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# THE RELATIONSHIP BETWEEN CORPORATE SOCIAL INVESTMENT AND FINANCIAL PERFORMANCE OF COMPANIES LISTED AT THE NAIROBI SECURITIES EXCHANGE

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## Abstract

*This study visualizes that companies seem to have, for far too long, relied on crude business analytical methods that only consider direct investment with its subsequent occasioned income. The companies have continued to operate under the long held slogan that the main purpose of business is to make profits, which in this case is a short-term view. The study postulates that by companies getting interested in the society and associating with it to participate and assist is a long-term view. There is clear need to expand the purpose of business by considering the effect of other stakeholders to not only sustain the business but also if the society is to consistently prosper and grow. This study sought to establish the effect of corporate social investment on financial performance of 64 firms listed at the Nairobi securities exchange. The entire 64 firms formed the population of the study with share earnings as a measure of financial performance. The 2010 to 2019 quantitative secondary data was extracted from the firm's websites. Using linear regression analysis and Pearson correlation, the study found that corporate social investment is a significant predictor of firm financial performance. As a contribution to theory, the study reveals that as much as stakeholder theory advocates for other interested parties in the company, through brand building and loyalty to the company by other interested groups, benefits shareholders as opposed to reduction of shareholder's net worth by paying to other stakeholders. Moreover, stakeholder theory assumptions encompass various identities of interested parties, that is the third parties and how these interested third parties affect company's financial performance. The study recommends companies to engage in corporate social investment as a brand building image that garners loyalty from new and existing clients to foster healthy consumer preferences as a way of promoting a prosperous future in the economy. Further research using different attributes for corporate social investment can be initiated to widen the findings.*

***Key Words:*** *Corporate Social Investment, Financial Performance*

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### 1.1 Background of the Study

Corporate Social Investment (CSI) gained notoriety following the publication of Bowen (1953) entitled the Businessman's Social Responsibilities. Although since then times have changed with CSI changing into various forms, a constant question of what is the role of a business in a society remains unchanged. The question was answered by Levitt (1958) by stating that the primary goal of business over the long term should be profit maximization that leads to a spillover effect of societal wellbeing improvement.

In present day competitive landscape, CSI is more of a management strategy that overrides corporate giving and charitable networks. This study sought to go beyond United Nations (2015) assertion that CSI is quite distinct from philanthropy given its consideration of the social and environmental impact of a firm in addition to an economic impact. The study viewed CSI as a corporate governance strategy to increase corporates profit in the long term due to deliberate involvement in social and environmental impact which may also create corporate good image and brand building whereby the society develops liking for the firm and starts buying more of its products.

Global reporting initiative (2012) states that corporate social investment practices are brand building that may eventually lead to ultimate loyalty from old and prospective customers so an environment with a healthy consumer base creates profits therefore listed companies that invest into corporate social investment initiatives are promoting an equitable and successful future in the nation.

#### 1.1.1 Corporate Social Investment

Corporate social investment is defined as companies publicly investing in their environment, social and governance measures (Ballou, Landes, & Heitger, 2006). Global Reporting Initiative (GRI) (2012) defines corporate social investment as publicly released documents detailing the environmental, social and a company's governance. Gallo and Christensen (2011) describe corporate social investment as a corporate agenda that constitutes both financial and non-financial goals such as protection of the environment, social responsibility, shareholder commitment, and poverty alleviation.

The stake on the corporate social investment concept as well as the literature on corporate social investment and its practices increased in the last two decades as per Fortune 1000 where most of the corporates publish social responsibility reports that include corporate social investment. The companies' management understand the importance of the corporate social investment practices and know its effect on the corporate financial performance, hence they have started implementation of corporate social investment guidelines into corporates businesses strategies (Porter & Kramer, 2002).

Company managers, research bodies and scholars are engaged in determining the one gaining from the other, as well as the one that could be persistent in so far as the costs of the corporate social investment practices and the extent to which companies are engaged in dealing with societal issues (Tsoutsoura, 2004). Levy (1999) considers philanthropy and social effect as the body corporates heart and soul hence key consideration on matters corporation failure.

