THE PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY BY COMMERCIAL BANKS IN KENYA

BY

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DECLARATION

This management research project is my original work and has not been presented for a degree in any other University for academic credit.

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This management research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

To the late Geoffrey Griffin for giving me a chance in life. And to my mother Consolata and late father Leon Otieno.

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ABSTRACT

Corporate Social Responsibility (CSR) is increasingly a core component of corporate strategy in the global economy. In recent years its importance has become even greater, primarily because of financial scandals, investors' losses, and reputational damage to listed companies. While corporations are busy adopting and enhancing CSR practices, there is (beyond very few notable exceptions) little empirical research on CSR's practice by Commercial Banks in Kenya and the challenges related to it.

I propose an economically coherent analysis of Corporate Social Responsibility (CSR), and suggest the challenges related to it. CSR is defined as a program of actions taken to reduce externalized costs or to avoid distributional conflicts. It is an institution that has evolved in response to market failures, a coasion solution to some problems associated with social costs. As mentioned earlier the objective of the study was to establish how Commercial Banks in Kenya practice CSR and the challenges they face. The study targeted corporate managers involved in CSR.

A descriptive survey was used and the questionnaire consisted of open ended structured and semi structured questions which was pretested for

clarity. 'Drop and Pick later' method was used to administer the questions to the respondents in different Commercial Banks in Nairobi. The study was a census survey. The data was analysed using frequency distribution and percentages. Content analysis was also used to analyse unstructured questions.

The results showed that in most of the companies, the Functional group in a company such as the Foundation, Marketing Department, and PR Department Etc initiates CSR programs with the blessing of the CEO. The entry point for CSR practice has been concentrated on two aspects: community work and PR. Also getting the other functional groups involved in embedding the CSR strategy into the way the company plans and implements products and services is rare.

More findings revealed that most companies leave the CSR implementation to the corporate foundation or its equivalent, while half say they let the public relations or corporate communications group take the lead. Next to the community, the employees are the stakeholders that the companies target for their CSR. Investors are low priority. The limitations for the study were evident.

Though the study was generally successful, it was faced by some limitations. First of all, only two thirds of the selected organizations comprising 65.71 percent took part in the study. 34. 29 percent did not take part in the study. This means that the study cannot be generalized to the entire banking industry. Also the study was carried out within limited time and resources. This constrained the scope as well as the depth of the research. The study also focused on management perspective. It would have been of value to obtain views of other stakeholders as well.

Finally the researcher suggested that a comprehensive study be undertaken which involves other stakeholders such as the community and others. A narrower case study of individual banks was also necessary to avoid generalization. Besides another detailed study to address solutions to the CSR challenges was deemed necessary.

TABLE OF CONTENT

LIST OF ABBREVIATIONS

CSR- Corporate Social responsibility

CSI - Corporate Social investment

PWC- PricewaterhouseCoopers

CBK-Central Bank of Kenya

EC- European Commission

CR- Corporate Responsibility

LIST OF TABLES

CHAPTER ONE

INTRODUCTION

1.1 Background

Business and academic researchers have shown increasing levels of interest in Corporate Social Responsibility (CSR) during recent years (Maignan, 2002). The question most researchers ask themselves is, should corporations worry about their social impact? Or should they just go for profits and trust that everything else will fall into place? East Africa Breweries, Safaricom and Kenya Airways did this: in 10 years they created an industry affecting everyone in East Africa, changing lives and businesses, creating billions of shillings in value for shareholders and tens of thousands of jobs for new employees. They contributed massively to society, and did so in the cause of making money for their shareholders. They illustrate well Adam Smith's classic remark that 'It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest'. If companies make products that consumer's value and price them affordably, making money in the process, what is the need for corporate social responsibility (CSR)?

Tobacco companies sell a poison that is slow-acting and addictive, so they can actually make money while killing their customers, clearly a different case from the tech sector. What about auto and oil companies, which help us experience freedom by means of personal mobility, while polluting the environment and changing the climate? What differentiates the tech sector from tobacco, oil and autos? To understand this we have to see when the interests of corporations are fully aligned with those of society as a whole and when they are in conflict, and for this we have to go beyond Adam Smith, to the concepts of private and social costs.

Markets work well for society, aligning corporate and social interests, when a firm's private and social costs are the same, which is more or less the case with the tech sector. But when corporate and social interests are not aligned, markets don't do such a good job, as is the case with tobacco and, to a lesser degree, oil and autos. This explains the conflict between corporations and society in these sectors.

