

**THE EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY SPENDING ON THE
FINANCIAL PERFORMANCE OF LISTED COMPANIES IN KENYA**

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**A Research Proposal Submitted to the Strathmore University Business School in Partial
Fulfillment for the Degree of Bachelor of Commerce – Finance Major of Strathmore
University.**

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the Research Proposal contains no material previously published or written by another person except where due reference is made in the Research Proposal itself.

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Declaration by the university supervisor

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

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DEDICATION

First and foremost, I would like to dedicate this project to God Almighty who has granted me life and good health to be able to work on this project, my parents who have put me through school and supported me during this period and my siblings and friends for their support.

ABSTRACT

The purpose of this study is to investigate the impact of Corporate Social Responsibility spending on the financial performance of listed companies in Kenya. The specific objectives are to determine the effect of corporate social responsibility spending on the profitability of listed companies, determine the impact of corporate social responsibility spending on the market share of listed companies, determine the effect of corporate social responsibility spending on the sustainability of the listed companies and determine the impact of corporate social responsibility spending on the liquidity of the listed companies. This study adopted a descriptive research design. The target population was the twenty companies listed in the Nairobi Securities Exchange 20 index. The data collection tool used was a questionnaire. 70% of the target population responded to the questionnaire. The information has been presented in terms of tables, graphs and pie charts. From the findings, the researcher as able to deduce a positive relationship between a company's Corporate Social Responsibility spending and its financial performance in terms of profitability, liquidity, market share and sustainability. The researcher recommends that the listed companies should include Corporate Social Responsibility in their strategy to reap the benefits and remain ahead of the curve while helping its community.

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CHAPTER ONE

INTRODUCTION

1.1 Background

Corporate Social Responsibility (CSR) has no universal definition but generally refers to the relationship between a firm/company and its immediate environment and local society where it is located and operates. It focuses on how corporations conduct their business practices in a way that is ethical, complies with legal requirements, respects economic values, is society friendly and benefits its development enabling companies to impact on the people and planet. The World Business Council for Sustainable Development has described corporate social responsibility as the business contribution to sustainable economic development. According to the European Union commission, CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stake holders on a voluntary basis (Erkollar & Oberer, 2012).

Archie B. Carroll build on the research done by Ackerman and Bauer,(1976) with a model aimed to help managers to visualize how various social concerns such as environmental issues, product and service safety, basic human right concerns, among others can be tackled by the corporation using different approaches namely in a obstructive, defensive, accommodating, or proactive behavior according to their perception of where each specific issue can be positioned in the continuity of the firm's economic, legal, ethical, and discretionary responsibilities (Carroll, 1999).

In accordance to this view there are four approaches a company can take towards corporate social responsibility. We have the obstructive approach which is the stance a company takes to defend its profit maximization priority by avoiding and preventing any efforts to point out the corporation's complete lack of social accountability. Such firms have been known to exploit their employees, pollute the environment and deceive their customers whilst denying any wrongdoing on their part. The defensive approach is one which a company is said to take a neutral stance. It does not engage in corporate social responsibility but follows the law while performing its activities ensuring others cannot take any legal action against them. A company with an accommodating approach believes that corporate social responsibility is important.

It therefore satisfies all the legal requirements and attempts to meet the ethical standards. The however may change their policies in response to criticism. A proactive approach is one which a company takes to make corporate social responsibility a priority even if doing so may cut into their profits. It believes that in the long run its socially responsible activities will have a constructive effect on the society and the business itself by boosting its sustainability. It does not react to criticism and attempts to remain ahead of the curve in corporate social responsibility.

Archie B. Carroll also looked at the areas in which companies engaged in corporate social responsibility. In line of this view, listed companies' activities towards being socially responsible can be grouped into four areas. There is the environmental sustainability where companies actively engage in activities that limit pollution of air, land and water as well as reducing greenhouse gases. Direct philanthropic giving is where companies give back to the community by donating their time, money, resources or all the above to charities from local, national and global levels. These donations are directed to worthy causes such as providing free education programs, clean water and sanitation programs or national disaster relief among others. Another area companies can practice social responsibility is through ethical business practices. This can be through respecting its customers, vendors and employees and ensuring that they are all treated fairly like ensuring there is no harassment, sexism or favoritism in the workplace and that there is equal pay for equal work. The final area is economic responsibility which are practices that ensure sustainable growth of the business. Providing value to shareholders is core for any business and part of it being socially responsible hence companies need to maintain their strong economic interests.

1.1.1 CSR Activity in Kenya

Various companies in Kenya from various industries engage in various components of corporate social responsibility. CMC motors group had a blood drive in collaboration with Kenya Red Cross society and Kenya National blood Transfusion services, they donated to House of Mercy Children's home and have had several anti-jigger campaigns.

Equity bank engages in corporate social responsibility through provision of quality secondary education by offering Wings to Fly scholarships to top performers that are not able to support themselves. National Bank of Kenya engages in CSR activities by taking care of the environment. In 2013 they sought to sow and nurture more than two million trees all around Kenya by 2017.

They have constructed health facilities, donated machines and equipment to government hospitals, provided textbooks, chairs lockers and water tanks to primary and secondary schools, donating their old computers to promote computer literacy in schools, donating beddings to children's homes and donating gifts to the Soweto Good Samaritan Orphans and Destitute Children's Centre.

Safaricom has engaged in CSR activities through economic empowerment where it has supported projects for communities to implement in income generation, food security, employment creation and vocational training. It has engaged in education projects through construction and equipping libraries and laboratories in schools, provision of specialized learning equipment for special schools. Its engaged in other projects such as constructing and equipping healthcare facilities, funding large scale water projects in arid and semi-arid areas and employee engagement by providing them with four CSR leave per year for each employee to participate in community activities.

1.2 Problem Statement

Classical economists' reason that a corporation's only obligation is to generate and increase worth for its shareholders (Friedman, 1970). With this perception in mind, the core purpose of many corporations is to make and maximize profits for its shareholders. A company administrator is an employee of the business owners and as so, his obligation is to his employers. That obligation is to conduct and perform the business according to the owners' request and desires which is to create as much capital as possible while following the basic rules of the community, both those personified in the law and those in ethics (Friedman, 1970).

Companies also seek sustainability to ensure that, the company is in business and generates profits for a long time. Corporate social responsibility is an important aspect to consider in the achievement of that goal. A recent emerged stakeholder's theory argues that, a firm which manages its relationships with its stakeholders well, the more it will be successful over time (Barnett & Salomon, 2011).

According to Okoth (2012) corporate social responsibility spending is good for the financial performance of large and medium size banks but has no effect on the return on assets of small banks.

Enterprises make up part of the community and rely on it to attain their profitable goals (Crane, McWilliams, Matten, Moon, & Siegel, 2008). Engaging in corporate social responsibility and making it part of the business improves the company's profitability and future business sustainability as it brings into perspective how companies can achieve their sustainable development goals (sdgs) by developing sustainable business practices.

Katamba (2008) suggested that most managers believe intuitively that corporate social responsibility spending can increase sales and almost no large private and public company would want to be seen as not engaged in CSR. With an increase in sales by the company, its profits would increase over time. Through CSR spending, companies are able to market themselves and develop a good public image which attracts customers and potential investors thus improving the company's financial performance.

Baker (2008) argues against corporate social responsibility stating that companies are possessed by their stockholders and finances used on CSR by directors is stealing of the legal property of the shareholders, corporations need to focus on the bottom line in order to succeed and firms that concentrate more on CSR are not fruitful ventures in the market. These arguments suggest that companies should not spend on corporate social responsibility as it reduces their profits and makes the business unsuccessful.

The conceptualization and operationalization of corporate social responsibility in Kenya is still in its infancy and CSR therefore remains a largely misunderstood and abused concept (Cheruiyot & Tarus, 2016). In line of this view, an argument is made that corporate social responsibility spending has a negative effect on a company's financial performance as managers do not fully understand the concept and end up wasting and misappropriating the company's capital and resources on corporate social responsibility.

There have been several studies done on the relationship between corporate social responsibility spending and a company's financial performance and as seen above, some show a positive correlation while others show a negative correlation.

This study seeks to look at both relationships and make a conclusion on which relationship is stronger in order to guide investors and companies that seek to engage and spend or are already engaging in CSR activities on how best to approach the concept.

1.3 Objectives

1.3.1 General Objective

To determine the impact of corporate social responsibility spending by listed companies in Kenya on their financial performance.

1.3.2 Specific Objectives

- i. Determine the effect of corporate social responsibility spending on the profitability of listed companies.
- ii. Determine the impact of corporate social responsibility spending on the market share of listed companies.
- iii. Determine the effect of corporate social responsibility spending on the sustainability of the listed companies.
- iv. Determine the impact of corporate social responsibility spending on the liquidity of the listed companies.

1.4 Research Questions

- i. What is the effect of corporate social responsibility spending on the profitability of the listed companies?
- ii. What impact does corporate social responsibility spending have on a listed company's market share?
- iii. What are the effects of listed companies' spending in corporate social responsibility on their sustainability?
- iv. What is the impact of listed companies' corporate social responsibility spending on their liquidity?

1.5 Significance of Study

The purpose of this research is to help us understand the impact corporate social responsibility spending has on the financial performance of listed companies. It seeks to look at both the positive and negative correlation that has been done on the relationship between CSR spending and financial performance of companies in order to help companies and investors make an informed decision before engaging in corporate social responsibility.

It shows how corporate social responsibility spending affects the companies in terms of market share by getting to advertise their product and obtain loyalty of their customers, the companies' sustainability through the adoption of sustainable business practices, the companies' profitability and liquidity. The study will help them understand how to better manage their spending in corporate social responsibility and determine which activities they can engage in to have a greater positive impact on society and the company's financial performance by being strategic in their engagement.

