whether these costly activities have a benefit attached to them to a firm.

CSR is all about how companies manage the business processes to produce an overall positive impact in the society. Corporate social responsibility can be viewed in the following three ways: Economic view which is concerned with profitability, sustainability, wages and benefits, resource usage and job offerings. Environmental view which is concerned company's usage and disposal of resources. Social view which focuses on health and safety issues, employee relations, ethics, human rights and working conditions.

Companies are not divorced from the rest of society and therefore have a role to play in impacting the society. How companies behave affects many people, not just shareholders. A company should be a responsible member of the society in which it operates and thus ensuring it acts to the best interest of the society. (Herbert & Schantz, 2007). As there is no common definition set apart for CSR, academicians have sought to debate on the content and meaning of CSR. As Nader notes, '...while there has been no general agreement as to the meaning of corporate social responsibility or how it should be implemented businessmen enthusiastically have adopted the concept..' many companies have resolved to undertake in it (Nader & Green, 1973)

Commercial Banks cannot be set apart in this endeavor. In spite of the fact that the key role of banks includes getting deposits and allowing credits, banks should be socially responsible of their surroundings. (Omoró, Kinyua, & Okiro, 2014) Social Responsibility is a vital piece of the profit creation process, which if properly conducted should improve the competitiveness of the entity eventually maximizing the wealth of the stakeholders.(Jeucken, 2004)

Some of the approaches to CSR are viewed differently around the globe. In China, a socially responsible entity produces safe and high-quality goods, in Germany it provides for job security, in the Southern part of Africa, CSR makes positive contributions to societal requirements like healthcare and learning. The most common approach is termed as corporate philanthropy. It includes activities such as monetary donations, aids and grants to local and non-local not for profit driven associations incorporating donations in divisions for example health, education, housing, social wellbeing, the environment and arts.

Locally, most Kenyan Commercial banks have, in the recent years, been seen to indulge in Corporate Social Responsibility (CSR) mostly through social provisions. This is especially evidenced by the move with Equity Bank's 'Wings to Fly' Program and the KCB Bank's 'Tujiajiri' program. Reports from the 2019 Kenya banking industry show that approximately Ksh 6.7 Billion has been invested into CSR programs over the last three years. Education, health and environment initiatives have received the highest investment respectively.

As CSR participation is associated with the institutions image, banks which invest greatly in CSR are generally gain a positive public image. These banks in the long run are able to get more considerable benefits due to this participation. Lately, there has been great emphasis on society's sustainable development and thus CSR would be generally linked to the association's interactions with the customers and key stakeholders. Previous studies however, which measure the effect of the cost, benefit and the type of CSR activities conducted by banks and the extent of CSR participation in Kenya are rare. This has caused a heated debate as to whether the extent of the participation in CSR has a positive benefit attached to it based on the type and cost of the investment.

In Kenya the commercial banks have had a very significant impact on the growth of the country's economy. This is because they boost the development through the linking of borrowers and lenders and the maintenance of liquidity among firms. However, due to the growing numbers of the banks in such an economy, their competitive advantage is reduced. This forces them to indulge in other

means to reduce the stiff competition. This is why it is important for them to know the extent of CSR participation is key to their assessment with the cost, benefit and type of activity as their main variables.

1.1.1 Cost Benefit Analysis

This theory contributes heavily on this research by providing a brief understanding of the subject matter and examining the theoretical basis for the techniques of evaluation. The final goal of this analysis will be to yield an evaluation of the alternatives of the features of the main outcomes. (Drèze & Stern, 1987). Further analysis of this approach is provided in the theoretical framework.

1.1.2 Corporate Social Responsibility (CSR)

CSR has generally been described as a move by companies to generate an overall positive impact to the stakeholders and the public in totality. Recently, CSR has become an important concern in the global business world due to the improved way of assessing companies. In this way, organizations are evaluated not just on the profits related results of their decisions but in addition the ways by which their organizations measure up to a set of societal desires. (Sandra A. Waddock & Samuel B. Graves, 1997)

1.1.3 Commercial Banks in Kenya

A bank is an institution that performs the basic duty of accepting deposits from the public and enabling the redistribution of resources. They essentially engage in relating the savers and borrowers then utilize customer deposits for providence of loans to borrowers. In Kenya, the commercial banks have been in existence for a longer period even before she attained independence. They were however in full control by the foreigners. Soon after attaining independence, the central government then formed policies that were favorable in order to incite and regulate the formation of Kenyan run banks. The banks are licensed under the Banking Act (Chapter 488 of the Laws of Kenya). This chapter provides the definition of a bank and also outlines the types of banking duties to be conducted by the licensed banks.

1.2 Statement of the Problem.

The decision as to the extent of investment in CSR has raised debates in the managerial world over the past few years. This has led to not only economists but also researchers from other fields such as law, media, politics and many others being interested in corporate social responsibility.

Locally there are some studies that have been done in the area. Okello, F.O. (2006) who studied the key motivations and bases of levels of CSR activities conducted by firms in Kenya, performed an overriding opinion on CSR. Mutuku (2004) and Mwangi (2011) performed a survey on the associations of CSR and financial performance on the entities quoted at the NSE. The outcome of the regression analysis revealed that there was no perfect association of CSR and financial performance, while Mwangi (2011) results of the analysis evidenced an upward moving trend in the general performance of all listed companies as well as upward trend in the amount of money invested in CSR programs.