The recent financial scandals - e.g., Enron, Parmalat, WorldCom etc. - globally have forced the corporate executives to give more attention to a broader strategy beyond the focused view of stockholders' wealth maximization. A general understanding is that the reputation of the company and the welfare of different stakeholders are crucial to both stockholders wealth maximization and long-term survival. Tirole (2001) argues that the concept of stakeholder value recognizes that corporate activity may create negative externalities which need to be counterbalanced, either by institutional rules or by corporations themselves. In such scenario, the ultimate value of shareholders' wealth may be linked to the "maximizing the sum of various stakeholder surpluses."

The studies by Geczy, Stambaugh and Levin (2005) and Bauer, Koedijk and Otten;p (2006) reveal that the investors are equally interested in such initiatives as documented by the increased flow of funds in the industry of ethically managed mutual funds. Contemporary reports show that one out of nine shillings invested in the market funds are invested in so called "socially responsible" investment portfolios. Similar trends are revealed in Europe where, in recent years, the number of socially screened mutual funds has nearly doubled mainly in United Kingdom, Sweden, France, and Belgium. None of these studies and reports however focuses on the investors' perception or on the potential reaction in the capital market associated with such socially responsible actions/non-actions undertaken by the corporate actions.

1.1.1 Concept of Corporate Social Responsibility

Examples of definitions on Corporate Social Responsibility (see Box 1) both from the literature and governmental and non-governmental organizations are identified.

There is no one generally accepted definition of the concept of corporate responsibility, but the sample in Box 1 reveals similarities between different interpretations. The most apparent similarity in the definitions of corporate responsibility is the inclusion of stakeholders who are defined by Freeman as (1984 p. 49) "those groups who can affect or are affected by the achievement of an organizations purpose". Stakeholders include for example customers, employees, communities, investors, shareholders, NGOs, and the natural environment and stakeholders exist both within and outside the organization.

The issues raised provide us with an implicit definition of CSR, which we now formalize. CSR involves taking actions which reduce the extent of externalized costs or avoid distributional conflicts. This is different from other definitions that have been offered: the European Union defines CSR as a program in which companies decide voluntarily to contribute to a better society and a cleaner environment. Hopkins in an International Labor Organization discussion paper states that CSR is concerned with treating stakeholders of the firm ethically or in a responsible manner. It also encourages the positive contributions that multinational enterprises can make to economics, environmental and social progress and to minimize the difficulties to which their various operations may give rise.

Box 1 CSR definitions

"CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. …stakeholders exist both within a firm and outside. …the wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders both within and outside the corporation" (Hopkins 2003 p. 10).

"…a concept whereby companies integrate social and environmental concerns in their daily business operations and in their interactions with their stakeholders on a voluntary basis." (EC 2001, p. 8.).

"the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life." (WBCSD 2000. p. 10).

"…achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment." (BSR 2005).

"initiatives by companies voluntarily integrating social and environmental concerns in their business operations and in their interaction with their shareholders." (IOE 2003 p. 2).

"the voluntary commitment by business to manage its activities in a responsible way." (ICC 2005).

"the integration of business operations and values whereby the interests of all stakeholders including customers, employees, investors, and the environment are reflected in the company's policies and actions." (CSRwire 2005).

"open and transparent business practices that are based upon ethical values and respect for employees, communities and the environment - [and] designed to deliver sustainable value to society at large, as well as to shareholders." (PWBLF 2005).

This is clearly seeing CSR as a move to increase the social value added by corporate activity. Beltratti (2005) makes an interesting comment that CSR is .an attempt to escape profit maximization in the recognition that agency problems and incomplete contracts undermine the basic idea of shareholders supremacy. There is a sense in which my definition draws on the tradition established by Ronald Coase in his paper "The Problem of Social Cost". In cases where costs are externalized, corporations bargain with society about who will ultimately bear these costs. The corporation is not currently legally bound to bear them but society could change this if it wished, and indeed could go further and impose penalties for the past externalization of costs. The result is an implicit contract: society accepts the legal *status quo* provided that the corporation does not exploit it to society's disadvantage.

A wide variety of definitions of corporate social responsibility have been proposed in the literature (Margolis & Walsh, 2003). While these definitions vary in detail, many focus on voluntary firm actions designed to improve social or environmental conditions (Aguilera, Rupp, Williams, & Ganapathi, 2004; Davis, 1973; Wood, 1991a; 1991b; Wood & Jones, 1995; Waddock, 2004). This is the definition of corporate social responsibility adopted in this paper. Of course, within this broader definition, different stakeholders may have different preferences for specific socially responsible activities they would like to see a firm invest in (Grass, 1999). Moreover, these preferences may vary as the currency of social issues evolves over time (Clarkson, 1995; Davis, 1973; Moskowitz, 1975; Wartick & Cochran, 1985; Wood, 1991a).