Under the circumstance and based on empirical literature reviewed, this study visualizes that companies seem to have, for far too long, relied on crude business analytical methods that only consider direct investment with its subsequent occasioned income. The companies have continued to operate under the long held slogan that the main purpose of business is business, which in this case is a short-term view. The study postulates that by companies getting interested in the society and associating with it to participate and assist is a long-term view. There is clear need to expand the purpose of business through scholarly literature to not only sustain the business but if the society is to consistently prosper and grow.

The report of the UN Secretary General Kofi Annan (2002) states that the phenomenon of CSI is rooted in the relationship between the state, businesses, and employees hence a social partnership. Based on the foregoing definitions, corporate social investment is an organizations' responsibility to publicly invest and report on the effects of its activities and decisions on the environment and society.

Ghozali and Chariri (2007) support the same view, and further state that corporate social investment has witnessed rapid growth in previous years as more companies aspire to become more sustainable and that companies need to report their sustainability measures since these reports have an impact on the value of the firm. Furthermore, investment in environmental and social, and their disclosure practices can be perceived as corporate accountability to the public to explain environmental and social impacts caused by the company’s influence both in the bad and good effects.

The study constituted the following CSI attributes; under economic activities, companies invested in projects such as online banking, green industry, renewable energy, or waste management. Directly or indirectly, companies invested in energy, waste disposal and water supply. Under social activities, companies invested in projects such as infrastructure, schools, and churches, all of which were used to measure CSI as recommended by (GR Global Reporting Initiative, 2012).

### 1.1.2 Firm Financial Performance

Hingorani and Ramanathan (1973) state that the causative relationship that exists amid the firm’s financial status and its profitability as a result of data collection, recording, relation and interpretation of the financial statements is that firm’s financial performance. Pandey (2015) posits that the techniques of evaluating the firm’s strength and threats by associating various financial statements of a firm is called financial performance analysis. Arora (2016) explains that financial performance is the underlying relationship within the different financial segments in the company as displayed by a single financial statement and interpretation of business trends.

Cochran and Wood (1984) categorizes Firm Financial Performance (FFP) into profits and the dividends paid to the investors. The lack of more research on this categorization has led to a misunderstanding and therefore confusion in the measure of the phenomenon. On the other hand, Gasparetto (2004) emphasizes that company financial performance is information which accounting institutions should show responsibility. Orlitzky, Rynes and Schmidt (2003) in their literature review, conclude that company financial performance can be seen in three ways. The first being the level of business efficiency via accounting measures. The second is the market measures reflecting satisfaction by shareholders and the third being surveys with estimated financial performance.

Seemingly current researchers use the definition of firm financial performance to mean measurement of company's equity owners’ satisfaction, estimates of financial performance, effectiveness as in meeting the objective and efficiency as in cost saving. Since companies’ main goal is to reward equity holders, the firm financial performance as

Gasparetto (2004) believes, means measures like market value, return to shareholders and profitability.

Prasad and Ahmed (2011), argue that every firm's shareholder and investor is concerned with the companies' financial health. They maintain that different studies have been carried out in the last three decades to establish the financial position with the aid of different financial ratios through application of statistical analysis tools. Firms must understand the trend in their performance in order to analyze, come up with solutions and develop plans aimed at their operational efficiency.

To gauge financial performance Owiredu and Kwakye (2020) used return on asset and return on equity but earnings per share and return on sales are also other measures of firm financial performance. This study uses earnings per share as a measure of financial performance. It is calculated by taking net income less of dividends and divide by the weighted average shares outstanding, Kapoor and Sandhu (2010) used the same.

### 1.2 Research Problem

The companies' management implement corporate social investment guidelines into corporates businesses strategies due to the managements' understanding of the importance of the corporate social investment practices and its effect on the corporate financial performance. The report of the UN Secretary General Kofi Annan (2002) states that the phenomenon of CSI is rooted in the relationship between the state, businesses, and employees hence a social partnership.