However, it seems that not so much is known about the extent of CSR participation and its cost benefit analysis especially in Banks.(Mark-Herbert & von Schantz, 2007) Most Kenyan Commercial banks have, in the recent years, been seen to indulge in Corporate Social Responsibility (CSR) mostly through provision of education to the less fortunate. This is especially evidenced by the move with Equity Bank's 'Wings to Fly' Program and the KCB Bank's 'Tujiajiri' program.

This has caused a heated debate as to whether the heavy investment into socially accepted programs have a benefit attached to it. In Kenya commercial banks have had a very significant impact on the growth of the country's economy. This is due to the fact that they boost the development through the linking of borrowers and lenders and the maintenance of liquidity among firms. However, due to the growing numbers of the banks in such an economy, their competitive advantage is reduced. This forces them to indulge in other means to reduce the stiff competition. This is why it is important for them to know the extent of CSR participation is key to their assessment with the cost, benefit and type of activity as their main variables.

This study is important because existing research studies in this area do not seem to focus on banks especially in Kenya. There being scarce information about the cost benefit analysis, this study seeks to address the matter. In addition, it seeks to figure out the benefits that banks develop by indulging in Corporate Social Responsibility and the challenges that it faces.

1.3 Research Objectives

General research objective

To perform a cost benefit analysis of the extent which Kenyan commercial banks engage in Corporate Social Responsibility?

Specific research Objectives

1. Assessing the extent to which Kenyan commercial banks participate in CSR activities.
2. To assess the types of CSR activities that Kenyan commercial banks engage in.
3. To assess the specific costs which are brought about in Kenyan commercial banks engagement in CSR.
4. To assess the specific benefits which are brought about in Kenyan commercial banks engagement in CSR.
5. To assess the effect of the different types of CSR activities, costs and benefits of CSR participation to the extent of participation by commercial banks in Kenya

1.4 Research Questions.

1. To what extent do Kenyan Commercial Banks participate in CSR activities?
2. What type of activities do Kenyan commercial banks undertake to form their CSR?
3. What specific benefits do banks get by indulging in CSR?
4. What specific costs do banks face by indulging into CSR?
5. What are the effects of the types of CSR activities, their cost and benefits to the extent of participation by Kenyan commercial banks?

1.5 Significance of the study.

This research will add valuable knowledge to the corporate social responsibility debate regarding its benefits in relation to the costs and the extent of indulgence. For practicability, the study will help to pass information to be used in application by other relevant companies and institutions. It will also benefit the governance structure of commercial banks as they will be able to come up with better strategies to manage their Corporate Social Responsibility policies.

This study is very useful to the Kenyan government and policy makers due to the huge impact of commercial banks to the Kenyan economy in terms of both employment and Gross Domestic Product. Policy makers will be enlightened to come up with policies with regards to CSR and ascertain the appropriate guidelines to be put in place for governing commercial banks in Kenya. This study will also add valuable knowledge to the corporate social responsibility debate regarding its benefits.

For practicability, the study will help to pass information to be used in application by other relevant companies and institutions. It will also benefit the governance structure of commercial banks as they will be able to come up with better strategies to manage their Corporate Social Responsibility policies.

1.6 Scope of the study.

This research will be conducted on the 42 listed Kenyan Commercial banks and the major focus will be on their investment in CSR. It will evaluate the extent to which the banks have invested in CSR and the benefits that have alluded to it.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature review basically sites some theories which posit for Corporate Social responsibility and their applications to this particular research. Further, it gives the relevant past studies conducted on the particular objectives of this study. It concludes with the conceptual framework of cost benefit analysis and the gap in literature.

2.2 Theoretical framework

2.2.1 Stakeholder Theory

Stakeholder theory is credited to Freeman in 1984. He reasoned that an entity's management has a duty implied to it by the society to consider and appropriately balance the interests of its stakeholders. Other scholars have also contributed to the development of the theory such as Donaldson & Preston, (1995); Edward Freeman & Phillips, (2002) and Mitchell, Agle, & Wood, (1997). Freeman sited that the theory will be used as an alternative to explain the behavior of a company in contrast to the traditional models.

The stakeholder theory suggests how companies and people create value and trade with each other in the business world. It is basically concerned about the connection between an entity and its surroundings. According to this theory companies must invest to develop the support of the various stake holders and the general public so that they can operate freely with the guarantee of long term survival. (Freeman, Harrison, & Zyglidopoulos, 2018). Organizations are logically adjusting the conduct and activities, propelling them to a more notable commitment to these parts.

Edward Freeman & Phillips, (2002) in their book 'Stakeholder Theory: A Libertarian Defense' heavily criticized this theory based the thesis that they presented. They cited that '...To maximize shareholder value over an uncertain time frame, managers need to pay attention to key stakeholder relationships...' This is means shareholders should not be treated the same as provided for by the theory. There are many underlying factors that mask the stakeholders of the firm.

The investigation of the idea CSR uncovers that for a lengthy period of time, entities have played a crucial and exclusive economic function in the public eye, contributing effectively in the distribution of products, creation of employment opportunities and wealth generation. This is however

just the basic expectations of stakeholders in any society. Several researchers have tried to group stakeholders in several ways in order for them to understand the expectations. For example, moral and strategic stakeholders (Goodpaster, 1991); internal and external stakeholders (J. Pearce, 1982); (Carroll, 2016) expectant, latent and definitive stakeholders (Mitchell et al., 1997); voluntary and involuntary stakeholders and secondary and primary stakeholders (Clarkson, 1995) were identified. This categorization was done in order to show the various types of stakeholders available for a company and their expectations. Stakeholder theory therefore outlines that an entity must work in order to ensure that all its stakeholders expectations are met. (Fernando & Lawrence, 2014)

This theory presumes that managers of a company must try to attend to the issues of the stakeholders who control the critical resources of the company. Greater effort must therefore be put in order to attempt to meet them. (Deegan. C, 2009) Thus, companies are able to acquire a positive benefit by organizing appropriate objectives and using joint efforts of socially accountable conduct to enforce CSR programs.