However, as long as a firm's actions are consistent with this general definition of social responsibility—that is, as long as they are voluntary and designed to improve social or environmental conditions—they are considered socially responsible for purposes of the model developed here. The specific decision making context modeled here focuses on determining the total demand for investment opportunities in firms engaging in specific socially responsible activities, the current supply of those opportunities in the market, and whether current supply is less than, equal to, or greater than demand. In this sense, the opportunity to invest in a firm that is engaging in specific socially responsible activities can be thought of as a "product" that is sold by firms to potential equity investors as "customers."

Among the challenges affecting CSR activities are; Global warming, Poor quality of environmental Management, Lack of commitment to biodiversity, Poor disaster control measures, Poor quality of information and Communication and network from customer's perspective. Others are lack of network from customer's perspective, Inability to understand society's needs, Non availability of well organized NGO's, Visibility factors and Narrow perception towards CSR activities

Other challenges include Lack of a company's diverse workplace, Non availability of CSR guidelines, HIV/AIDS, Poverty and Hunger, few spaces for women workers, Lack of partnerships for sustainable Development, Absence of a safe and secure communication society, Weak foundations for CSR and Unfriendly employee workplace.

1.1.2 Commercial Banks in Kenya

As at 31st January 2009, the Kenyan banking sector comprised of 43 Commercial Banks. Kenyan banking sector is dominated by large banks such as KCB, Barclays, Equity, Standard Charted and CFC-Stanbic. Commercial banks offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking.

The aggregate balance Sheet of the banking sector registered significant growth in January 2009 compared with similar period in 2008.Deposits were the major source of funding accounting for the increase in the aggregate balance sheet. As a result, the banking sector assets increase by 21.0 percent from 971.1 billion in January 2008 to 1179.4 billion in January 2009. Major components of total banking assets is loans and advances which accounted for 55.0 percent of total assets followed by Government securities and placements at 18.0 percent and 11.0 percent of total assets respectively. The banking sector extends credit to various sectors of the economy including agriculture, real estate, Manufacturing, trade, transport and communication and other sectors.

The banking sector profitability as at the end of January 2009 improved compared to similar periods in 2008.As a result, profit before tax increased by 11.8 percent from Kshs 32 billion in January 2008 to Kshs 35 Billion in January 2009. However, despite the increase in profitability, the annualized return on assets remained at 3.1 percent during the period under review due to increase in assets. (CBK, 2009)

Key issues affecting the banking industry in Kenya are: changes in the regulatory framework, where liberalization exists but the market still continues to be restrictive; declining interest margins due to customer pressure, leading to mergers and reorganizations; increased demand for non-traditional services including the automation of a large number of services and a move towards emphasis on the customer rather than the product; and introduction of non-traditional players, who now offer financial services products. The other is money laundering. (PwC, 2009)

Non bank challenges affecting banks include; Infrastructure: the expensive and poor conditions power, roads and communications needs to be addressed - this will reduce the cost of banking and eventually lead to banking costs for account holders, Insecurity: KCB spends Kshs. 15 million a month on security guards, which is not prudent. If the security situation improved, Kenyan banks would not have to pay as much for security; Judiciary: It takes years for cases to be heard, and all banks have backlogs of pending cases, while others are postponed endlessly (Davidson,2005). The banking sector is poised for significant product and market development that should result in further consolidation of the banking sector.

1.2 Research problem

Corporate Social responsibility is commonly described by its promoters as aligning company's activities with the social, economic and environmental expectations of its stakeholders. It is a multi billion shilling public relations specialty in the world of business. CSR is also the deliberate inclusion of public interest into corporate decision making and honoring of a triple bottom line; people, planet and profit. Thus companies embrace CSR responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and other members of the public sphere.

CSR has many advantages. Some of its benefits include; enhancing competitive advantage, improving financial performance, reducing exposure to non financial risk, helping in identifying new products and new markets, enhancing brand image and reputation, enhasing sales and customer loyalty, improving recruitment and retention performance, creating new business networks, increasing staff motivation, contribution and skills, improving trust in companies and managers and improving government relations. Others are; reduce regulation intention, reducing costs through lower staff turnover and lastly reducing costs through environmental best practice.

Extensive research has been carried out about CSR, among them include; Corporate Social Responsibility And Firm Performance: Investor Preferences And Corporate Strategies (Mackey, Barney, 2004), Corporate Social Responsibility and Economic Performance (Catherine, 2006), Corporate Responsibility – Driven Towards Standardization? (Superti, 2005), Understanding And Developing Strategic Corporate Social Responsibility (Heslin, Ochoa, 2008), An Empirical Analysis of the Strategic Use of Corporate Social Responsibility (Siegel, 2008) among others.