Following the financial crisis of 2007 – 2008 investors and the public alike lost faith in the way corporates are managed. The collapse of various multinational companies such as Enron, Tyco, Adelphia, WorldCom and locally Trans Century, Uchumi supermarket, and Mumias sugar have caused to raise the stake in research of the cause of massive failure of body corporates. Corporate failure does not only affect the shareholders but negatively impacts other stake holders such as employees, government, community and the environment within which it operates. It is on this basis that Levy (1999) considers philanthropy and social effect as the body corporates heart and soul hence key consideration on matters corporation failure. Levy (1999) consideration aside, available literature has given conflicting findings on the effect of CSI on financial performance of companies.

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Tien and Chi (2019) studied effect of CSI on organizational financial outcomes in Vietnam and found evidence that corporate social investment improves firm financial performance and argue that the findings are still insufficient to warrant generalization. Muhammad, Bushra and Ramia (2017) investigated effect of corporate social investment on financial performance of banks in Pakistan and Bangladesh and found a significant positive correlation impact on the association between corporate social investment and the financial performance of the bank. On the contrary, Dakito (2017) explored the effect of corporate social investment on Ethiopia's banks financial performance. They found a negligible association between financial contribution for corporate social investment initiatives and financial performance. The research on the effect of corporate social investment on the financial performance of companies listed at NSE is still inconclusive leaving a research gap of who is gaining from whom hence a research question: If there is a relationship between corporate social investment and financial performance of companies listed at the NSE.

### 1.3 Research Objective

Investigate how corporate social investment affect financial performance of companies listed the Nairobi Securities Exchange.

## 2.0 Theoretical Review

This study reviews stakeholder theory as a fundamental theory underlying corporate social investment.

### 2.1 Stakeholder Theory

Freeman (1984) proposed stakeholder theory that has been used to underpin many studies by scholars to understand the theory's effect on business environment. Nevertheless, stakeholder theory is a topic in the academic viewed to lack definite and reliable conceptual definitions, implementable constructs and measurement capabilities (Emerson, Alves & Raposo, 2011).

The stakeholder theory argues that an entities' responsibility is to consolidate other entities' interests in addition to the firm's shareholders interest. The aim is to understand the third party interests and how those third party interests affect the operational results in the process of strategic decision making (Wicks & Harrison, 2015). Stakeholders are classified into two main categories. The primary stakeholders are contractually involved with the firm while the secondary entities are those that exhibit formal contracts with the firm such as the customers, suppliers, employees, environment and the government. The operational activities and objectives of the firms are influenced by each group, thus influencing the firms' success or failure (Emerson et al., 2011).

Wicks and Harrison (2015) stakeholder theory has heightened in importance as the effect of business failures on community have become more evident and that it is believed that a firm that follows stakeholder theory is likely to generate higher revenues. They further state that stakeholder theory provides alternative decision making in a firm, a decision grounded in moral and ethical principles. In furtherance of corporate governance, Wicks and Harrison (2015) argue that the management can under corporate social investment, adopt the concept of stakeholder theory as an ulterior strategic motivation to effectively manage corporate responsibility and concludes that encompassing different stakeholders, the firm can form relationships based on trust, which result in long-term profits.

### 2.2 Empirical Literature Review

Szeged, Khan and Lentner (2020) examined the effect of CSI on financial performance of banking sector in Pakistan by collecting data from the bank's annual reports, State Bank of Pakistan, financial websites and the Pakistan Stock Exchange for years 2008- 2018. Applied content and panel data analysis techniques found an increase in overall corporate social investment disclosure, in the sample banks, to have positive and statistically significant relationship with increased profitability of banks using return on equity and asset as measures. Whereas the statistically significant positive relationship between corporate social investment and financial performance of banks in Pakistan indicate the positive role corporate social investment plays to improve bank's financial performance. The study focuses on sample banks. There is need for a study that includes non-banking industry.