It also brings into perspective how companies can achieve their sustainable development goals (sdgs) by adopting strategic socially responsible activities hence developing sustainable business practices. The study will also give insight on how companies can manage relationships with their stakeholders through various corporate social responsibility activities each with their own stakeholder target for example improving working standards motivates the employees to work more efficiently thus allowing for smooth operations. Increased motivation allows for increase in profits as employees are more dedicated and committed to their work.

The study will also impact on the society, the knowledge on how corporate social responsibility spending affects the financial performance of listed companies will lead to more companies being strategic in their spending by either beginning, reducing or increasing it thus affecting the living standards of the neighboring societies. Through for example, building of schools or provision of clean water by the companies, the society gets to benefit by gaining access to education and clean water.

The study helps shed more light on the correlation between social responsibility expenditure by listed corporations and growth of the economy. Through engaging in socially responsible activities, the companies help the economy by boosting the gross domestic product (GDP).

They do so through construction of schools promote education which in turn contributes to the alleviation of poverty, through development of infrastructure such as roads, boreholes and hospitals which has been known to attract investors. In the process of undertaking and implementing the various projects they create employment opportunities for the communities thus increasing purchasing power.

The achievement of sustainable development goals by the listed companies through their engagement in socially responsible activities would also lead to economic growth. Increase in the companies' profits would lead to expansion of the company creating more job opportunities and more tax for the government which will lead to economic growth.

This study will provide secondary data as literature that will give insight on how CSR spending affects listed companies' financial performance. The information provided will be on the impacts of CSR spending on the company's profitability, market share, sustainability and liquidity.

1.6 Scope of Study

It would have been better to conduct the research on a wider scope including more listed companies to the study but due to insufficient financial resources and time to conduct the research the only key area of the study is listed companies in the Nairobi Securities Exchange (NSE) 20 index.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the theories on the engagement of listed companies in corporate social responsibility, the empirical review of the literature done of the concept, the conceptual framework and the research gap this study wishes to fill.

2.2 Theoretical Framework

Due to the complexity in the nature of corporate social responsibility, there have been several studies done on the concept. This has led to emergence and development of different theories and models that have been used to explain the engagement of listed companies in social responsibility. This section discusses those theories and their relevance to this study.

2.2.1 Stakeholder Theory

Stakeholder Theory refers to multiple subjects that are impacted by a corporation like employees, suppliers, local community and creditors whose needs should be put at the beginning of any action (Freeman & Reed, 1983). The stakeholder theory has been used over time to contrast the shareholder theory stated by Friedman. Classical economists argue that a company's only responsibility is to increase value for its shareholders (Friedman, 1970). A crucial modification between our view and Friedman's is what makes companies profitable. Friedman believes that it is boosting profits. We believe that in order to increase revenues, businesses need great goods and services that clients want, strong relationships with suppliers that keep processes on the cutting edge, motivated staff who stand for the corporation's mission and push the firm to become better, and supportive societies that allow companies to succeed (Freeman, Harrison, Wicks, Parmar, & Colle, 2010).

The circumstance for including several stakeholder scopes can be constructed on the basis of resolving the issue of value formation and trade. From a practical point of view, executives face concurrent pressure from various stakeholders. It is also a clearer way to understand longer-term repercussions of firm activities, since disregarding or damaging any of a company's vital stakeholders can lead to adverse repercussions for the company in the future (Freeman, Wicks, & Phillips, 2003).

A firm cannot be said to be socially responsible “if it merely complies with the minimum requirements of the law, because this is what any good citizen would do” (Davis, 1973) Through a listed company’s engagement in corporate social responsibility it gets a chance to grow its relationship with its stockholders which brings a positive impact to the company. Positive consequences will be achieved when CSR activities are integrated into the strategic decisions of a business such as increasing employee satisfaction, retaining talent, enhancing the company’s reputation, playing a positive role in the local community and reducing the impact on the environment (Garcia, Lopez, & Rodriguez, 2007).

2.2.2 Triple Bottom Line Theory

Traditional accounting bottom line only catered for the profits or losses made by the company during that accounting period. According to Elkington (1994) for a company to achieve sustainability it should adopt the triple bottom line. The triple bottom line contains three axes namely; social, environmental and financial. Companies now measure their development in the three areas at the end of an accounting period to determine their performance.

The fifth sustainability revolution concentrates on collaborations, requiring that we comprehend and practice the following keys to sustainable business: The position of complementors and of partnerships will be significantly imperative both in the growth of the global sustainability plan and of the triple bottom line approaches of certain businesses and whole industry segments. Moreover, corporations and NGOs will be drawn towards government industry-NGO symbioses. Earned loyalty is the wave of the future. Companies must be prepared to be challenged in depth by prospective and present complementors and partners. These trials will be a key part of the significance of such interactions. And the choice of partners, as in every other area of human life, will be critical. Building trust represents one of the most vital investments we can make in social capital creation. Remember, however, that poorly constructed relationships may well turn into “monkey traps,” limiting the capacity of one or more collaborators to do the things they are in company to do-and damaging faith (Elkington, 2007).

Despite the fact that NGOs’ pressures might not be legislated, corporations change their policies based on those external demands. One of the NGO that has the most visible impact in the field of CSR is the Global Reporting Initiative that sets standards for reporting. Another influential reporting standard is the United Nations Global Compact(Banerjee, 2007).

Most of CSR theories admit that the foundation of the idea is the triple bottom line concept that was introduced in 1987 in Brundtland commission. It was officially named by John Elkington in 1994. This theory is also known as 3P's or three pillars. It states that a company should be responsible for three features: Profit, People and Planet, that is, economic, social and environmental responsibility. Only if a company cares for all three aspects of the triple bottom line can it be called sustainable because all of them are extremely closely related (Ksiezak & Fischbach, 2017).

2.2.3 Shareholder Theory

The only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country (Friedman, 1970). This has been used by classical economists to argue the fact that businesses only exist to create value for its shareholders which led to the development of shareholder theory.

An adequate level of investment in philanthropy and social activities is also acceptable for the sake of profits (McWilliams & Siegel, 2001). A leitmotiv of wealth creation progressively dominates the managerial conception of responsibility (Windsor, 2001). This shows that there are companies that engage in corporate social responsibility only if the activities generate profits to the company.

A first group in which it is assumed that the corporation is an instrument for wealth creation and that this is its sole social responsibility. Only the economic aspect of the interactions between business and society is considered. So, any supposed social activity is accepted if, and only if, it is consistent with wealth creation. This group of theories could be call instrumental theories because they understand CSR as a mere means to the end of profits (Garriga & Mete, 2004). These instrumental theories are in line with the shareholder theory.

It will be in the future interest of a corporation that is an important employer in a small society to dedicate resources to supplying facilities to that society or to developing its government. That makes it easier to appeal to suitable personnel, it may lower the wage bill or minimize losses from pilferage and sabotage or have other valuable influences (Friedman, 1970).

2.3 Empirical Review

This section looks at the various studies done on corporate social responsibility in listed companies in accordance with this study's objectives.

2.3.1 Profitability

Moore (2019) examined the impacts on business economic results of corporate social responsibility. This research goes one step further by separating the measure of corporate social liability into six parts and examines each one of its individual economic effects. The research demonstrates that changes in CSR levels lead to a rise in corporate income and a decline in total profits. Then, the findings indicate that the rise in equity returns is mainly driven by the diversity factor, which implies an increase in ROE in diversity scores. The negative relationship between CSR and revenue is driven mainly by relations between employees and the environment. This means that employee relations and environmental scores of CSR have adverse effects on the economic performance of companies.

Okoth (2012) discovered CSR to be useful for economic results of big and medium-sized companies, not for tiny banks' ROA. The researchers recognized that CSR had a constructive and substantial effect on ROA and ROE when all commercial banks were combined. However, the study shows that while the effect of small banks' ROA was small, CSR improved the financial performance of large and medium-sized enterprises, depending on the business size. The study concluded that CSR had a positive impact on financial performance of large and medium-sized banks without a significant impact on the performance of small banks. The researcher concluded it was not in the interest of shareholders for small banks to engage in CSR activities as doing so could only drain their wealth without any return.

Katamba (2008) cites CSR as creating an environment for a company's profits, although it cannot contribute directly to the profit growth. The attractions of investors, excellent reputation, and powerful market position, decrease risk management spending, distinguish between rival and quality and talented prospective personnel are brought about by corporate social responsibility spending as highlighted by Marcela from the West Bohemia university in Czech Republic.

Ofori and Hinson (2007) say CSR results in efficiency and economic results of the organization. CSR has resulted in increased financial performance by protecting profits and generating new revenues (Hahn & Scheermesser 2006).

Remi, Begum and Hassan (18) investigate, using a 3-year sample of four known agro-industries from 2015 to 2017, the effect of CSR on the profitability of the agribusiness sectors of Bangladesh. The results revealed that ROE and net income have a significant impact on the financial performance of firms that are socially responsible, while ROA & Earnings for share (EPS) does not have an important influence on the financial performance of firms. This research, based on main results, suggests the CSR phenomenon as a main component in development and as an instrument to boost FP through Bangladesh's agricultural and industrial sectors.

Gichohi (2016) attempted to identify the impact of corporate social responsibility on the financial performance of companies listed in the Nairobi Securities Exchange. The study showed that the effect on financial performance was positive but insignificant. The research suggested that companies be socially accountable in order to increase their shareholders' value.

Mujahid and Abdallah (2014) studied the effect on shareholders' wealth and monetary results of corporate social responsibility. The students have chosen a sample of ten companies with a high level of corporate social responsibility and 10 non-corporate social responsibility firms and have evaluated their financial performance measures in terms of accounting like ROA and ROE and shareholder wealth measures such as the EPS and stock price. Research indicates that the social responsibility and economic performance of a company and shareholders wealth have a significant positive connection.