As Kenya continues to register dismal economic growth occasioned by global down turn, structural adjustments such as the gap between the rich and poor, energy problems, regional disparity in economic growth and environmental degradation are becoming increasingly serious. Moreover in Kenya, while legislation pertaining to issues relevant to CSR, such as labour, environmental protection and social welfare is in place, there are many problems with compliance, such as difficulty with enhancement and frequent changes to the content of laws.

While lot has been written about CSR and extensive studies have been carried out worldwide, little has been researched about CSR in Kenya, more so, about CSR by the Kenyan Banks. I opted to study Kenyan Banks because the banking industry in Kenya is the driver of the Kenyan economy apart from being a big employer of the Kenyan people. Besides, Banks closely interact with people and communities. The well being of a Kenyan people is to the advantage of Banks. Each year Banks spend millions of shillings on Corporate Social Investment country wide. However, little studies have been carried out on how banks go about their CSR activities. Also no extensive studies have been undertaken on the challenges Kenyan Banks face in carrying out their CSR. It is because of this reason that I have opted to undertake this research.

This study aims to determine how Commercial Banks in Kenya practice CSR and what challenges they face. The following research questions have been identified in order to pursue this aim. One of the questions being, how do Commercial Banks in Kenya Practice CSR? And the other is, what challenges do they face in carrying out CSI?

1.3 The Research Objectives

i. To determine how commercial banks in Kenya Practice Corporate Social Responsibility.

ii. To establish the challenges faced by commercial banks in Kenya in their practice of Corporate Social Responsibility.

1.4 Importance of the study

Most firms would benefit especially those which don't engage in CSR's on the need to appreciate CSR and how to get involved in it. For instance companies will learn some of the benefits of CSR which include, Competitive advantage, enhancing brand image and reputation, creating new business networks, improving Government relations and improving financial performance.

To policy makers, CSI is used to promote voluntary corporate initiatives, as an alternative to additional or existing mandatory regulations. What is needed is new law to make business responsible for protecting human rights and environment. This research project will help policy makers craft laws to protect employees and prevent environmental degradation and to encourage company's participation in Social investment activities.

This paper will form the basis for future research work in matters relating to CSR and add greater rigor to it. Social Investment activities remain short on credibility. CSR provides tangible commercial benefits, however on the surface one finds high degree of cynism about CSR and widespread belief that it is costly, public-relation focused activity that adds little value to business. This reason is simple, despite varied attempts to apply a quasi-scientific approach to the topic, most CSR case studies still lack any degree of intellectual or academic regard hence the need for this research.

This paper will help in improving the economic welfare of the society at large hence leading to higher economic growth and development resulting into higher standard of living. For instance as company's engage in CSR, they will create new employment opportunities for people, help uplift the standards of living of people through education and good health thus helping to enhance the economic growth of Kenya.

CSR will enable Companies to understand the pattern of consumption of people. For instance, according to a 2004 survey of more than 400 'opinion elites' {members of the top 10 percent of society with regard to media consumption, civic engagement, and interest in public policy issues}in 10 countries by APCO worldwide, peoples consumption patterns are influenced by CSR efforts. Positive CSR effort has led to 72 percent of the respondents to purchase a company's product or service and 61 percent recommend the company to others. Conversely, negative CSR has led to a boycott of a company's products and services. Companies shape the "opinion environment", by touting their own CSR efforts.

CHAPTER TWO

LITERATURE REVIEW

2.1 Concept of Corporate Social Responsibility

Baron (2001) and McWilliams and Siegel (2001) were the first two papers to explicitly model “profit-maximizing” CSR. Baron (2001) coined the phrase “strategic CSR.” He defines CSR as the “private provision of a public good.” More importantly, Baron (2001) asserts that companies compete for socially responsible customers by explicitly linking their social contribution to product sales.

In a similar vein, McWilliams and Siegel (2001) outlined a simple theoretical model in which two firms sell identical goods, except that one company decides to add an additional “social” attribute or feature to its product. This social feature is valued by some consumers or, potentially, by other stakeholders. In this theory of the firm-based model, managers conduct a cost/benefit analysis to determine the level of resources to devote to CSR activities/attributes. Simply put, firms simultaneously assess the demand for CSR and the cost of satisfying this demand and then determine the optimal level of CSR to provide.

A key implication of a theory of the firm/strategic perspective on CSR is that this activity is likely to be matrixed into the company’s business-level differentiation strategies. For example, a “hybrid” version of a Honda Accord generates less pollution than a standard Honda Accord. Most consumers will consider the hybrid car to be superior to the standard model. Some consumers are also willing to pay a price premium for the hybrid car, given that the social characteristic of less pollution is "valuable" to them. Other types of CSR investment relate to the adoption of CSR-related production processes, where the focus of concern relates to the extent to which the firms' production methods are socially responsible.