Shareholder theory emphasizes on accountability as one of its key principles. It focuses more on the responsibility of the management towards ensuring that the party that is entrusted with a certain duty actually performs it. By the principles of accountability, a company needs to provide disclosure of not only financial and regulated information but also non-financial and unregulated information. This will help in the enablement of further research on the company's social aspect. Similarly, the theory further suggest that shareholders must be made aware of some components of the company's processes. (Fernando & Lawrence, 2014) On the basis of the stakeholders' right to information, (Haahr, 2018) emphasized on the provision of information that it should be responsibility-driven and not demand-driven. By applying the accountability principle in CSR reporting, (Gray, 2002) proposed that, "the role of corporate social reporting is to provide the society-at-large, the principal, with information, accountability, about the extent to which the organization (the agent) has met the responsibilities imposed upon it" (p. 15). Here the 'society-at-large' is represented by an organization's stakeholders, in performing its accountability.

2.2.2 Legitimacy theory

Suchman, (1995) states that 'Legitimacy is an assumption or a generalized perception that the deliberations of a company are proper, desirable and in line with some socially constructed system of norms, values, definitions and beliefs. Legitimacy theory stresses that companies endeavor to

ensure that they are seen as aligning their operations to the society in which they operate (Deegan, C, 2009). Legitimacy theory points out that a social contract exists between a company and its society. This contract is what deals with how the company performs its duties in line with the expectations of the society at large. The contract can have either partly explicit or partly implicit terms. Explicit terms are the lawful requirements that a company must adhere to in its jurisdiction while implicit terms are those which the society expects a company to engage in. (Deegan Craig, 2000). A company must make sure that these contractual terms are not breached so as to maintain legitimacy of the company and long-term existence. The theory considers the society at large thus shows the relationship between the society and the company. Companies are not segregated from the society. For example, they obtain human resources and raw materials from the society and they also ensure provision of their goods and services to the society. Similarly, the society absorbs its waste through the natural environment without costing the company. (Belal, 2016) in his book 'Corporate social responsibility reporting in developing countries' clearly indicates that companies do not have the rights to all these benefits but in order to allow continuity of the company, societies normally expect the benefits to exceed its costs. This theory can be summarized by stating that companies could only remain in existence if its society perceives them to be operating its value system proportionately to the societies'.

In order to abide by this theory, companies take part in CSR activities in order to retain, gain and regain their legitimacy from the society at large. (Fernando & Lawrence, 2014)

2.2.3 Cost-benefit analysis Theory.

D. W. Pearce, (1983) stated that cost-benefit analysis is a quantitative methodology that makes use of economic analysis and is driven by the perspective that third parties may benefit or bear consequences with regard to a company's operations. The approach has various tools that pinpoint the most profitable alternatives to achieve an end. Profitability is however not the only focus. Cost benefit analysis also focuses on whether cash flows will be adequate to see the project through to the end and becoming self-sufficient.

The literature of cost benefit analysis gained a different focus when the economic development theories evolved from an emphasis on productive growth to an emphasis on social life. (Husted & Allen, 2011). More practically the theory is developed from the theory of externalities. Externalities are positive or negative effects of a company's operations on the usefulness or making of a

third party. A negative externality for example arises when a company emits toxic gases to the environment and it in turn affects the health of the society. A positive externality on the other hand arises when a company opens in a locality and its presence reduces crime in the area. In the past, criticisms of the theory have been that it makes no effort to address the issue of redistribution. Thus, the deprived agency cannot be in practice compensated as long as the benefits exceed the costs.

Marquis, Glynn, & Davis, (2007) define CSR as activities by companies that supersedes direct profit maximization objective and pursues to increase social benefits or reduce social problems for external parties to the company. This definition is similar to attempts to define CSR which generally defines it as a company's duty to respond to the externalities arising from market action. Thus, the analysis responds to the positive and negative externalities that may be borne by CSR. Cost-benefit analysis uses tools such as net present value analysis of social benefits and the calculation of shadow or social prices. Cost-benefit analysis is a methodology that is used for assessing social activities by a company so as to determine the most effective project to invest its resources.

Cost benefit analysis is mainly pursued for from the perspective of third parties that is the society at large. Even though the financial aspect of a project is normally considered, profitability is seldomly taken into consideration as anything more as a way to allow investment to a social project.

2.3 Empirical Review

2.3.1 To assess the extent to which Kenyan commercial banks participate in CSR activities

Weber, Diaz, & Schwegler, (2014) in their research linked the financial performance of the firm to CSR activities and sustainability. They discovered that the area execution is moderately low concerning CSR when all is said in done. The main weaknesses emerging out were product responsibilities, reporting and business ethics with regard to corporate social responsibilities of a company. Omoro et al., (2014) also researched on the connection between investment in CSR and the banks sustained growth. From the results it was apparent that banks' administration can utilize CSR exercises to guarantee improvement in their product advancement, brand worth and upgrade social protection.