The connection of corporate social responsibility (CSR) to the economic results of Islamic banks in the Gulf Cooperation Council (GCC) area has been examined in Platonova, Asutay and Mohammed (2016) over the period 2000-2014 through the generation of CSR-related information by divulging the sampled banks' annual accounts. The results of the survey show that the CSR disclosure and the economic results of Islamic banks in the GCC countries are significantly positive. The findings indicate also a beneficial link between CSR disclosure and GCC's future economic performance, which could indicate the potential long-term effect of present CSR activities by the GCC Islamic banks.

A Gathungu and Ratemo (2013) research disclosed that the revelation of socially responsible operations by companies were used as a performance measuring tool because the amount of available funds and, more particularly, the value the organization had attributed to program beneficiaries, was indicated by investment in CSR operations.

Although CSR is a portion of the ventures of a company, its effect is somewhat dissimilar from other operations such as production, finance, sales, and distribution for the organization in terms of its financial performance. Consequently, the organization's social and environmental responsibility would probably stay at the point of unfilled mission statement and remote additional operations, which would in turn influence the operation of its organization if a strong connection between social responsibility and company performance could not be established.

2.3.2 Market Share

From 2006 to 2010 Ongolo (2012) has examined the relation between CSR and supermarket market share in the town of Kisumu. The 25 factors that motivated CSR exercise in supermarkets in Kisumu City he tried to determine. The results revealed that CSR and market share are strongly connected. Institutions with more CSR investment had elevated sales revenues. The investigator also found that the market share index and CSR have a positive correlation coefficient. Larger supermarkets prefer schooling, water, and sanitation, while the other supermarkets choose their CSR operations to help the less wealthy in society.

Most managers intuitively think that CSR can boost revenues, says Katamba (2008). And nearly no big government and private enterprises wish to be involved in CSR. The importance of CSR is clear, no matter how difficult it may be to outsource additional resources to address the financial requirements of their CSR programs. CSR functions as a platform for businesses to promote their services and products as far as enhanced sales are concerned. The business and the public are in direct contact and further product data can therefore be provided in full. General Motors East Africa (GMEA) has attracted more women and men to buy their more products like pickups from Isuzu, busses and lorries through CSR programmers. The prospective buyers are described for free on the floor in more data on repairs and multiple sales contracts. Product information is received from the public directly and this facilitates the gaining public interest for inventions and innovations in the company. Other rivals who do not participate in the CSR programs, in comparison, have been compelled to spend more on advertising to boost their market share (Katamba, 2008).

According to Devinaga (2010) market share could be considered an internal determinant of the profitability model because if commercial banks can expand their market share, they can boost their revenue and thus also their profits.

This is because selling more in banking involves the capacity to boost the market share if, for instance, commercial banks can give more clients more loans, then they are more likely to boost interest revenues and profit. This means that if companies can increase their market share through CSR spending, their financial performance is affected positively as profitability increases.

Marcus (1993) says that most consumers are based on CSR other than marketing PS for their purchasing decisions. Mori (2003) endorses this claim by stating that customers can pay a high price if they see a product as ethically superior. In this respect, profits are maximized and the reasons for making profits are anchored in CSR. McWilliams and Siegal (2001) specified that social and environmental expenses that CSR could reduce boost earnings. Consumers are encouraged to purchase the merchandise from excellent socially responsibility (Meijer and Schuyt 2005). Mohr and Webb (2005) state that CSR improves the desire to purchase, enabling customers to pay for the product's ethical elements.

From the various studies it is clear that corporate social responsibility spending has a positive relation with a company's financial performance in terms of its market share as it is able to advertise itself through its CSR activities thus attract more customers and obtain the loyalty of its existing customers while reducing the company's cost for marketing its products and boosting the company's positive image. The allegiance of the buyer through CSR leads to improved profits through decreased marketing expenses (Hallowell, 2000).

2.3.3 Sustainability

A sustainable corporation is one that creates profits for its shareholders while protecting the environment and improving the lives of those with whom it interacts with. The triple bottom line (TBL) captures the essence of sustainability by measuring the impact of an organizations' activities on the world (Savitz & Weber, 2006).

The requirement is to move towards a focused, effective corporate social responsibility for the proper functioning of Triple bottom line leading to economic sustainability of the corporate. The results in this study point to the understanding that the corporate should focus on the ethical and philanthropic responsibilities in the short run to add value to society. This will lead corporate organizations to economic sustainability in the long run (Dasgupta, 2014).

To support companies in their sustainability activities, a framework for corporate sustainability and CSR has been developed which consists of different management levels: the normative level has the objective of ensuring and enhancing the legitimacy of corporate activities by stakeholders and society; the strategic management level has the objective of effectiveness, i.e. of determining the long-term goals; whereas the operational management level has the objective of efficiency, i.e. of implementing normative and strategic goals within all corporate activities (Ulrich, 2001).

According to Rupert, under business evolution, CSR can constitute a strategic management tool that could assist companies to integrate and achieve their sustainability performance. Given the fact that a fundamental role and obligation of business is to eliminate negative impacts and operate responsibly, it goes without saying that sustainability objectives should form part of corporate strategy (Baumgartner, 2014).

The upcoming paradigm of sustainable development together with corporate social responsibility in conjunction with stakeholder's theory allows a civil society-based approach to cope with the challenges of external outcomes. Stake holders and non-governmental organizations act as agents that could stimulate and even sanction firms to act sustainably. A cornerstone of sustainability rating until present is environmental issues. It is a result of early discussions about the capital markets' role in a natural environment whose capability of dealing with pollution seems increasingly exhaustible (Schafer, 2019). An example is if listed companies reuse and recycle some of their raw materials during production, this would prevent unnecessary wastage of materials needed. This would lead to an increase in the period of existence of the materials which would in turn ensure that availability of those resources to the firm in the future thus ensuring its sustainability and ability to generate profits in future and save on costs.

The Sustainable Development Goals (SDGs), also known as the Global Goals, are a collective call to action to end impoverishment, safeguard the earth and make certain that all individuals revel in harmony and success. These 17 Goals build on the successes of the millennium development goals, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The goals are interrelated – habitually the key to accomplishment on one will entail confronting matters more commonly connected with another (United Nations Development Programme, 2019).

Listed companies' engagement in corporate social responsibility would lead to the achievement of various of various sustainable development goals that were introduced by the United Nations Development Programme (UNDP). An example would be if a firm decided to build and run a school, it would be engaging in social responsibility while achieving the sustainable development goals of providing quality education and eradicating poverty through educating the community. Improving the society's living conditions would in turn help the company by attracting potential employees, customers and investors.

The connection between CSR investment and the sustainable economic development of commercial banks in Nairobi has already been evaluated by Okiro, Omoro and Kinyua (2013). The scientists attempted to link continuous development and CSR between banks. The results showed an increasingly positive investment attitude towards CSR. It was widely agreed that CSR was vital to the company's achievement. Since commercial institutions make profit by providing their customers with the best services, they will be able to ensure that their customers are retained. Investment in CSR operations had a beneficial impact on continuous banking development, the scientists discovered. The results show that the relationship between variables is weak and that investment in CSR activities could explain only 11 percent of the bank's continuous growth.

2.3.4 Liquidity

Subramaniam and Samuel (2015) targeted at investigating the connection between the level of corporate social responsibility information and liquidity level in Malaysian companies. In order to accomplish the report's aim, the scholars picked a sample that comprises from 194 Malaysian firms that were listed on Malaysia Stock Exchange in the year 2009. The needed information was gathered from the sampled businesses' annual financial reports. Such data was processed in harmony with a model that was developed by the scholars. The scholars conducted a multiple regression analysis to discover the connection between the level of disclosure of corporate social responsibility information and liquidity in Malaysian companies. It was concluded that there is a positive relationship between the level of social responsibility of the Malaysian corporations and their liquidity.

In this case, the greater the level of disclosure of corporate social responsibility information in the respondent corporations, the more liquid the company would be. The scholars acclaim providing more attention to the disclosure of corporate social responsibility by the corporations.

Such consideration should be provided due to the constructive influence of such disclosure on the liquidity level of the companies. Therefore, corporations that have a high liquidity level have a compelling motive to disclose their financial and non-financial information through their annual reports unlike corporations that have reduces levels of liquidity. This shows that there is a solid constructive connection between the level of disclosure of social responsibility information of the corporation and its level of liquidity.

In Chile, which is a developing country, Gjerde (2013) examined the links between economic results, corporate social responsibility liquidity. In price discovery insiders play an important position in small economies that are highly concentrated; they indicate that traders tend to follow the investing practices of insiders at low level for disclosure. However, the Botosan (1997) divulger index was used in research Gjerde (2013) to evaluate the amount of voluntary divulgation by a business focusing on financial disclosure in the Annual Report Management Discussion and Analysis Section. In the event of a high level of ownership, the level of information asymmetry concerning the CSR practices of a firm between the management and shareholders may therefore continue to be high in developing countries due to lack of verification of CSR disclosures by third parties.

Kim, (2012) found that the higher the level of CSR, particularly in terms of price impact, discloses the higher the liquidity. In addition, a substantial negativity between institutional property and revenue can be noted in the decrease in trade activity. These results indicate that the yields in Malaysian PLCs with institutional property as block owners are greater, although this decreases turnover. In this context, we conclude that higher levels of CSR divulgation play an important role in Bursa Malaysia price discovery. However, other than board size, there are no incremental liquidity impacts of an autonomous board and an autonomous audit committee. We can explain that the independence of the board and of the Audit Committee lacks results based on the influence of the government on boards of directors to promote sustainable business practices in developed countries.