Thus, many natural food companies place labels on their products signifying the use of organic, pesticide-free ingredients. Bagnoli and Watts (2003) extend Baron (2001) by analyzing how the structure of competition in the market for the private good affects CSR. They assume that the consumer has perfect information about both the private good and the associated public good. In their model, the consumer has a willingness to pay because the firm produces a good or service with jointly supplied benefits. The authors consider two oligopoly models: Cournot quality competition and Bertrand price competition. A key finding of their study is that when the market for the private good is more competitive, firms are more likely to be socially responsible.

Other papers (Baron (2001), Fedderson & Gilligan, (2001)) provide additional insights on the strategic implications of CSR, especially the role of asymmetric information. While some CSR attributes are easily observed, it is sometimes difficult for consumers and other stakeholder to assess a firm's social performance. The level of asymmetric information regarding internal operations can be mediated by the firm itself or by activists. For instance, companies such as McDonalds, Motorola, and Nike publish annual reports on social responsibility. One can view this activity as a form of advertising, especially for more general types of CSR. While such reports may be useful, some consumers perceive this information as biased, since it is filtered through senior management. Fedderson & Gilligan (2001) assert that activists can play an important role in addressing this concern, by supplying consumers with a public good, i.e., information they can rely on to choose socially responsible firms.

McWilliams and Siegel (2001) specifically advanced the hypothesis that a firm selling an experience good is more likely to engage in CSR than a firm producing a search good. Experience goods must be used or consumed before their true value to the consumer can be determined. Examples of experience goods and services are automobiles, appliances, weight control programs and mutual funds. Advertising of experience goods will stress the reputation of the firm for high quality. On the other hand, search goods and services are readily evaluated prior to purchase, and most advertising will involve information about product availability and price. Clothing, footwear and furniture are typically cited as examples of search goods.

It is also possible that the form of CSR is tailored to the type of experience good the firm sells. Thus, some firms may find it advantageous to engage in a more publicly visible type of CSR. Such "public" CSR might entail generous charitable contributions, avoiding layoffs, or adopting 'green' purchasing policies, actions that are likely to attract public attention and signal social responsibility. For example, some potential customers of a bank (classified here as selling an experience service) may be more concerned (at the margin) about the organization's charitable donations to specific causes in the local community or its family-friendly employment policies than with attributes of service quality or honesty.

The concept of experience and search goods is generally attributed to Philip Nelson (1970, 1974), who developed a taxonomy of such goods that was extended by Liebermann and Flint-Goor (1996). Lancaster (1981) noted that consumers of high quality products have the strongest demand for product information because while low price is typically a reliable signal of low quality, a high price may not signify high quality. Given that affluent consumers are most likely to demand high quality goods, CSR as a signal of product quality is likely to be associated with upscale goods and services that typically yield higher profit margins.

Our interpretation of this phenomenon extends insights from the Bagnoli and Watts (2003) and McWilliams and Siegel (2001) models. Specifically, we hypothesize that consumers view CSR activity as a signal about the attributes of the private good sold by the firm. That is the reason why experience goods are more likely to be associated with CSR. The notion of a consumer demand for CSR is based on the idea that buyers believe that a reliable and honest firm will produce better products. In the minds of some consumers, CSR is viewed as a signal of such honesty and reliability.

Thus, CSR is a form of product differentiation--a form of advertising to establish or sustain brand loyalty. The producer of a search good such as food or furniture might choose CSR, e.g., to use pesticide-free ingredients or pledge not to use old-growth wood. In this case, the consumer might prefer the product simply because of a desire to support the environment or some other cause, rather than using CSR as an indirect proxy for information regarding the product. Thus, the relative importance of different types of experience versus search goods in the CSR choice is an empirical issue, which provides a key motivation for this paper.

2.1.1 How Firms should go about CSR

In our view, the CSR should be treated in the same way as financial information. Nobody forces a company to list itself on the stock market, but if it does (normally in order to access capital markets, with all the benefits that that brings), it must be transparent about how it uses its resources. Similarly, it is not essential for a company to undertake social action. However, if it does, it should be committed to providing truthful and useful information so that stakeholders can freely make up their mind about the extent to which they want to be involved with the company.

The fundamental pillar is voluntary action focusing on the business objective so as to generate quantifiable returns for the company. Husked and Allen (2000), have identified the following basic characteristics as being the necessary conditions to avoid CSR's having a perverse effect.