Tien and Chi (2019) studied effect of CSI on organizational financial outcomes in Vietnam by reviewing the findings of 86 empirical studies for the years 2015 to 2020. The study found evidence that corporate social investment improves firm financial performance and argue that the findings are still insufficient to warrant generalization since available literature is based on developed countries. The study suggests that current literature reviewed on corporate social investment and firm financial performance bring out gaps such as theoretical background, corporate social investment measures, methodological and conceptual issues, that create need for more research when looking at the relationship between corporate social investment and firm financial performance. There is also need to extend this literature to both developing and undeveloped economies. The conclusion that the literature on the effect of corporate social investment on firm financial performance in Vietnam closely resembles the study literature review findings support earlier scholars' view that corporate social investment effect on firm financial performance is still inconclusive. Moreover, research in Vietnam is still limited in quantity and quality, reflecting issues like limited international publications, zero theory-driven research, and wanting in methodology. Building on these findings, the study recommends future research to follow a multi-methodological approach for a more comprehensive view on whether and how corporate social investment affects firm financial performance. Use different methodological approaches to research on a wide range of corporate social investment dimensions and its effect on firm financial performance so as to adequately address the issue of endogeneity in corporate social activities and firm financial performance causal relationship. Indulge in research debate to explore why and by which means corporate social investment should positively influence firm financial performance within situational factors. Finally, avail more literature from different country contexts that should include developing and emerging countries.

Dakito (2017) explored the effect of corporate social investment on Ethiopia's banks financial performance using multivariate econometric model. The firm's annual reports and donation for philanthropy were used as corporate social investment activities' measures. They found a negligible association between financial contribution for corporate social investment initiatives and financial performance. They opined that one could not draw much conclusion since improvement is still expected from companies in Ethiopia to engage in corporate social investment properly after discovering that most of the Ethiopian business firms were in the lower layer of profit maximization. The findings in this study call for more research to identify the most explanatory measurement techniques.

Muhammad, Bushra and Ramia (2017) investigated the effect of corporate social investment on financial performance of banks in Pakistan and Bangladesh by collecting the data from a sample of 27 annual reports of banks between 2010 and 2015. The data was collected on the basis of disclosure of donation, health, environment protection and social welfare as the measure of corporate social responsibility while return on asset and share earnings, as the determinants of the bank's profitability. Using regression analysis, they found a significant positive correlation impact on the association between corporate social investment and the financial performance of the bank. There is still room for more research using corporate social investment measures such as policies and companies' investment in environmentally friendly projects.

Senyigit, Shuaibu and Kano (2017) using content analysis reviewed how Nigeria and Turkey's commercial banks' financial performance is affected by corporate social investment. The data was extracted from financial and corporate social investment information from annual reports and corporate social investment reports of banks listed at the Nigerian Stock Exchange and Borsa Istanbul. Multiple linear regression analysis on panel data was performed to analyze the data. The findings with the stakeholder as the anchoring theory showed that corporate social investment positively impacts banks' financial performance in Nigeria with no significant relationship between banks' social investment and banks' financial performance in Turkey hence contextual gap.

Kobo and Ngwakwe (2017) researched on the relationship between corporate social investment and financial performance of socially responsible investing companies in the Johannesburg Stock Exchange using stock price and sales turnover as a measure of FFP. Corporate social investment data from 2011 to 2015 was collected from firms' integrated reports. Using ordinary least square (OLS) the study analyzed a cross-sectional panel data. The regression results showed strong positive association between companies' social investment, sales turnover and share price and no relationship with return on equity. The study concluded that whilst corporate social investment may cause improvement in sales turnover of SRI companies that may cause a rise in stock price, the sales turnover does not necessarily cause increase in profit that can engender more return on equity whether in a short period or not. In addition, the findings from the literature reviewed indicates generality with the study findings. Various factors such as coverage of time, location market sustainability awareness, data size and culture can lead to conflicting findings hence further research using new sample drawn from a different population of companies and new analytical tools is necessary.

A study by Kapoor and Sandhu (2010) looked into the impact of corporate social investment on FFP of Indian firms. Annual reports and websites were analyzed using content analysis and found a significant effect of corporate social investment on return on asset but insignificant impact on growth. The study used content analysis that defines what exists but may not depict the fundamental motives for observed phenomenon, beside content analysis is prone to human error. Omoro et al. (2014) with objective to determine the association between sustained growth and investment in corporate social investment for Kenyan commercial banks conducted a survey of all commercial banks in Kenya. The researchers established that investment in CSI had positively impacted on the sustained growth of the banks.