2.3.2 To assess the types of CSR activities that Kenyan commercial banks engage in.

Malik, (2015) in his study reviewed the new upcoming literature that focuses on the role of corporate social responsibility (CSR) to enhance firm value. Barnea & Rubin, (2010) researched on the link between CSR investment and stakeholders' preferences. They found out that the shareholders incite companies to over-invest in CSR but bear little of the cost in doing so. Bear, Rahman, & Post, (2010) investigated how board assets diversity and the number of females on the board influence CSR evaluations. They then linked the CSR influence to corporate reputation. Cheng, Ioannou, & Serafeim (2014) investigated with respect to how better execution on CSR systems leads than better access to funding. They figured that companies with sustainable CSR practices face significantly low capital constraints.

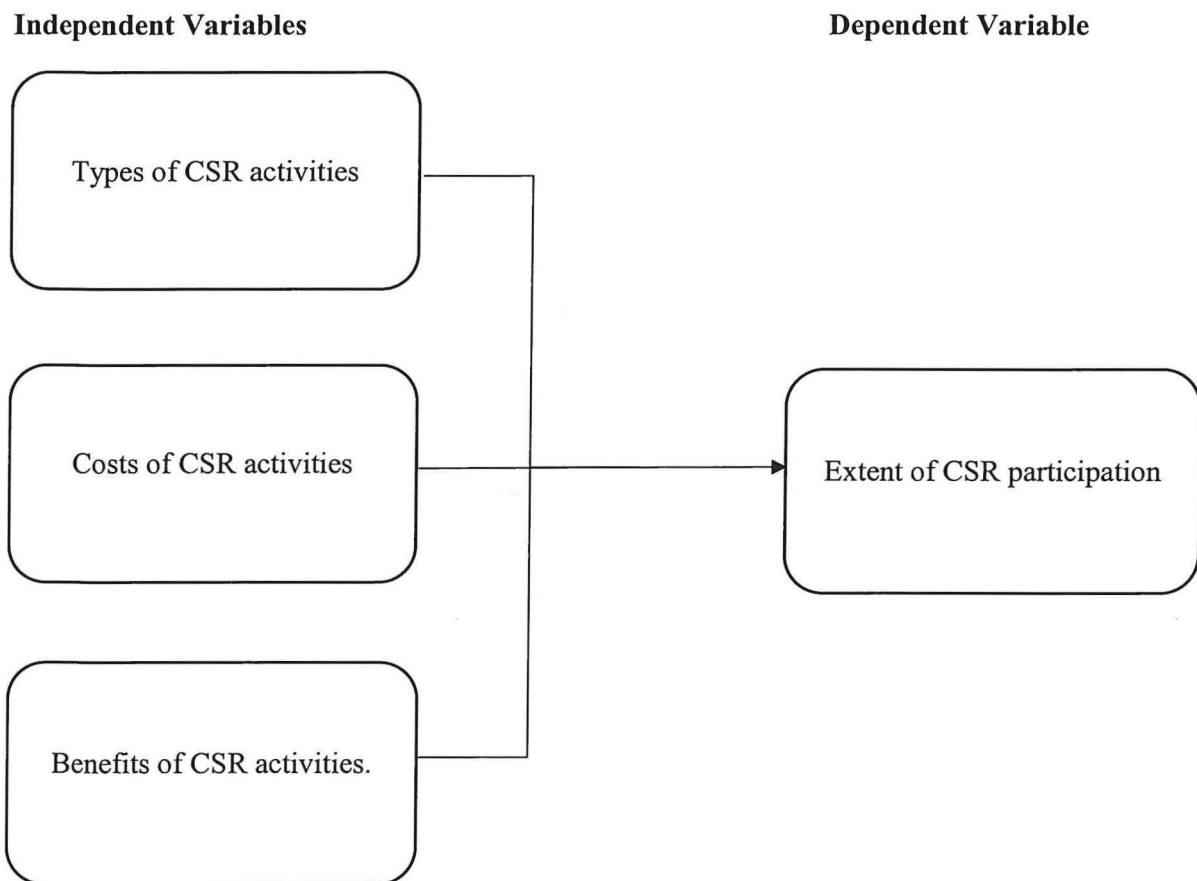
2.3.3 To assess the specific benefits associated with engaging in CSR activities by Kenyan commercial banks.

Locally, Omoro et al. (2014) examined the connection between CSR venture and sustained growth of Kenyan Commercial Banks in Nairobi County. They discovered that there is a positive connection between the two variables and that banks can utilize this methodology to make a stage for the development of the value of their brand. Mwangi & Wanjira, (2019) additionally studied the impact of CSR on an entity's performance with a particular perspective on Equity Bank. They found out that philanthropic CSR and its contributions have had both a positive and huge influence on the bank's performance.

Kipkemoi (2010) did a study to decide the relationship amongst CSR and upper hands at the NSE with the use of 36 firms listed at the NSE. Utilizing the investigation, he found out that in 27 firms there was a significant positive relationship among CSR and ROA. In the business part, the study yielded a critical positive relationship amongst CSR and ROA. This concentrate however can't be contended to give indisputable information on the relationship amongst CSR and upper hands of business organization's thinking about that it just tested recorded organizations and in this manner the example utilized was not a satisfactory representation of entities in Kenya.

2.4 Conceptual Framework.

This division provides a diagrammatic illustration of the link connecting the independent variable and dependent variable. In this study, the extent to which commercial banks in Kenya participate in Corporate Social Responsibility is the dependent variable while the type, cost and benefit of practicing CSR in Kenyan Commercial Banks is the independent variable. Their relationship can be diagrammatically shown as follows:



(Researcher, 2019)

Figure 1 Conceptual Framework

2.5 Gap in Literature.

Numerous studies as observed have been conducted with regards to the link between CSR participation and financial performance. The research on the relationship between CSR participation and the performance of entities have resulted in mixed results. Existing empirical evidence is however

majorly in view of created nations while a couple of observational examinations have been tried in African countries like Kenya. From the above interaction with hypothetical and exact writing, constrained research has been directed on the extent of CSR implementation as to the type, cost and benefit of the activity. The current studies have been done in different economies which have distinctive working environment from that in Kenya. This research consequently tries to fill in that research gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology entails specific approaches which will be conducted in order to perform the research on the topic. It generally explores how the research topic will be tested and studied. It outlines the main procedures and techniques used in the collection, analysis and processing of the data for example the research design, instruments used for data collection and the specific procedures to perform the analysis.