2.1.1.1 It should be undertaken voluntarily

This is obvious, but is frequently forgotten. If it is not voluntary, it is not free; and what is not done freely, is outside the scope of ethics. Martinez (2002) says that "if people are obligated to give help, if they are mobilized by an appeal to their feelings of compassion and perhaps guilt, the results of the actions may well be the same as if it were performed voluntarily, but all personal responsibility will vanish". We agree with Weltzein, H. von (2003) that self-regulation is the best mechanism of control: "Social responsibility starts where the laws leave off. To be socially responsible means not only fully complying with legal obligations, but going beyond compliance by investing more in human capital, the environment, and relations with stakeholders. If, by definition, CSR means going beyond legal obligations, how can CSR be turned into regulations? This apparent contradiction is not just an indicator of how diffuse this area is, but also reflects the perspective of those who perceive that the principles relating to CSR are the start of a genuinely fundamental shift towards future legislation on CSR."

2.1.1.2 It should be proactive

We can wait for NGOs and other groups to give us their suggestions. But although less frequent it is more effective to look for those areas of activity that are best aligned with the brand the company represents. This means devoting time and resources to doing work whose outcome would be obtained over long time horizons, and there will be members of the organisation that reasonably think this diverts resources that could give a more immediate and more viable return.

However, not all causes are the same. They are not all attractive to companies and not all potential partners are able to do things well and show results. Strategic alliances with organizations close to the social problems in question reduces the risks involved and makes actions more effective (Austin, 2000). What the company has to do is know what to look for. It can leave the actual doing to others.

2.1.1.3 It needs to be aligned with the company's strategy

It must be designed, executed and evaluated in line with strategic criteria, following the same guidelines as for any other vital interests of the company. It must also be integrated with the organization's mission. It should not be a sham, or a set of tasks that diverts the organization away from its core business activities. Rather it should reinforce and catalyze them. It should therefore respect the criterion of centrality that measures the degree to which the cause being supported matches and harmonizes with the company's activities, products and services.

2.1.1.4 It should be visible

Customers, shareholders and employees are entitled to know about the activities of the company they are buying their products from, in which they invest their money, and for which they work. Very often it is said that the right thing to do in these ethical matters is to apply the maxim "don't let your right hand see what your left hand is doing", highlighting that the good has to be sought after for the attractiveness of the good itself. Intentions are important and it is obvious that the good that is generated indirectly to satisfy particular needs from the moral point of view is less good (so to speak) than that which is pursued out of conviction, that the instrumentalisation of ethics is a bad thing.

But this obsession with keeping a low profile is applicable to people, not to organizations, as these are a means to an end. Of themselves, they are artifacts or tools, and they can be good or bad only insofar as they fulfill effectively and efficiently the purpose for which they were created. Communication of what they do in terms of social action is as important as financial transparency in the stock market. It is essential in order to allow the investor to make free and rational decisions.

2.2 Historical Development of Corporate Social Investment.

The nature and scope of corporate social responsibility has changed over time. The concept of CSR is a relatively new one the phrase has only been in wide use since the 1960s. But, while the economic, legal, ethical, and discretionary expectations placed on organizations may differ, it is probably accurate to say that all societies at all points in time have had some degree of expectation that organizations would act responsibly, by some definition.

In the eighteenth century the great economist and philosopher Adam Smith expressed the traditional or classical economic model of business. In essence, this model suggested that the needs and desires of society could best be met by the unfettered interaction of individuals and organizations in the marketplace. By acting in a self-interested manner, individuals would produce and deliver the goods and services that would earn them a profit, but also meet the needs of others. The viewpoint expressed by Adam Smith over 200 years ago still forms the basis for free-market economies in the twenty-first century. However, even Smith recognized that the free market did not always perform perfectly and he stated that marketplace participants must act honestly and justly toward each other if the ideals of the free market are to be achieved. (Carroll, 1999)

In the century after Adam Smith, the Industrial Revolution contributed to radical change, especially in Europe and the United States. Many of the principles espoused by Smith were borne out as the introduction of new technologies allowed for more efficient production of goods and services. Millions of people obtained jobs that paid more than they had ever made before and the standard of living greatly improved.

Large organizations developed and acquired great power, and their founders and owners became some of the richest and most powerful men in the world. In the late nineteenth century many of these individuals believed in and practiced a philosophy that came to be called "Social Darwinism," which, in simple form, is the idea that the principles of natural selection and survival of the fittest are applicable to business and social policy.

This type of philosophy justified cutthroat, even brutal, competitive strategies and did not allow for much concern about the impact of the successful corporation on employees, the community, or the larger society. Thus, although many of the great tycoons of the late nineteenth century were among the greatest philanthropists of all time, their giving was done as individuals, not as representatives of their companies. Indeed, at the same time that many of them were giving away millions of dollars of their own money, the companies that made them rich were practicing business methods that, by today's standards at least, were exploitative of workers. (Carrol, 1999)

Around the beginning of the twentieth century a backlash against the large corporations began to gain momentum. Big business was criticized as being too powerful and for practicing antisocial and anticompetitive practices. Laws and regulations, such as the Sherman Antitrust Act, were enacted to rein in the large corporations and to protect employees, consumers, and society at large. An associated movement sometimes called the "social gospel," advocated greater attention to the working class and the poor. The labor movement also called for greater social responsiveness on the part of business. Between 1900 and 1960 the business world gradually began to accept additional responsibilities other than making a profit and obeying the law.