2.4 Research Gap

Corporate social responsibility is an emerging trend in developing countries. In developing countries corporate social responsibility remains sketchy despite good awareness where no clear targets are set (Jamali & Mirshak, 2007). As more and more listed companies seek to engage in corporate responsibility the question on most if not all investors and shareholders mind is the effect social responsibility spending has on the corporation's financial performance. There have been various studies done on the topic and some show a positive correlation between company's financial performance and its spending in corporate social responsibility while others show a negative correlation. This brings an issue of confusion when companies are making the decision on CSR spending with pressure from the shareholders to maximize their profits and the company's surrounding community for their development. This study seeks to fill this gap by looking at both studies showing a positive correlation and those showing a negative correlation and determine a conclusion on which correlation is stronger by looking at CSR spending by listed companies in Kenya and how it affects the companies' in terms of liquidity, profitability, sustainability and market share.

2.5 Conceptual Framework

This seeks to determine the study's variables and how they interrelate with each other as shown in Figure 1: Conceptual Framework. It shows adoption of sustainable business practices, stakeholder welfare management, environmentally friendly products and philanthropic giving as the independent variables. This is because the level of CSR spending is unique to each listed company. The listed companies' financial performance in terms of liquidity, profitability, sustainability and market share is the dependent variable as it depends on the companies' spending on CSR.

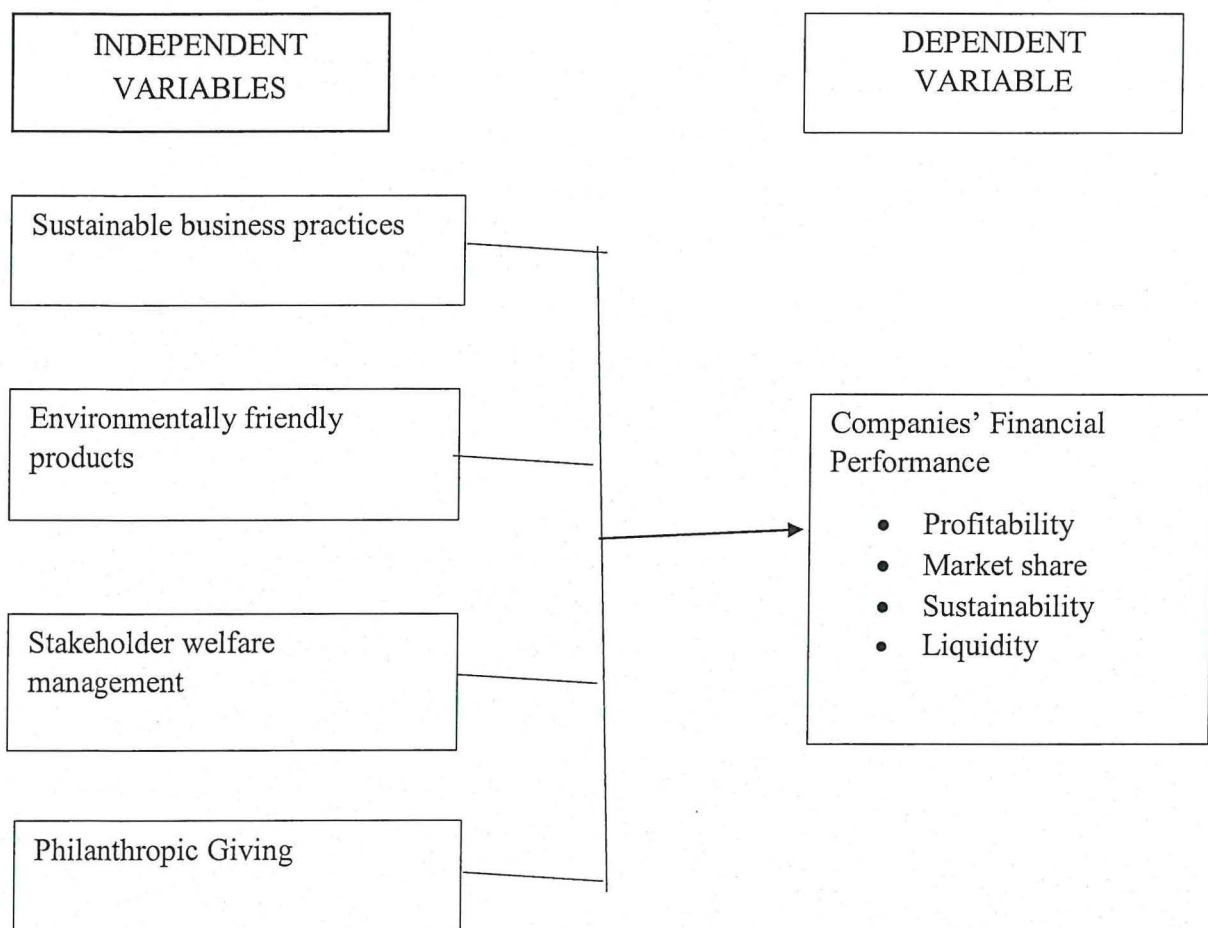


Figure 1: Conceptual Framework. Source; Researcher, 2019.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter will give an analysis on the research design, target population, sample size and sampling technique, data collection; instrument and procedure, data processing and analysis techniques. It also contains the ethical issues to be considered in research.

3.2 Research Design

This is a quantitative type of research. According to Morris (2011), study design is the overall plan for conducting the study in order to answer research questions. This study will involve descriptive survey design which will ensure ease in understanding the insight and ideas about the problem. Descriptive survey is a study that attempts to collect data from members with one or more variable (Kothari, 2004). This design will further be suitable for this research since Borg and Gall noted that descriptive survey study is aimed at generating statistical information about aspects of the research that may benefit the companies (Borg & Gall, 2003). The data will be collected during working days when the companies' staff will be available.

3.3 Population

Target population refers to the total number of subjects of research to which the study is applied (Oso & Onen, 2008). A population is defined as a complete set of individuals, cases or objects with some common observable characteristics (Mugenda & Mugenda, 2003). The target population for this study constitutes of companies listed on the Nairobi Securities Exchange (NSE).

3.4 Sample Size and Technique

This is a process of selecting a representative sample from the population for the purpose of data collection and analysis. This study will focus on the NSE 20 index. This index is appropriate for the study since it is composed of a portfolio that includes companies from all industries hence diversified and useful for provision of information rich data. The sample period is five years from 2013-2018.

3.5 Data Collection

Instruments of data collection should be selected in a way depending on the research topic, the question problem, expected design and objectives, expected data and results (Kothari, 2004). This study will use a structured questionnaire in collecting data. The questionnaire will be self-administered and provided to the listed companies in the NSE 20 index to fill within a stipulated period. The researcher will begin by obtain an introductory letter from the university to validate their identification and allow for ease of collection of data. It will explain the purpose of the research to the respondent companies and the relevant supervisors and assure anonymity and confidentiality in the respondents' answers. The questionnaire will be divided into two sections. Section A will seek to collect bio data of the companies while section B will seek to collect data on each objective respectively. A questionnaire is advantageous since it enables coding of data in scales. The questionnaire will have a Likert scale question where the five-point scale is the evaluative part of the response ranging from Highly positive=5, Positive=4, Uncertain=3, Negative=2 and Highly Negative=1. Follow ups would be done through telephone calls, emails and personal interviews to ensure a viable response rate for the study. Secondary data of the companies' financial statements will be used where necessary.

3.6 Data Analysis

Data processing entails data checking, data editing, data coding and data analysis. Data checking entails checking the questions in the questionnaire before issuing them out to ensure that they are set correctly and will yield desired results when answered. Data checking is also done after receiving the answered questionnaires to ensure that they are filled and provide reliable information to the researcher. Data editing involves checking the data provided by the returned questionnaires for errors and outliers. If any are found, the collected data is adjusted to maintain the quality of data by regulating the accuracy of the data. Data coding in research entails assigning numbers to the answers received to ensure a limited number of categories. For this study, descriptive statistics, which is short descriptive coefficients that outline a data set provided, which can either be a depiction of the whole population or just a sample of it, will be used. The coded data will be entered in excel spreadsheet for analysis.

A Likert scale will be used where any score above 3 will show a positive impact on the company's financial performance due to its spending on corporate social responsibility, a score of three will show uncertainty while a scale of below 3 will show a negative impact on the company's financial performance for its spending on corporate social responsibility. The data will then be presented in terms of graphs and pie charts

3.7 Ethical Issues in Research

Informed consent seeks to incorporate the rights of autonomous individuals through self-determination. It also seeks to prevent assaults on the integrity of the patient and protect personal liberty and veracity. Of course, individuals can make informed decisions in order to participate in research voluntarily only if they have information on the possible risks and benefits of the research. The ethical principle of beneficence refers to the Hippocratic "be of benefit, do not harm". When a researcher tries to learn intimate details of the participants lives, he has to deal with opening old wounds. Omnificence dictates both preventing intentional harm and minimizing potential harm. A researcher must consider all possible consequences of the research and balance the risks with proportionate benefit. The issue of confidentiality and anonymity is closely connected with the rights of beneficence, respect for the dignity and fidelity. The researchers must always bear in mind all psychological and social implications that a breach of confidentiality may have on subjects. An invasion of privacy happens when private information such as beliefs, attitudes, opinions and records, is shared with others, without the patient's knowledge or consent (Fouka & Mantzorou, 2019).

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS OF FINDINGS

4.1 Introduction

This chapter presents the analysis and discussions of the research findings from the data collected on the assessment of the effects of Corporate Social Responsibility spending on the financial performance of listed companies in Kenya. These findings are from the questionnaires handed out to the staff in the companies. The findings are displayed using tables, pie-charts and graphs in order to provide a simplified picture of the data collected.