3.2 Research design

Cooper & Schindler, (2014) defined a research design to be a strategy and structure that a researcher adopts to realize the research objectives, clearly establishing how the research data will be collected, measured, and analyzed. The study adopted both descriptive and cross-sectional survey design. This was adopted and applied throughout the research process because of the existence of a knowledge gap with regards to the extent of CSR participation with the variables. The design intertwined the use of both quantitative and qualitative information as a method for reconstructing the information concerning the present status of Kenyan commercial banks. This enabled the researcher to define the connection between the factors. This particular design likewise offered a, one of a kind, method for information gathering by the utilization of the questionnaire at a single point in time which cuts over all the research variables.

3.3 Population and Sampling

Population is a total summation of elements upon which a researcher intends to obtain a sample from to study and obtain certain inferences to reach a conclusion about the study (Cooper & Schindler, 2014). The sample size, according to Cooper & Schindler, (2014) and Saunders, Lewis, & Thornhill, (2009), is the actual number of respondents that would be representative of the population under study, they proceed to state that the size must be large and should bear some proportional relationship to the size of population from which it is drawn from.

The population used in this study was the 42 commercial banks which are already registered by the CBK'S report of 2018. The research then comprised of a sample of 30 commercial banks. This size of the sample was appropriate for generalizations since the research is generally a survey.

3.4 Data collection Methods.

Denscombe, (2010) identified that there are a number of data collection tools available to researchers; this depends on the type of data that would be collected namely primary or secondary data. To conduct the research the researcher used structured questionnaires as shown in the appendix. This provided the basis of the quantitative data. The questionnaires will then be sent out to the bank managers and the relationships officer of the various banks.

3.5 Data analysis and presentation.

Eventually, the data collected was analyzed by employing the Excel analysis Tool. The questionnaire used was be coded, classified and tabulated into the Analysis Tool pack. The data was then inputted into the software and employed the use of multiple regression analysis to analyze it. The regression equation for inferential statistical analysis of the data will be as follows:

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + e$$

Where

Y = dependent variable, that is, extent of participation in CSR,

X1 = types of CSR activities, X2 = costs of CSR participation and,

X3 = benefits of CSR participation

3.6 Validity and Reliability.

Golafshani, (2003) stated that validity and reliability are conceptualized as trustworthiness, quality and that validity would determine whether the research truly measures that which it was intended to measure or how truthful the research results are. For this particular study, the development of a content valid instrument was achieved by a rational analysis of the data collection instrument by raters familiar with the variable of interest. The researcher reviewed all of the items for readability, clarity and comprehensiveness and come to some level of agreement as to which items should be included in the final instrument. Golafshani, (2003) explains reliability as the extent to which the questionnaire measurement will produce the same results on repeated trials. It is the degree to which an individual's responses on a survey would stay the same over time. That is why more items were subjected to a scale to measure the variable of interest and thus the scale becomes more reliable. The researcher used the Cronbach's α as a measure of reliability. This was used to assess

how closely related a set of items are as a group. Factor analysis was also be used to measure the construct validity of the factors in the model and regression was used to test the statistical significance. The researcher conducted a pretest of 40 questionnaires prior to the full conducting so as to avoid inapplicable questions and ambiguous wording.

3.7 Ethical Statement.

Burgess, (1989) identified ethics as norms and standards for conduct that distinguish that which is right and that which is wrong. During this study, there was no fabrication or falsifying of any data to foster the pursuit of knowledge and truth, which is the primary goal of this research. The researcher held on to the confidentiality and copyright guidelines. The research was also carried in an environment of trust, accountability, and respect to all the stakeholders and in compliance with the law and human rights and disclaiming any instance of conflict of interest.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter is interested in the data analysis, interpretation, presentation and results of the study which was on the cost benefit analysis of the extent of corporate social responsibility participation by Kenyan commercial banks. The qualitative data was analyzed by use of multiple regression analysis in answering the various questions in regard to the study objectives.

4.2 Response Rate

The study targeted a total of 60 respondents who majorly are the senior- level management from the different banks in Kenya. It was mostly interested with capturing the employees with a vast level of experience in the banking sector for accuracy purposes. Out of these, 46 respondents could be attained, and the rest were not able to fill in the questionnaire.

	Frequency	Percentage
Responded	46	76.67%
Not responded	14	23.33%
Total	60	100%

Table 1 Response Rate

4.3 Demographic Information of the respondents

Title	Frequency	Percentage
CEO	3	7%
Legal Officer	1	2%
Manager	19	41%
Relationship Officer	23	50%
Grand Total	46	100%

Table 2 Title of respondents

The questionnaire required the respondents to indicate their respective positions in the bank. The results were clear that of the participating respondents were the managers or the relationship officers as shown below. This means that the respondents were all in management and they are the ones who oversee the running of CSR projects at their respective banks.

The questionnaire also had a provision for disclosing the length of time with which the respondents had served in the bank. According to the results, most of the respondents had served in their respective bank for 80.43% number of years and above while only a few had served for less than 3 years according to the table below.