In the 1960s and 1970s the civil rights movement, consumerism, and environmentalism affected society's expectations of business. Based on the general idea that those with great power have great responsibility, many called for the business world to be more proactive in (1) ceasing to *cause* societal problems and (2) starting to participate in *solving* societal problems. Many legal mandates were placed on business related to equal employment opportunity, product safety, worker safety, and the environment. Furthermore, society began to expect business to voluntarily participate in solving societal problems whether they had caused the problems or not. This was based on the view that corporations should go beyond their economic and legal responsibilities and accept responsibilities related to the betterment of society. This view of corporate social responsibility is the prevailing view in much of the world today.

The sections that follow provide additional details related to the corporate social responsibility construct. First, arguments for and against the CSR concept are reviewed. Then, the stakeholder concept, which is central to the CSR construct, is discussed. Finally, several of the major social issues with which organizations must deal are reviewed. (Carroll, 1999)

2.3 The Practice of CSR

The question we ask ourselves is whether it makes sense to promote CSR in our companies and the benefits that come with it. The firm is not doing any more than it used to: the social audits reflect the same things that were being done before, but presented in a different way. Intensive training schemes are nothing new. Nor is the idea of offering packages with social benefits. Simón, Martínez and Agüero (2005) show how, for years, firms have been promoting corporate voluntary work and have been concerned with the reliability of suppliers, to give just two examples. So what does CSR bring with it? In fact, in many cases it has nothing to offer. The company was already socially responsible, although it did not say so expressly. Its social responsibility was only apparent through employee satisfaction, its standing in society, the loyalty of its customers, the commercial success of the business. It is not that the company wants to cheat us with these new and artificial reports. It just tells us about what it has been doing all along in a new way to suit our tastes. It is an aesthetic rather than an ethical question.

For some people, CSR is how firms can contribute to achieving a better society and a cleaner environment. They therefore integrate social and environmental concerns in their commercial operations and their relationships with their stakeholder groups. What underlies these good intentions is the belief that business activity does not contribute to society and the environment but destroys it. They consider it a lesser evil, and so aim to divert outside attention away from business activity. If this is so one should ask whether the firm is responsible for all the ills of mankind. Is there a "butterfly effect" in firms' actions? But also, CSR, as everyone understands it, rules out the presumption of innocence from the start. Companies are charged with demonstrating that they are clean and have to meet the costs of responding to accusations from groups who have been socially legitimated by organisations whose interests are often obscure. This implies we are witnessing a phase of business persecution. Production is in itself bad.

To counter this current, the firm has once again to take up the task of explicitly stating what it really does, without being ashamed of its essential nature. Those measures intended to disguise in some way its true function will sooner or later have a negative impact on the company by submerging it in an environment in which it does not belong. Friedman (1966) was aware of these risks when he said that: "If businessmen have a social responsibility other than obtaining maximum returns for shareholders, how are they to know what it is? Can a few self-appointed individuals decide what is in the social interest?" While CSR is not aimed at facilitating what is considered the principal mission of the firm – to generate profits by creating value – it will be relegated to a secondary, and at times artificial, position.

However, we cannot simply condemn CSR, despite what might appear to be convincing arguments in the preceding paragraphs. Assuming there is a danger of falling into particularism, lack of focus and inconsistencies for defending causes unrelated to the business. The first step that needs to be taken would not be to "require reasonable analyses and good answers from those who purport to know what is right or good for the rest of us", as Greenfield concluded, but to remind these illumination that their role is secondary, consultative, because the real protagonist of business action is the business man or woman. CSR not only groups together codes and standards of all types, it also encompasses a variety of social actions undertaken by companies. As Prahalad (2004) says, in numerous instances, business social action has brought about a tangible and quantifiable improvement in the community.

This implies that if the company in question had not carried out these actions in the community these improvements would not have been achieved, at least not on the same timescale. Nevertheless, CSR has appropriated these actions as they improve people's lives and the environment, due to an insulting effort to delimit good business conduct. If the company makes a donation to charity, for example, it is making it harder for its stakeholders to decide for themselves what use to make of their funds. The nexus of union between the stakeholders and the company is the latter's business activity. That is what makes them stakeholders. Each of them may, and indeed should, have their own social goals, and it is not the company's place to impose a particular direction upon them as to how they express their altruistic preferences.