4.2 Response Rate

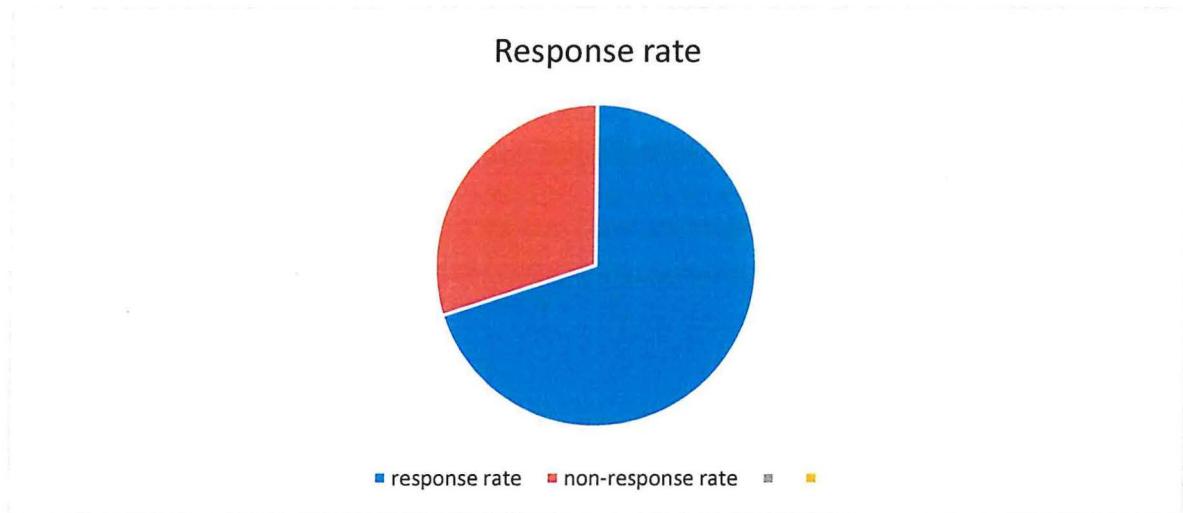
The tool that was used for data collection was questionnaires. The sample size for this research was the 20 listed companies in the Nairobi Securities Exchange (NSE) 20 index. Out of the 20 questionnaires given to the respondents, 14 were completed and 6 were returned unfilled. The response rate was 70% and the non-response rate was 30%. This is illustrated in table 4.1 and figure 4.1.

Table 4.1: Response rate

	Number of respondents	Percentage
Response rate	14	70
Non- response rate	6	30
Total	20	100%

Source: Researcher, 2019.

Figure 4.1: Response rate



Source: Researcher, 2019.

4.3 Respondents' General Information

4.3.1 Years of existence

Majority of the respondent companies fell under the 50-100 years of existence with 50%, next was above 100 years of existence with 28.57% and 0-50 years of existence had the least number of respondents at 21.42%. Table 4.2 and figure 4.2 show this.

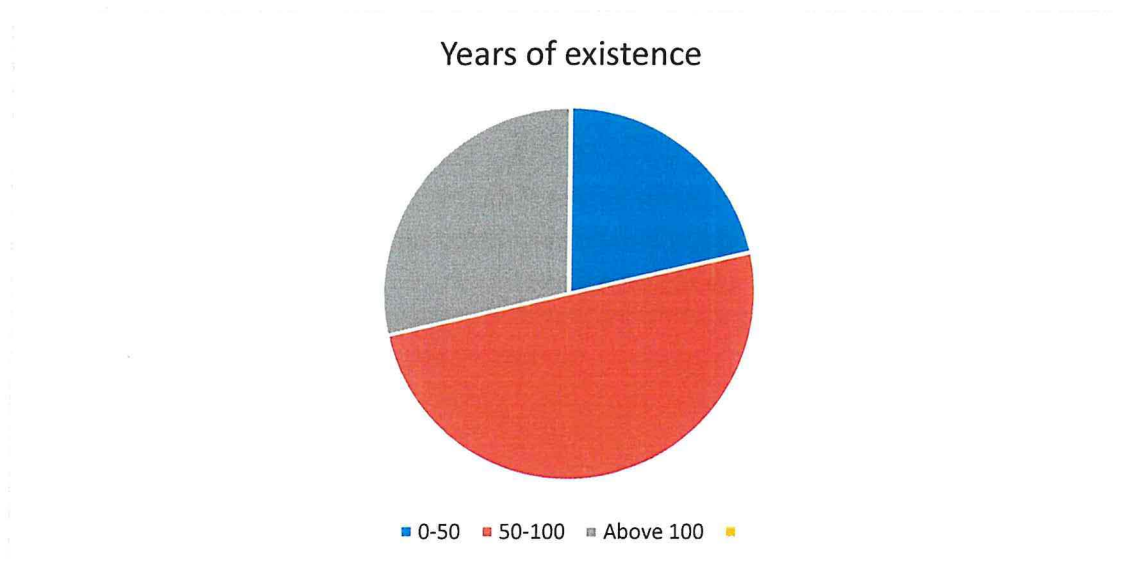
Table 4.2: Years of existence

Years of existence		Company	Number of respondents	Percentage
0-50 years	26	Safaricom	3	21.42%
	35	Equity		
	42	Kenya Airways		
51-100 years	52	Centum	7	50.00%

	54	Co-operative Bank		
	54	Britam		
	60	Nation Media		
	74	DTB		
	97	EABL		
	97	KPLC		
Above 100 years	103	Barclays	4	28.57%
	108	Standard Chartered		
	115	KCB		
	117	BAT		
Total			14	100%

Source: Researcher, 2019.

Figure 4.2: Years of existence



Source: Researcher, 2019.

4.3.2 Business sector

Majority of the respondent companies were from the banking sector with 42.86%, next was other (aviation and media) which constituted 14.29%, manufacturing with 14.29% while telecommunication, energy, investment and insurance each had 7.14%. There were no respondents from construction and commercial services. This is illustrated in table 4.3 and figure 4.3.

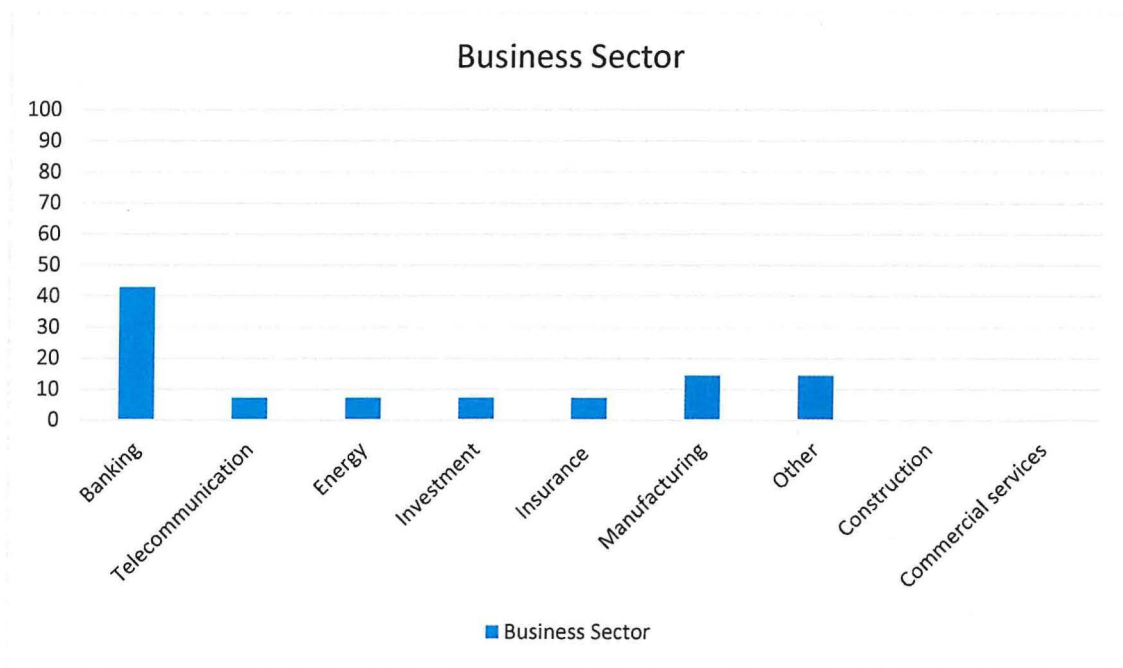
Table 4.3: Business sector

Business Sector	No. of respondents	Percentage
Banking	6	42.86%
Telecommunication	1	7.14%
Energy	1	7.14%
Investment	1	7.14%
Insurance	1	7.14%
Manufacturing	2	14.29%

Construction	0	0%
Commercial services	0	0%
Other	2	14.29%
Total	14	100%

Source: Researcher, 2019.

Figure 4.3: Business sector



Source: Researcher, 2019.