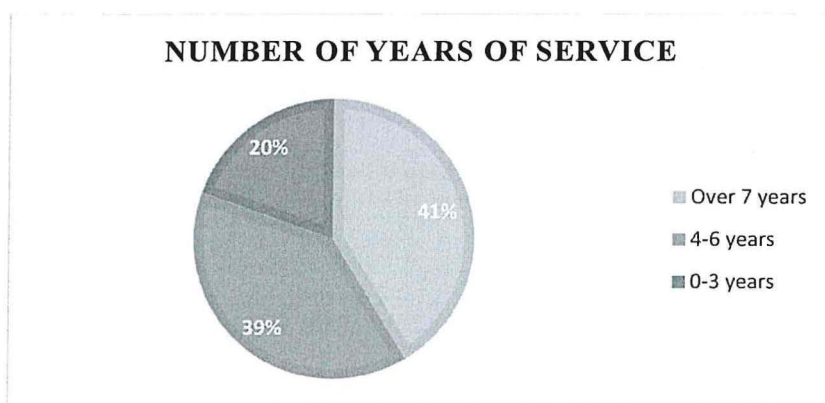


Table 3 Number of years of service

4.4 Factors influencing extent of CSR participation.

The research required the respondents to indicate the extent to which their banks participate in CSR based on four characteristics. These were the costs, type, benefits and the cost benefit analysis. The extent of reliance on these factors varied from bank to bank and it was evident that the banks will take into consideration some factors before participating in CSR.

The table below shows the extent to which banks take into consideration the four factors influencing their participation in CSR. The highest percentage was realized as agreeing to the statement which was coded as 4 in the questionnaire. Most banks agree that they factor in the benefits attributed to CSR in influencing the extent of CSR participation according to the table below.

EXTENT	COST	TYPE	BENEFITS	COST BENEFIT ANALYSIS
1	2.17%	2.17%	0%	4.35%
2	28.26%	6.52%	6.52%	13.04%
3	4.35%	26.09%	21.74%	17.39%
4	41.30%	32.61%	43.48%	39.13%
5	23.91%	32.61%	28.26%	26.09%
Grand Total	100.00%	100.00%	100.00%	100.00%

Table 4 Table showing factors affecting CSR participation.

4.5 Types of CSR Activities That Kenyan Commercial Banks Engage In.

The research sought to assess the various types of CSR activities that commercial banks indulge in and their extent of participation. The types of CSR were classified into social, educational, employee-oriented, medical, time, and sports and environmental. According to the results, majority of the banks indicated that they participate in environmental based CSR with a high strongly agree extent of 60.87%. This includes activities such as tree planting, garbage collection and environmental campaigns which the banks involve themselves with all round the year in the various branches.

Notable too was the extent of participation in educational activities with respondents agreeing to the extent at 43.48%. The various activities that banks involve themselves with were elaborated such as sporting events, charity homes donations, donations to schools and hospitals, environmental conservation initiatives, building community facilities for recreation, employment initiatives favoring minority groups, provision of employees' medical care, sponsoring charity walks and community conservation initiatives.

Extent	Social	Educational	Employee Oriented	Medical	Time	Sports	Environmental
1	2.17%	15.22%	4.35%	17.39%	19.57%	2.17%	0.00%
2	6.52%	15.22%	4.35%	28.26%	26.09%	10.87%	0.00%
3	28.26%	0.00%	28.26%	10.87%	13.04%	19.57%	21.74%
4	23.91%	26.09%	23.91%	15.22%	41.30%	26.09%	17.39%

5	39.13%	43.48%	39.13%	28.26%	0.00%	41.30%	60.87%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Table 5 Table showing benefits of CSR participation

4.6 Benefits of CSR participation by Kenyan Commercial Banks

According to the Survey, most of the respondents were of the idea that CSR has very huge benefits to the organization. Even though one of the greatest myths of CSR is that it is a marketing tool, 67% of the respondents were of the view that it adds a positive brand to their bank.

According to the results obtained, 43% of the respondents strongly agreed that Corporate Social Responsibility (CSR) activities have the ability to create several distinct forms of value for customers making them feel associated with the company. Similarly, 36% of the respondents agreed that when customer satisfaction is enhanced through CSR participation, customers tend to believe more in the bank's services and thus end up buying more of their services than any other bank. One potential advantage created by CSR participation as expressed by 41% of the respondents is that it enhances the organization's marketing thus promoting the prospects in endeavoring to pull in new clients and increase its piece of the pie.

56% respondents indicated that customer interaction by way of CSR initiatives helps the staff feel free and learn from consumers on best ways of improving current services and products thus improving employee morale towards their work.

Row Labels	Employee Retention	Customer Retention	Brand	Growth	Financial Performance
1	4.35%	2.17%	0.00%	0.00%	0.00%
2	13.04%	6.52%	0.00%	2.17%	10.87%
3	8.70%	10.87%	8.70%	17.39%	19.57%
4	17.39%	36.96%	23.91%	39.13%	21.74%
5	56.52%	43.48%	67.39%	41.30%	47.83%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%

Table 6 Table showing benefits of CSR participation

4.7 Results of Regression Analysis

4.71 Operationalization of Variables

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.811 ^a	0.657	0.633	0.51819
a. Predictors: (Constant), CSR benefits, CSR types, CSR cost				

Table 7 Coefficient of determination

The coefficient of determination which is the percentage of variation between the dependent variable being explained by the independent changes in the independent variables were used to determine the overall significance of the model. As shown in figure 2, the correlation coefficient of 0.657 indicates a strong correlation between the dependent and independent variables. Additionally, adjusted R square is 0.633 which implies that the variation in independent variables (types, cost and benefits of CSR) are able to explain 63.3% of the variation in the dependent variable (participation in CSR). The benefits, cost and type of CSR have a direct relationship with the firm's CSR participation. The correlation coefficient (r) determines the magnitude and direction of the relationship between the independent and dependent variables.