## 2.3 Research Hypothesis

There is no relationship between corporate social investment and financial performance of companies listed at the Nairobi Securities Exchange

## 3.0 Methodology

This research used descriptive design to investigate the relationship between corporate social investment and financial performance of the 64 companies listed at the NSE. Cooper and Schindler (2014) explain that descriptive research can describe data with its characteristics in a population or phenomenon being studied and that the design allows the classification of phenomena as factual as well as enable the researcher to study the elements in the population or sample as is without alteration.

The design involves collection followed by analysis of data so as to describe a phenomenon as is where is. This design saves time making it possible to collect current and factual information with ease and quicker (Cooper and Schindler, 2014). In this case it saved time for data collection from the companies' websites. However, confidentiality, human error and bias are the main weaknesses of descriptive research.

**Table 3.1: Operationalization of the Study Variables**

| Variable | Indicator | Measurement | Scale | Source of Data | Comparable Study |
|---|---|---|---|---|---|
| Corporate Social Investment | Economic Activities | Annual report disclosures for items pertaining to investment in green industry and renewable energy were extracted. | Ratio | Annual reports | Machdar (2019) |
| | Environmental Projects | Annual report disclosures for items pertaining to environmental friendly investments like energy efficiency and clean water supply were extracted. | Ratio | Annual reports. | Machdar (2019) |
| | Social Activities | Annual report disclosures for items pertaining to investment in social activities such as infrastructure, schools and churches were extracted. | Ratio | Annual reports | Machdar (2019) |
| Financial Performance | Earnings Per Share | Earnings per share measures share earnings of a company as a weighted mean of common outstanding shares. It is a ratio of net income minus the expected dividends divided by weighted mean of common shares outstanding was used. | Ratio | Annual reports. | Muhammad et al. (2017) |

**Source: Researcher**

## 4.0 Data Analysis

After collection of the data from the annual reports, the data was decoded, regrouped, tabulated, condensed and displayed for easy analysis and interpretation of findings (Bryman, 2014). The data was coded and summarized into relevant research objective then condensed for ease of display and analysis. The study adopted descriptive statistics to quantify features of the variable using mean, median, standard deviation and percentage, Manini and Abdillahi (2015) used the same.

### 4.1 Descriptive Statistics

Descriptive statistics was performed using statistical techniques in conjunction with frequencies, percentages, means as well as standard deviation to summarize the variables of the study.

#### 4.1.1Corporate Social Investment

Table 4.1 presents summary of descriptive statistics for corporate social investment attributes and that is economic activities, social activities and environmental projects. The data covers 64 firms quoted at the NSE between the timeframe 2010 to 2019. Table 4.1 reports the mean, Standard Deviation (SD), minima, maxima and the observation count.

**Table 4.1: Descriptive Statistics for Corporate Social Investment Attributes: Economic Activities, Social Activities and Environmental Projects in Kshs ('000)**

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| ECO | 463 | 210.85 | 2,617.58 | 0 | 40,200 |
| SOC | 463 | 94,804.11 | 406,748.50 | 0 | 2,875,000 |
| ENV | 463 | 389.05 | 2,237.01 | 0 | 25,000 |

**Where:**

ECO is investment in economic activities
SOC is investment in social activities
ENV is investment in environmental projects

The findings in table 4.1 indicate that the maximum amount of money (Kshs) invested in social activities was Kshs. 2.875 billion for the period between 2010 to 2019. Investment in economic activities (M=210.85, SD=2,617.58) was low compared to investment in social activities (M=94,804.11, SD=406,748.50). The maximum amount of money in Kshs invested in economic activities was Kshs. 40.2 million for the period between 2010 to 2019 while the maximum amount of money invested in environmental projects was Kshs. 25 million for the period between 2010 to 2019. The SD shows dispersion level of the variables and as shown above, the SD is greater than the mean an indication that the data has extreme values (outliers) and observations with zero values. These are all indicators that the data might not be normal. Further analysis to remove outliers and to ensure the data is normal was done to make it suitable for further analysis.

Table 4.2 presents detailed descriptive statistics for corporate social investment attributes that is economic activities, social activities and environmental projects. The data covers 47 firms quoted at the NSE for the period between 2010 to 2019. Table 4.2 reports the mean, standard deviation, minima, maxima, and the number of observations.