4.3.3 Level of CSR spending

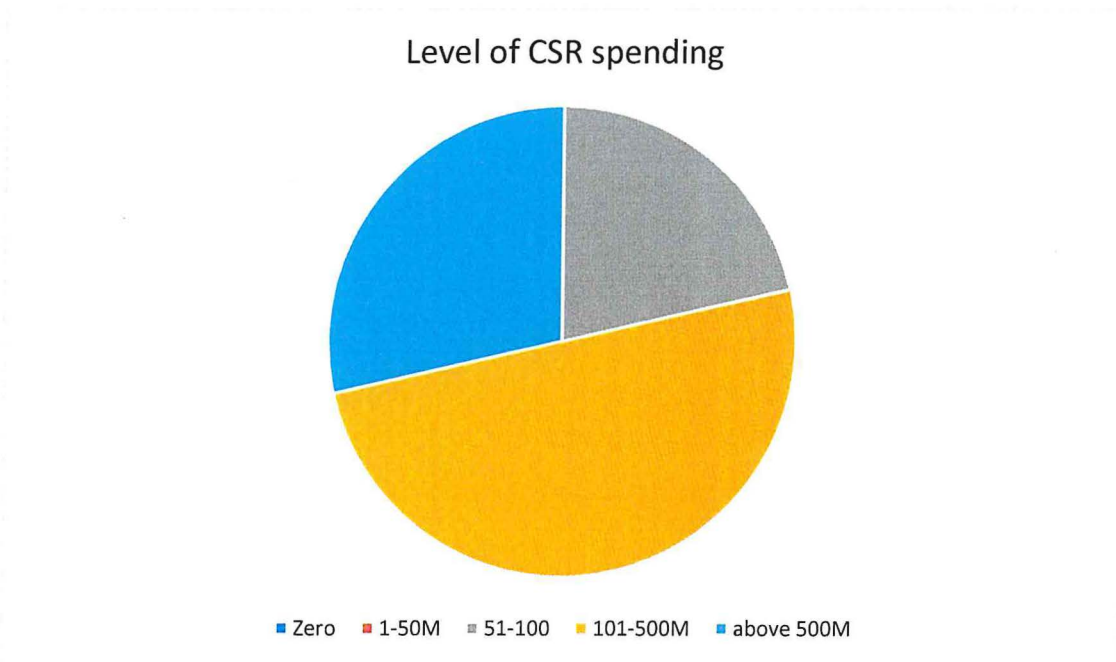
Most of the respondent companies spent 101-500 million on CSR activities with 50% next was the companies that spent above 500 million with 28.57% and companies that spent 51-100 million on CSR activities had the least number of respondents. This is illustrated by table 4.4 and figure 4.4.

Table 4.4: Level of CSR spending

Level of spending	No. of respondents	Percentage
Zero	0	0%
1-50M	0	0%
51-100M	3	21.43%
101-500M	7	50.00%
Above 500M	4	28.57%
Total	14	100%

Source: Researcher, 2019.

Figure 4.4.: Level of CSR spending



Source: Researcher, 2019.

4.3.4 Area of CSR

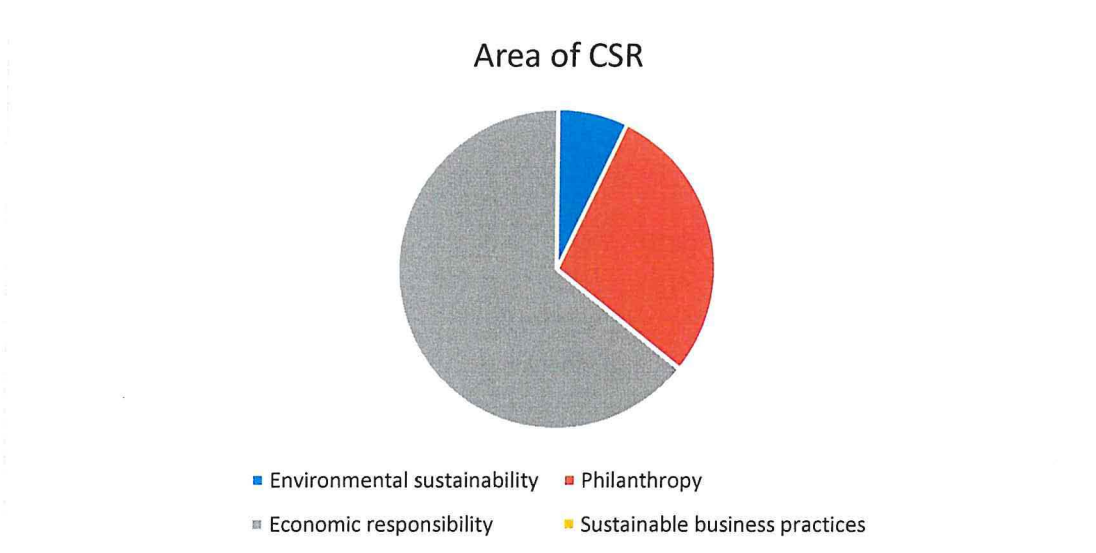
Most of the respondent companies engaged in economic responsibility with 64.29%, next was philanthropy with 28.57% and environmental sustainability at 7.14%. This is shown in table 4.5 and figure 4.5

Table 4.5: Area of CSR

Area of CSR	No. of respondents	Percentage
Environmental sustainability	1	7.14%
Philanthropy	4	28.57%
Economic responsibility	9	64.29%
Sustainable business practices	0	0%
Total	14	100%

Source: Researcher, 2019.

Figure 4.5: Area of CSR



Source: Researcher, 2019.

4.4 The effect of CSR spending on liquidity

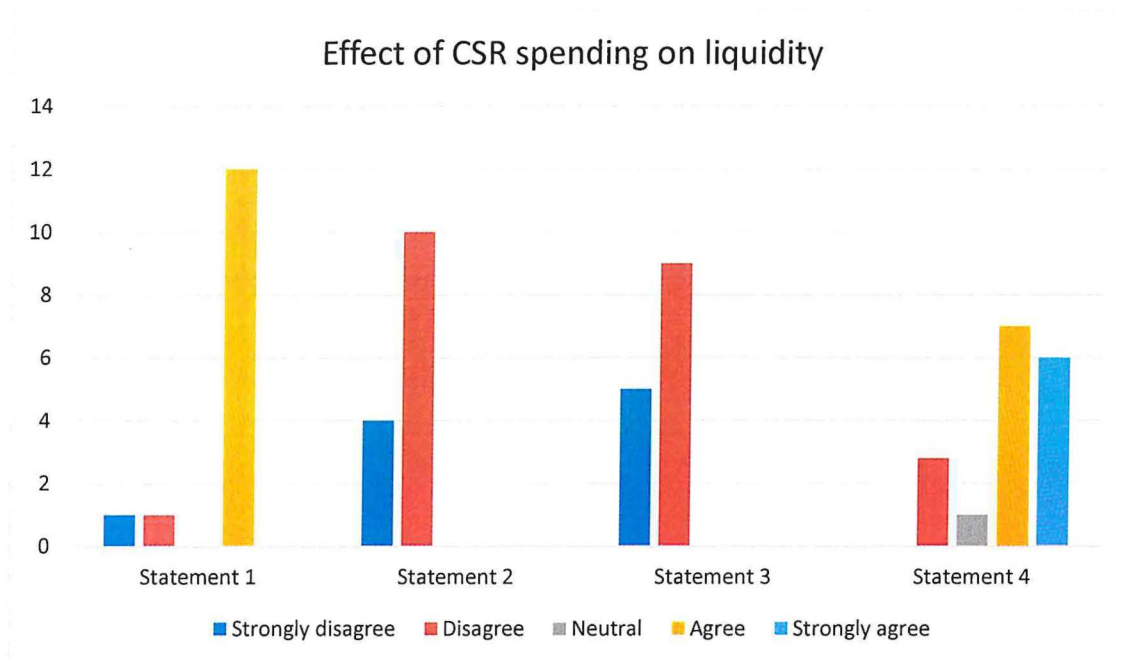
This section was to find out to what extent CSR spending of the respondent companies affected their liquidity. The respondents were asked to show the extent to which they agreed with these statements by one of the 5 points labelled as follows; 1 – Strongly disagree, 2 – Disagree, 3 – Neutral, 4 – Agree and 5 – Strongly agree. Table 4.6 and figure 4.6 shows the statements and the extent to which the respondents agree with each of them.

Table 4.6: Effect of CSR spending on liquidity

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
CSR spending reduces company cash and cash equivalents.	1	1	0	12	0	14
CSR spending has negatively affected the company's ability to pay creditors on time.	4	10	0	0	0	14
CSR spending has negatively affected the company's ability to source for raw materials for production.	5	9	0	0	0	14
CSR spending has impacted positively on the company's product competitiveness.	0	0	1	7	6	14

Source: Researcher, 2019.

Figure 4.6: Effect of CSR spending on liquidity



Source: Researcher, 2019.

Mean

Statement 1

$$(1*1) + (1*2) + (0*3) + (12*4) + (0*5) = 51. \quad 51/14 = 3.64$$

Statement 2

$$(4*1) + (10*2) + (0*3) + (0*4) + (0*5) = 24. \quad 24/14 = 1.71$$

Statement 3

$$(5*1) + (9*2) + (0*3) + (0*4) + (0*5) = 23 \quad 23/14 = 1.64$$

Statement 4

$$(0*1) + (0*2) + (1*3) + (7*4) + (6*5) = 58 \quad 58/14 = 4.14$$

This shows that majority of the respondents agree that CSR spending reduces the company's cash and cash equivalents and impact positively on the product competitiveness.

Majority also disagree that CSR spending negatively affects the company's ability to pay creditors on time or source for raw materials

4.5 Effect of CSR spending on market share

Table 4.7 and figure 4.7 shows the statements and the extent to which the respondents agree with each of them.