4.72 Analysis of Variance

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.626	3	7.209	26.846	.000 ^b
	Residual	11.278	42	0.269		
	Total	32.904	45			
a. Dependent Variable: Extent of CSR participation						
b. Predictors: (Constant), CSR benefits, CSR types, CSR cost						

Table 8 Analysis of Variance

The Analysis of Variance (ANOVAa) is a test used to determine the significance of variables thus figuring out whether to reject the null hypothesis or to accept the alternate hypothesis. In this data set, the ANOVA F Test P-Value is 0.000 which is lower than 0.05 the confidence level which implies that the independent variables (types, cost and benefits of CSR) are jointly significant in explaining the dependent variable (participation in CSR).

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.238	0.415		0.573	0.570
	CSR Types β_1	0.061	0.195	0.063	0.311	0.758
	CSR Cost β_2	0.383	0.272	0.327	1.407	0.167
	CSR Benefits β_3	0.486	0.187	0.457	2.599	0.013
a. Dependent Variable: Extent of CSR participation						

Table 9 Regression Coefficients

The data collected was analyzed using multiple regression analysis. The study evaluated that the predictor coefficients $\beta_0=0.238$, $\beta_1=0.061$, $\beta_2=0.383$ and $\beta_3=0.486$ suggesting that the cost, benefit and type of CSR activity has a positive effect on the extent of participation. The p-calculated according to the study are $\beta_1=0.758$, $\beta_2=0.167$ and $\beta_3=0.013$. This implies that it is only the CSR benefits that significantly influence the dependent variable (participation in CSR) with the p-value being 0.013 which is lower than 0.05 confidence level. Thus the regression equation for inferential statistical analysis of the data is as follows:

$$Y = 0.238 + 0.061X_1 + 0.383X_2 + 0.486X_3 + e$$

Where

Y = dependent variable, that is, extent of participation in CSR,

X1 = types of CSR activities, X2 = costs of CSR participation and,

X3 = benefits of CSR participation

4.8 Summary

The objective of this study was to establish the cost benefit analysis on the extent of CSR participation in Kenyan commercial banks. The researcher was able to conduct questionnaires to find out that the cost versus the benefit of CSR actually enables a bank to determine the extent of participation in Corporate Social Responsibility. The study findings were in line with the theoretical review and it demonstrated a clear evidence of the facts. The cost of CSR plus the benefits was measured through the questionnaire showing the extent of participation. The results were then analyzed using multiple regression model as highlighted in the previous chapter.

An analysis was then done on the results and revealed that there is a strong positive correlation between the extent of CSR participation and the type, cost and benefits of CSR. This reveals that commercial banks will set a particular figure based on the type of CSR and the benefits they would so wish to obtain from the project. This will then limit the extent to which they would like to participate in the endeavors.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion and recommendations of the study which was on the cost benefit analysis of the extent of corporate social responsibility participation by Kenyan commercial banks. The findings have been discussed relative to the questionnaire guide aspects which were on; demographic data of the respondent, CSR, factors influencing it and the extent of CSR participation in Kenyan commercial banks.

5.2 Conclusions

Corporate Social Responsibility is a series of projects that companies undertake to reduce the externalities inherent in the society or to respond to failures in the market. Additionally, it is a voluntary commitment by organizations to perform its activities in a socially responsible manner. This study intended to perform the cost benefit analysis of CSR and the extent of CSR participation in Kenyan Commercial banks. It concludes that the extent of CSR participation in Kenyan Commercial banks is strongly related with the cost, benefit and type of CSR an organization undertakes.

According to this research, Kenyan commercial banks determine the extent of CSR participation by the cost, benefit and type of CSR project to be undertaken. This will enable them to identify the nature to which they will indulge themselves to the project. Kenyan commercial banks are one of the most profitable financial organizations and CSR would not be one of their main concerns in terms of profitability. The firms therefore choose to indulge in CSR projects based on other benefits such as brands, employee retention and customer retention.

5.3 Recommendations

The research found out that CSR is highly beneficial to the financial performance of the commercial banks. This asserts the argument of Omoro et al. (2014) that there is a positive connection between CSR and the benefits attributable to a commercial institution and that banks can utilize this methodology to make a stage for the development of the value of their brand. The researcher recommends that banks should partner with other institutions that offer varying services to jointly invest in common CSR activities since it would reduce cost and achieve the same goals.

The researcher also recommends that the Institute of Certified Public Accountants of Kenya to develop and implement a uniform reporting framework for all institutions to use while reporting

their CSR involvement. This will make it easier for shareholders to assess the extent to which the firm has invested in promoting sustainability.

It is critical to note that the managers and those charged with governance consider the views of the shareholders in determining the amount of money the firm should invest on social projects annually and the type of CSR activities to be undertaken. Those charged with governance should also conduct an analysis of cost and benefits for the social course they want to initiate in order to ensure that they meet their objectives without any financial constraints.

5.4 Limitations to the Study

Even though the research was conducted successfully, there were some limitations that were experienced. Firstly, only two-thirds of the entire population of Kenyan commercial banks took part in the research. The other 33.33% did not take part. This in essence means that the study cannot be generalized to the entire banking industry.