**Table 4.2: Descriptive Statistics for Corporate Social Investment Attributes: Economic Activities, Social Activities and Environmental Projects (Observations=463) in Kshs. (‘000)**

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| ECO_GI | 463 | 89.90 | 1,869.28 | 0 | 40,200 |
| ECO_RE | 463 | 120.95 | 1838.28 | 0 | 28000 |
| SOC_INFRA | 463 | 0 | 0 | 0 | 0 |
| SOC_SCH | 463 | 3599.13 | 19861.65 | 0 | 215000 |
| SOC_Churches | 463 | 270.95 | 5548.78 | 0 | 119300 |
| SOC_Health | 463 | 919.41 | 6033.33 | 0 | 84000 |
| SOC_Others | 463 | 91399.96 | 407015.40 | 0 | 2875000 |
| ENV_EE | 463 | 78.62 | 983.60 | 0 | 16950 |
| ENV_WMGT | 463 | 146.29 | 1090.06 | 0 | 15000 |
| ENV_AE | 463 | 0 | 0 | 0 | 0 |
| ENV_RRP | 463 | 9.72 | 209.13 | 0 | 4500 |
| ENV_CWS | 463 | 154.43 | 1676.09 | 0 | 25000 |

**Where:**

ECO_GI is investment in economic activities specifically green industry projects
ECO_RE is investment in economic activities specifically renewable energy projects
SOC_INFRA is investment in social activities specifically infrastructure projects
SOC_School is investment in social activities specifically school projects

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SOC_Churches is investment in social activities specifically church projects

SOC_Health is investment in social activities specifically health projects

SOC_Others is investment in other social activities

ENV_EE is investment in environmental projects specifically energy efficient projects

ENV_WMGT is investment in environmental projects specifically water management projects

ENV_AE is investment in environmental projects specifically alternative energy projects

ENV_RRP is investment in environmental projects specifically recycling and recyclable projects

ENV_CWS is investment in environmental projects specifically clean water supply projects

Table 4.2 indicates that the maximum amount of money invested in social activity projects of Kshs. 2.875 billion for the period between 2010 to 2019 was specifically investment in other social activities (M=89.90, SD=1869.28) was in green industry projects while (M=120.95, SD=1838.28) was in renewable energy. The study also shows that there was zero investment in infrastructure and alternative energy. The investment of Kshs 2.15 billion was in schools (M=3,599.13, SD=19,861.65) compared to investment in church projects of Kshs 11.93 billion (M=270.95, SD=5548.78) and very low investment in health projects of Kshs 84 million (M= 919.41, SD= 6033.33) social activity projects (M=94804.11, SD=406748.50). The maximum amount of money in Kenya shillings invested in economic activity projects was Kshs. 40.2 million for the period between 2010 to 2019 while the maximum amount of money invested in environmental projects was Kenya shillings 25 million for the period between 2010 to 2019. The SD highlights the dispersion level of the variables and as shown above, the SD is greater than the mean an indication that the data has extreme values (outliers) and observations with zero values. These are all indicators that the data might not be normal. Further analysis to remove outliers and to ensure the data is normal was done to make it suitable for further analysis.

### 4.2 Firm Financial Performance

Earnings per share was used as the proxy for firm financial performance.

**Table 4.3: Descriptive Statistics for Firm Financial Performance based on Earnings per Share in Kenya Shillings ('000)**

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| Financial Performance | 463 | -161.91 | 4151.71 | -88714.90 | 10248.18 |

**Table 4.4: Summary of Descriptive Statistics**

| Variable/ Measure | Obs | Mean | Std. Deviation | Min | Max |
|---|---|---|---|---|---|
| **Corporate Social Investment** | | | | | |
| Economic Activities | 463 | 210.85 | 2617.575 | 0 | 40200 |
| Social Activities | 463 | 94804.11 | 406748.5 | 0 | 2875000 |
| Environmental Projects | 463 | 389.05 | 2237.008 | 0 | 25000 |
| **Firm Financial Performance** | | | | | |
| Earnings Per Share | 463 | -161.911 | 4151.712 | -88714.9 | 10248.18 |

### 4.3 Discussion and Summary of Findings

Correlation results reveal a very weak and positively significant association between firm financial performance and corporate social investment, ($r$=0.1744*, $p<0.05$) meaning that an increase in firm financial performance has a correlation with increase in corporate social investment.