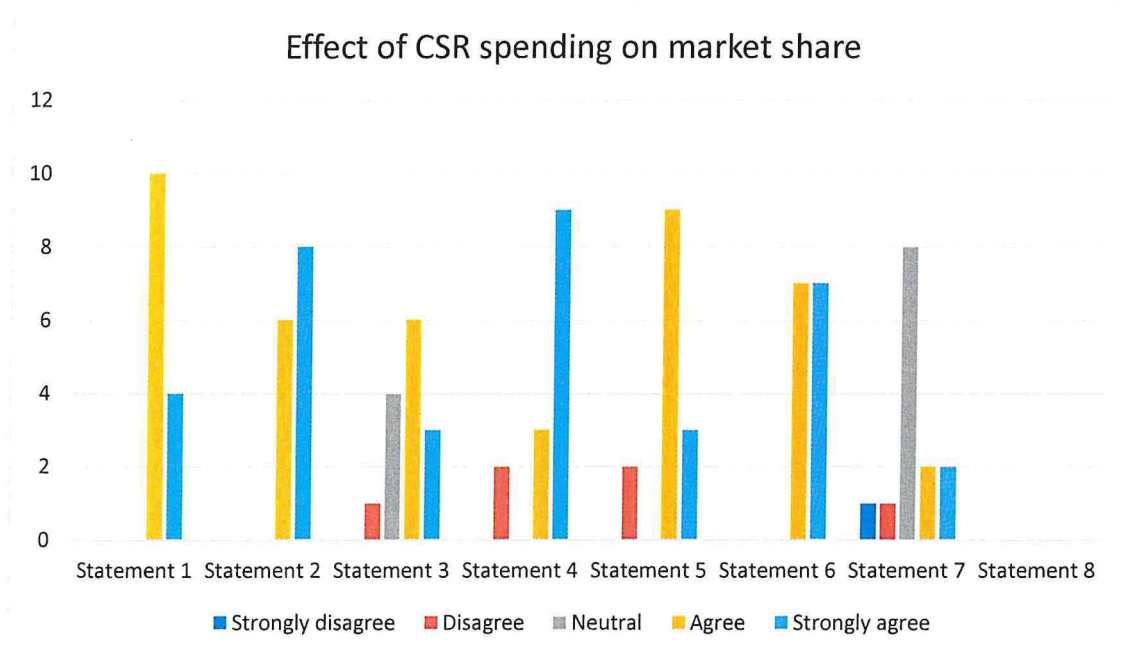
Table 4.7: Effect of CSR spending on market share

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
CSR spending has contributed to the increase in company sales.	0	0	0	10	4	14
CSR spending contributes in gaining public interest for the company.	0	0	0	6	8	14
Company's spending on CSR improves the customers desire to purchase their products and services.	0	1	4	6	3	14
CSR spending by the company provides a platform to promote their products and services.	0	2	0	3	9	14
Company's CSR spending helps reduce its advertisement costs.	0	2	0	9	3	14
CSR spending helps build the company's brand.	0	0	0	7	7	14
Some customers purchase products and services from the company	1	1	8	2	2	14

based on its CSR spending other than marketing.

Source: Researcher, 2019.

Figure 4.7: Effect of CSR spending on market share



Source: Researcher, 2019.

Mean

- Statement 1; $(0*1) + (0*2) + (0*3) + (10*4) + (4*5) = 60$ $60/14= 4.29$
- Statement 2; $(0*1) + (0*2) + (0*3) + (6*4) + (8*5) = 64$ $64/14= 4.57$
- Statement 3; $(0*1) + (1*2) + (4*3) + (6*4) + (3*5) = 53$ $53/14= 3.79$
- Statement 4; $(0*1) + (2*2) + (0*3) + (3*4) + (9*5) = 61$ $61/14= 4.36$
- Statement 5; $(0*1) + (2*2) + (0*3) + (9*4) + (3*5) = 55$ $55/14= 3.93$
- Statement 6; $(0*1) + (0*2) + (0*3) + (7*4) + (7*5) = 63$ $63/14=4.5$
- Statement 7; $(1*1) + (1*2) + (8*3) + (2*4) + (2*5) = 45$ $45/14=3.21$

This shows that majority of the respondents agree to all the statements on the effect of CSR spending on the company's market share.

4.6 Effect of CSR spending on profitability

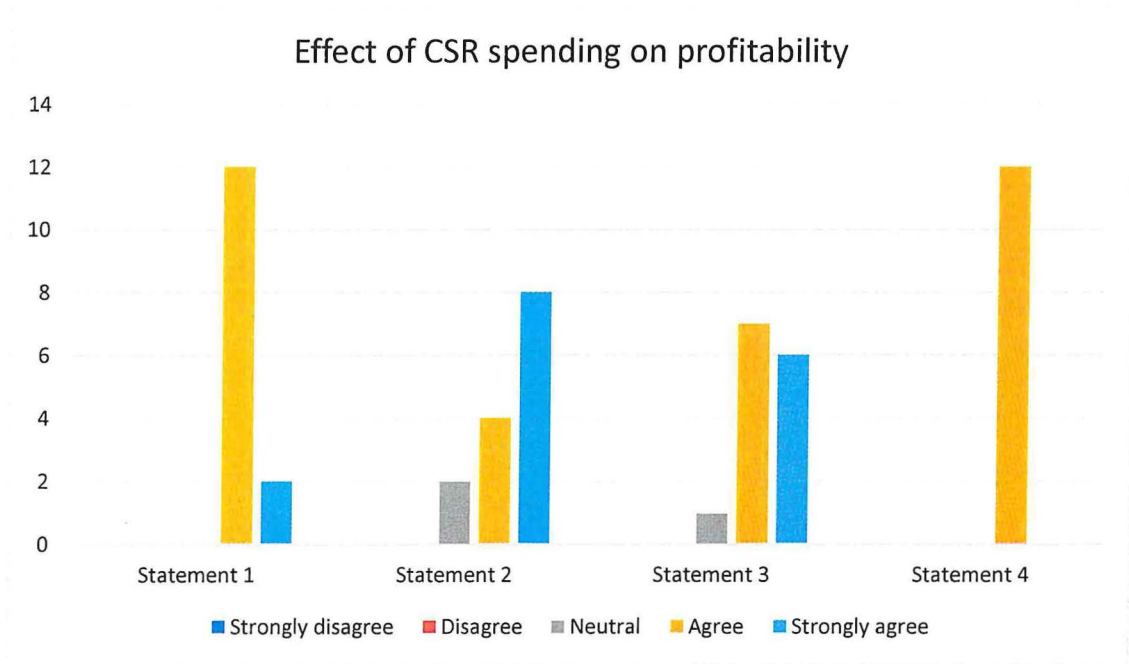
Table 4.8 and figure 4.8 shows the statements and the extent to which the respondents agree with each of them.

Table 4.8: Effect of CSR spending on profitability

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
CSR spending positively affects company's return on equity	0	0	0	12	2	14
Your company is greatly concerned about the effect of CSR spending on the company's profitability.	0	0	2	4	8	14
The company's spending on CSR creates an environment for growth of its profits	0	0	1	7	6	14
CSR spending has a positive effect on our company's profitability over the last five years.	0	0	0	12	2	14

Source: Researcher, 2019.

Figure 4.8: Effect of CSR spending on profitability



Source: Researcher, 2019.

Mean

Statement 1; $(0*1) + (0*2) + (0*3) + (12*4) + (2*5) = 58$ $58/14 = 4.14$

Statement 2; $(0*1) + (0*2) + (2*3) + (4*4) + (8*5) = 62$ $62/14 = 4.43$

Statement 3; $(0*1) + (0*2) + (1*3) + (7*4) + (6*5) = 61$ $61/14 = 4.36$

Statement 4; $(0*1) + (0*2) + (0*3) + (12*4) + (2*5) = 58$ $58/14 = 4.14$

This shows that majority of the respondents agree to all the statements on the effect of CSR spending on the company's profitability.

4.7 Effect of CSR spending on sustainability

Table 4.9 and figure 4.9 shows the statements and the extent to which the respondents agree with each of them.

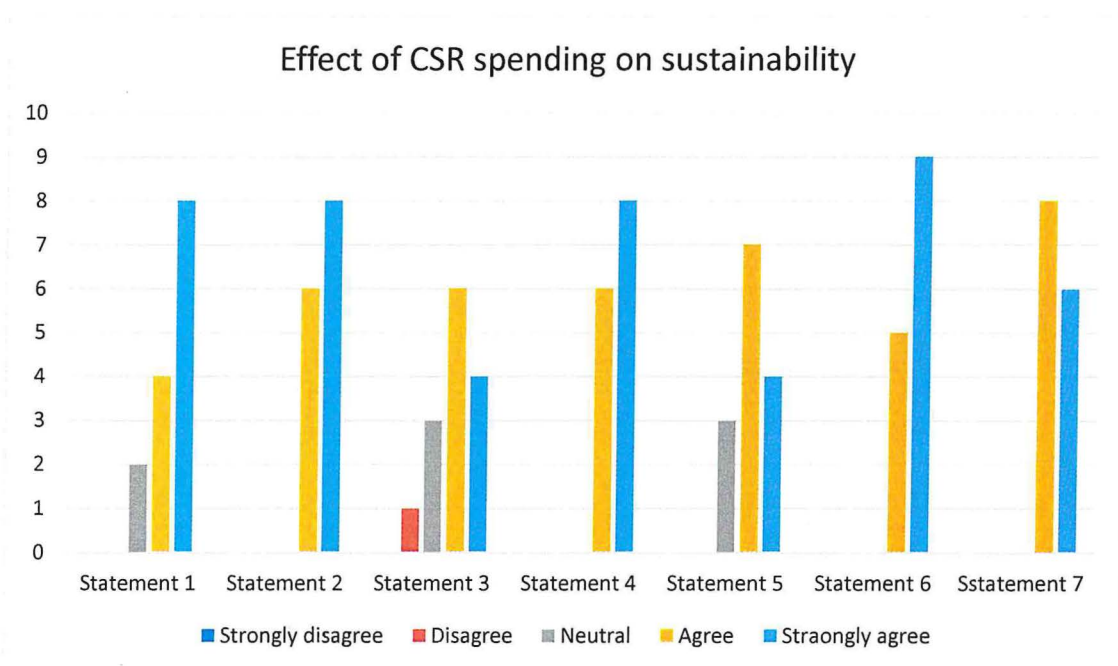
Table 4.9: Effect of CSR spending on sustainability

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
CSR spending contributes to the company attaining its triple bottom line.	0	0	2	4	8	14
Corporate sustainability is a growing concern among investors who not only seek economic profits, but also social good and CSR spending helps them attain that.	0	0	0	6	8	14
CSR spending helps protect the environment that provides resources used by the company in areas such as production.	0	1	3	6	4	14
Through its CSR spending the company gains community support providing a favorable business environment.	0	0	0	6	8	14
Company's CSR engagement on employees increases their motivation and loyalty and reduces turnover.	0	0	3	7	4	14

CSR spending positively affects the company's corporate governance and goodwill.	0	0	0	5	9	14
CSR engagement has led to adoption of sustainable business practices by the company.	0	0	0	8	6	14

Source: Researcher, 2019.