Additionally, some of the bank officers holding senior positions refused to fill in the questionnaire with the fear of exposing their operations or even fearing to lose their jobs. Some individual banks also feared that the collection of data was a ploy to help in collection of information to aid other banks with regard to their operations.

5.5 Suggestions for Further Research

The study sought to find out whether the cost benefit analysis has an effect on the extent of CSR participation in Kenyan commercial banks. The results unfolded that the cost and benefit analysis actually has an effect on the extent of financial performance for major banks. The researcher suggests that the effect of cost benefit analysis to the extent of CSR participation can actually be extended to the whole financial sector. Thus a research can be conducted on non-bank financial institutions, insurance companies, and micro-finance institutions and even on e-commerce intermediaries.

The research was purely viewed from the perspective of the management of the bank. This might have led to biasness while measuring for some of the variables. The researcher therefore suggests that the value of the results would improve if they would gain more views from society itself and other stakeholders.

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APPENDIX

Appendix 1: Letter of Introduction.



Strathmore
UNIVERSITY

Dear Sir/Madam,

RE: ADMINISTRATION OF QUESTIONNAIRES.

I am a 4th year student at Strathmore University Business pursuing Bachelor of Commerce. I am conducting a research on “A Cost Benefit Analysis of The Extent of Corporate Social Responsibility Participation by Kenyan Commercial Banks.”

I am requesting to administer some questionnaires in your organization for the above mentioned research. All the information collected is purely for academic purpose and will be confidential. Your support and participation will be appreciated.

Kind Regards,

Joshua Makara,

092574

Strathmore University.

Appendix 2: List of Licensed Kenyan Commercial Banks.

- 1 ABC Bank
- 2 Bank of Africa
- 3 Bank of Baroda
- 4 Bank of India
- 5 Barclays Bank of Kenya
- 6 Charterhouse Bank
- 7 Chase Bank
- 8 Citibank N.A Kenya
- 9 Commercial Bank of Africa
- 10 Consolidated Bank of Kenya
- 11 Cooperative Bank of Kenya
- 12 Credit Bank
- 13 Development Bank of Kenya
- 14 Diamond Trust Bank
- 15 Dubai Islamic Bank
- 16 Ecobank Kenya
- 17 Equity Bank
- 18 Family Bank
- 19 Fidelity Bank
- 20 First Community Bank
- 21 Guaranty Trust Bank Kenya
- 22 Guardian Bank
- 23 Gulf African Bank
- 24 Habib Bank AG Zurich
- 25 Housing Finance Company of Kenya
- 26 I&M Bank
- 27 Jamii Bora Bank
- 28 Kenya Commercial Bank
- 29 Mayfair Bank
- 30 Middle East Bank Kenya

- 31 National Bank of Kenya
- 32 NIC Bank
- 33 Oriental Commercial Bank
- 34 Paramount Universal Bank
- 35 Prime Bank (Kenya)
- 36 Sidian Bank
- 37 Spire Bank
- 38 Stanbic Bank Kenya
- 39 Standard Chartered Kenya
- 40 Transnational Bank Kenya
- 41 United Bank for Africa
- 42 Victoria Commercial Bank

Appendix 3: Questionnaire.

Section A: General Information.

What title best describes you in this organization?

- CEO
- Manager
- Relationship officer
- Other

Number of years in the company:

- 0-3 years
- 4-6 years
- Over 7 years

Part B: Research Details

- i. Extent of CSR participation.

To what extent do you agree with the following statements regarding the extent of CSR participation in your bank? Key: 1= strongly disagree; 2 = disagree; 3 = undecided; 4 = agree; 5=strongly agree

STATEMENT	1	2	3	4	5
The type of CSR activity conducted influences our extent of CSR participation.					
We determine the extent of CSR participation by the cost incurred.					
The benefits attributable to CSR participation influences our extent to which we participate in CSR activities.					
We perform a cost-benefit analysis to determine the extent of CSR participation.					

ii. Type of CSR activities.

What is your level of agreement to the following statements in relation to the type of CSR activity in your bank? (5- Strongly agree, 4- Agree, 3-Neutral, 2-Disagree, 1- Strongly Disagree)

STATEMENT	1	2	3	4	5
We invest in social activities as part of our CSR e.g. donations to Children's homes.					
We invest in educational activities as part of our CSR activities.					
We are more employee oriented which forms our CSR activities.					
We invest in medical research as our CSR activity.					
We invest in our time as part of CSR activity e.g. our staff visiting the sick.					
We invest in sporting activities as part of our CSR activity e.g. sponsoring a team					
We invest in environmental activities as part of our CSR activity.					

iii. Costs of CSR

What is your level of agreement to the following statements in relation to the costs of CSR activities that your bank incurs? (5- Strongly agree, 4- Agree, 3-Neutral, 2-Disagree, 1- Strongly Disagree)

STATEMENT	1	2	3	4	5
We often budget for CSR activities annually.					
We give out cash as our contribution activities.					
We allocate time in our calendar for CSR activities.					
We involve our employees to contribute towards CSR activities.					

iv. Benefits of CSR participation

What is your level of agreement to the following statements in relation to the benefits attributed to CSR activities in your bank? (5- Strongly agree, 4- Agree, 3-Neutral, 2-Disagree, 1- Strongly Disagree)

STATEMENT	1	2	3	4	5
We are able to retain most of our employees due to CSR activities.					
We are able to retain most of our customers due to CSR activities.					
We gain a positive brand image due to CSR activities.					
Our bank gains sustained growth and competitive advantage due to CSR participation					
There is a tremendous improvement financially due to CSR participation					

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