The findings are inconsistent with Muhammad et al. (2017) that found a positive moderating effect of corporate social investment on the association between CSI and banks' financial performance but disclaimed that finding of negative impact may be that initial investment in corporate social investment outweigh costs but futuristically corporate social investment can create value for the company. Further, the results reveal that CSI is a direct significant predictor of firm financial performance ($\beta$ =0.0118, p<0.1).

### 4.4 Conclusion

The study concludes that corporate social investment is a predictor of firm financial performance. The finding implies that as much as companies engaging in CSI for whatever reason, CSI on its own is a significant predictor of financial performance hence a worthy course. GRI (2012) states that CSI processes have a positive brand building image that garners loyalty from new and existing clients so an environment without a healthy consumer preferences, no profits will be recorded. The study recommends companies to engage in corporate social investment as a brand building image that garners loyalty from new and existing clients to foster healthy consumer preferences as a way of promoting a prosperous future in the economy.

Further the study reveals that investment in social activities and projects have significant effect on FFP. Corporate social investment attributes have a positive significant effect on FFP. Companies are therefore encouraged, in their corporate governance, to strategically consider CSI for overall improvement in FFP.

### 4.5 Contribution of the Study

Overall the study creates need to relook at stakeholder theory by developing more fields hence additional work to match theoretical formulation to practice. The study's specific contribution to knowledge, policy and theory is discussed below.

The study provides evidence showing a direct link between CSI and FFP. The study also adds to knowledge that corporate social investment is a predictor of firm financial performance.

Nguyen and Nguyen (2020) also found that CSI has a significant influence on FFP. Other previous study findings have not only been inconclusive but also contradictory, for instance Mangantar (2019) found that CSI effect on the FFP is insignificant. The study gives collaborative evidence to prior studies by firming that CSI on its own improves the companies' profitability, knowledge that can be used by the company management to rescue companies from collapse.

Considering the argument that the business of business is business, hence philanthropic activities have no place at the board of directors' table has been disapproved by this finding. Company governors can understand from this that philanthropic activities, as much as are at a cost, create conducive environment for business via brand building that leads to increased sales. This study shows that company managers can use CSI to improve financial performance of companies.

The study assists the management to link the effect of management investment decision to FFP. In this regard, the management may have to reconsider areas to invest in as far as CSI is concerned by focusing more to those CSI attributes that matter.

The study findings reveal that rather conflict, stakeholder theory compliments agency theory by first building the brand of the company, which in itself is in the interest of shareholders that agency theory advocates. Moreover, stakeholder theory assumptions encompass the various identities of stakeholders that is, third parties' interests and how these third party interests affect company's profitability and return to the equity owners (Wicks and Harrison, 2015).

### 4.6 Limitations of the study

The study's main limitation was use of secondary data extracted from NSE annual reports. These reports are not meant for research and any shortcomings that probably manifested in the data extracted may have impaired the reliability of the study findings. However, since such short coming was anticipated, it was overcome by careful extraction of only complete and relevant data to the research. Due to diversity of the study variable attributes, the study could not use all the attributes for each of the two study variables. In that regard, the two variables have other measures that may have not been used in this study yet their use to measure the variables could have had additional influence on the study findings. Out of 64 companies listed at the NSE, efforts to identify and extract relevant data for the research in 17 companies failed hence the 17 companies were excluded from the research due to either grossly incomplete or no data to an extent that their inclusion still had the potential to distort unbalanced panel data.

### 4.7 Suggestions for Further Studies

More studies using different attributes for CSI to test both intervening and moderating effect on the relationship of CSI and FFP are recommended. Secondly, rather financial

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performance, studies on both financial and non-financial company performance to widen scope for better collaboration is advocated for. Further studies for purpose of all-encompassing can also be on both public and private companies that may also include state corporations.

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