Figure 4.9: Effect of CSR spending on sustainability



Source: Researcher, 2019.

Mean

Statement 1; $(0*1) + (0*2) + (2*3) + (4*4) + (8*5) = 62$ $62/14 = 4.43$

Statement 2; $(0*1) + (0*2) + (0*3) + (6*4) + (8*5) = 64$ $64/14 = 4.57$

Statement 3; $(0*1) + (1*2) + (3*3) + (6*4) + (4*5) = 55$ $55/14 = 3.93$

Statement 4; $(0*1) + (0*2) + (0*3) + (6*4) + (5*5) = 64$ $64/14 = 4.57$

Statement 5; $(0*1) + (0*2) + (3*3) + (7*4) + (4*5) = 57$ $57/14 = 4.07$

Statement 6; $(0*1) + (0*2) + (0*3) + (5*4) + (9*5) = 55$ $55/14 = 3.93$

Statement 7; $(0*1) + (0*2) + (0*3) + (8*4) + (6*5) = 62$ $62/14 = 4.43$

This shows that majority of the respondents agree to all the statements on the effect of CSR spending on the company's sustainability.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter offers the review of the results, conclusions and recommendations based on the data evaluated in the preceding chapter. A descriptive research design was employed, and the data collection tool was questionnaires. It includes a discussion of the findings as related to the literature on the effect of CSR spending on the financial performance of listed companies. The specific objectives of this study were;

1. To determine the effect of corporate social responsibility spending on the profitability of listed companies.
2. To determine the impact of corporate social responsibility spending on the market share of listed companies.
3. To determine the effect of corporate social responsibility spending on the sustainability of the listed companies.
4. To determine the impact of corporate social responsibility spending on the liquidity of the listed companies

5.2 Conclusion of research findings

This section includes the discussion and conclusion of findings according to the study objectives.

5.2.1 CSR spending by Listed Companies in Kenya

Based on the study, the following are areas of Corporate Social Responsibility that companies engage in; direct philanthropy, environmental sustainability, economic responsibility and sustainable business practices. The research findings show that listed companies in the Nairobi Securities Exchange (NSE) 20 index engage in CSR in the stated areas. Most of these companies engaged in economic responsibility and direct philanthropy projects such as building of schools, boreholes, hospitals or creating charity foundations. All of the 14 companies who answered the questionnaire engaged in socially responsible activities.

5.2.2 The effect of CSR spending on Profitability

85.71% of the respondents stated that their company was greatly concerned about the effect of CSR spending on the company's profitability. This shows that although wish to achieve other objectives such as promoting corporate governance and good will of the company through engaging in socially responsible activities, they still understand that the main purpose of the company's existence is to maximize shareholder's wealth and as such would be less inclined to CSR if it was detrimental to that goal. This is also proven by the fact that 100% of the respondents agree that the company's engagement in CSR positively affects its Return on Equity (ROE).

Engagement in CSR provides a good environment for companies to do business and flourish. Through the generated goodwill from its activities it is able to secure a good relationship between itself and its stakeholders such as the surrounding community, trade unions, environmental activists, investors and the government. It gains the loyalty of its customers while reaching out to new ones which increases its sales that in turn lead to increased profits. It also makes the business more attractive to both foreign and local investors. 92.86% of the respondents agreed that the company's Corporate Social Responsibility spending creates an environment for the company to grow its profits.

5.2.3 The effect of CSR spending on market share

The results of this study reveal that most respondents agree that the company's Corporate Social Responsibility spending positively affects its market share. 100% of the respondents either agreed or strongly agreed that the company's engagement in social responsibility had contributed to increased sales, gained public interest in the company and development of the company's brand.

85.72% of the respondents stated that CSR spending by the company provides a platform to promote their products and services. Through their engagement in socially responsible activities companies are able to reach a lot of people and get to promote their products or services by informing them about their existence or providing additional information. Their engagement in CSR creates good Public Relations (PR) with its customers and paints the company as being ethical which in turn improves the customers desire to buy the company's products in order to be associated with the company.

This is proven by the fact that 64.29% of the respondents agree that CSR spending improves the customers desire to purchase the company's products or services. This contributes to the reduction of the company's advertisement costs as the company gets to market itself and its products while engaging in social responsibility. This is confirmed by the 85.72% of the respondents who either agree or strongly agree that CSR spending reduces the company's advertisement costs.

5.2.4 The effect of CSR spending on liquidity

The findings of this research revealed that companies spending on Corporate Social Responsibility reduce their cash and cash equivalents. By engaging in socially responsible activities companies have to incur costs such as funding charities or projects such as construction of schools, boreholes, hospitals among others. They also require money to buy or develop environmentally friendly equipment and plants to produce their products without harming the environment. This is bound to reduce the company's cash and cash equivalents and 85.71% of the respondents agreed to the statement.

100% of the respondents either strongly disagreed or disagreed that their company's engagement in Corporate Social Responsibility negatively affected the company's ability to pay their creditors on time or their ability to source for raw materials for production. This is because companies usually budgeted and set aside money for spending on Corporate Social Responsibility hence their expenses did not affect the company's production process or liquidity of the business. The researcher noted that companies such as Centum reduced the amount of funds allocated to Corporate Social Responsibility to cut back on costs.

92.86% of the respondents stated that their company's spending on CSR had a positive impact on its product competitiveness. Companies engaged in socially responsible activities to generate goodwill and attract customers as well as investors thus boosting the product's competitiveness in the market.

5.2.5 The effect of CSR spending on the company's sustainability

The triple bottom line has three pillars namely; People (social), Planet (environmental) and Profit (financial). The research findings show 85.71% of the respondents stated that they either agreed or strongly agreed that their company's CSR spending contributed to their attainment of the triple bottom line. Through engaging in socially responsible activities, companies get to contribute positively to the environment in ways such as planting trees, reducing air pollution or through recycling. 71.43% of the respondents supported the statement that CSR spending protects the environment that provides resources to the company. CSR provides for companies to positively affect people in ways such as providing good working conditions for their employees, proper remuneration and avoiding discrimination in the workplace. 78.57% of the respondents agreed that their company's CSR engagement on their employees increased their motivation and loyalty thus reducing their turnover. This improves the company's sustainability as it becomes a coveted employer for future employees and is able to retain its current ones. Thus, through a company's engagement in Corporate Social Responsibility, it is able to adopt the above stated and other sustainable business practices and 100% of the respondents agreed.

100% of the respondents agreed that CSR spending positively affects the company's corporate governance and goodwill. Through their engagement in socially responsible activities the company generates goodwill and makes the company accountable to its investors, customers, employees and its surrounding community which improves the company's corporate governance. It also helps the company attract investors who are interested in social good and wish to develop the community in addition to the economic gains. 100% of the respondents agreed with the statement. Through their engagement in socially responsible activities the company is able to develop its surrounding community through protecting the environment, providing job and entrepreneurial opportunities to members of the society such as the youth. The community in turns seeks to support the company by investing in it, being its supplier or customer or any other way, as it is known to give back to the society. This provides a favorable business environment for the company and 100% of the respondents agreed with the statement.

5.4 Recommendations

According to the findings of the study, the recommendations are as follows;

Even though a company's main purpose is to maximize shareholder's wealth through profit generation, they need to view Corporate Social Responsibility as a strategic venture and integrate it into their business strategy. This is because companies engaging in social responsibility have been known to gain goodwill from its stakeholders, build the company's brand and gain loyalty from its customers while growing its market share. Companies that engage in social responsibility are known to be ethical and attract investors to invest in the firm. The good relations that the firm's engagement in CSR creates with its surrounding community allows for good business which boosts the company's profits and make the business sustainable in the long run. It also helps the companies adhere to the law of the country such as the air quality regulation 2014 that provides for the prevention and control of air pollution. Stakeholders are now more concerned if the company is attaining its triple bottom line rather than just economic profit and companies have to adjust to this mindset if they wish to remain in business.

Corporate Social Responsibility is still in its early stages in Kenya as compared to other developed countries. Companies should increase their level of engagement in CSR activities to stay ahead of the curve and boost their economic growth. There should also be a standardized accounting format for CSR activities to improve the company's accountability and ease comparability of their social responsibility performance to other companies.

5.5 Limitations of the study

The purpose of the study was to assess the effect of Corporate Social Responsibility spending on the Financial performance of Listed Companies in Kenya. However, this research study was subject to a few constraints. Finding respondents for the study was difficult as most of the companies were adamant to provide the information required as they preferred to keep the records not in the public domain private. Moreover, the researcher discovered that each company has its own CSR reporting and accounting method that made it difficult to analyze the data.

A NACOSTI research permit was required by some of the companies in order for them to release the information needed which proved to be difficult to obtain due to the time constraint as it takes 14-21 business days to be ready and would have also required the researcher to incur an expense they had not budgeted for.

5.6 Suggestions for further research

More studies on Corporate Social Responsibility and how firms engage in such activities and what impact it has on their financial performance should be done. The study can include more companies and can look at how CSR spending may affect the company's capital structure in the short and long term, does it affect the gearing ratio of the company and if so in what aspect and how significant is it. Corporate Social Responsibility continues to develop in the country and as it does new issues will arise and legislations formed, and companies need to adapt as best as they can to ensure they are not negatively affected.

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