This point leads us to argue in favour of the inclusion of social action practices as an integral part of the company's strategy. As Austin (2004) states, there are numerous examples of CSR actions that have brought value, have helped the company perform more efficiently, and have improved its relations. Therefore, only insofar as social action contributes to achieving business goals and makes the company more attractive to stakeholder groups, CSR will have the impact we have never denied it has. Otherwise it will be a tool of *ethical monopoly*.

2.3.1 Advantages and Disadvantages of CSR

Different benefits for companies pursuing CSR initiatives have been found in different studies. Whereas some have found, for example, a correlation between CSR performance and increased profits others have not. This section draws some of the strengths and weaknesses of following CSR initiatives together. First the advantages and disadvantages of CSR for businesses found in the literature will be displayed in Table 2.

Table 2- Advantages and disadvantages of CR for businesses (derived from various authors)

Advantages of CSR for businesses	Disadvantages of CSR for businesses
Improved financial performance (BSR 2005; Cove & Porritt 2002 p. 17; EC 2001 p. 9; FFF 2002 p. 25; SIGMA in COPOLCO 2002 p. 15)	Increased costs e.g. training, CR reporting and stakeholder focus group sessions (Hopkins 2003 p. 53)
Reduced operating costs (BSR 2005; SIGMA in COPOLCO 2002 p. 15)	Implementing difficulties such as: lack of time, and human resources (Tencati et al 2004 p. 181)
Enhanced brand image and reputation (BSR 2005; Hopkins 2003 p. 52; SIGMA in COPOLCO 2002 p. 15; Tencati et al 2004 p. 184)	
Increased sales and customer loyalty (BSR 2005; Hopkins 2003 p. 52)	
Increased productivity and quality (BSR 2005; Hopkins 2003 p. 52)	
Increased ability to attract and retain employees (BITC 2000 p. 5; BSR 2005; Hopkins 2003 p. 52; SIGMA in COPOLCO 2002 p. 15; Swift & Zadek 2002 p. 13)	

Reduced regulatory oversight (BSR 2005) Access to capital (BSR 2005; Tencati et al 2004 p. 184) Increased shareholder value (Cowe & Porritt 2002 p. 17; Hopkins 2003 p. 52)	

Many studies have shown a correlation between the socially and environmentally responsible company and positive financial performance (see, for example, FFF 2002; Margolis & Walsh 2001). Operating costs can be reduced through a more effective resource use and workforce programs to reduce absenteeism which is a financial burden to the company.

A company with a good reputation and considered to be environmentally and socially responsible will also gain trust among its customers and thus attain their loyalty. Alliances with NGOs can prove to be very valuable as they can alert and act as an early warning system (Hollender & Fenichell 2004). Improved working conditions for employee's increases productivity and quality; Companies have an increased ability to retain and attract employees when they are perceived to be socially and environmentally responsibly.

However, implementing CR initiatives can be expensive, different resources such as time, people, and money needs to be allocated and training needs, reporting activities, and an increased stakeholder.

2.3.2 Challenges of CSR

CSR in general is faced by number of factors among them include;

Lack of community participation in CSR activities: There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

Need to build local capacities: There is a need for capacity building of the local non-governmental organizations as there is serious dearth of trained and efficient organisations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

Issues of transparency: There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programmes, audit issues, impact assessment and utilisation of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is key to the success of any CSR initiative at the local level.

Non-availability of well organised non-governmental organisations: It is also reported that there is non-availability of well organised nongovernmental organisations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

Visibility factor: The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitises the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many non-governmental organisations to involve themselves in event-based programmes; in the process, they often miss out on meaningful grassroots interventions.

Narrow perception towards CSR initiatives: Non-governmental organisations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more as donor-driven than local in approach. As a result, they find it hard to decide whether they should participate in such activities at all in medium and long run.

Non-availability of clear CSR guidelines: There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the larger its CSR programme.

Lack of consensus on implementing CSR issues: There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

2.3.3 CSR and Capital Markets

The growth of socially responsible investing (SRI) suggests there may be a connection between a firm's policies towards corporate social responsibility and its position in capital markets. At the same time, one of the tenets of CSR proponents is that it raises profits in the long run, making CSR companies more attractive to investors. This suggests another connection between CSR programs and capital market performance.

Dowell Hart and Yeung (DHY)30 were some of the earliest researchers to examine this issue. Measuring the ratio of the stock market value of the company to the cost of its tangible assets, they found a positive correlation between this and environmental performance. Their study is restricted to US manufacturing companies in the S&P 500 operating in the U.S. and in middle-income countries.

The DHY study was pioneering and has justly been the focus of much attention. There are nevertheless many questions about what exactly it establishes. To mention just a few, it is not the only or indeed the most obvious measure of financial success: returns on assets or on equity are alternative measures. In calculating it, the cost of tangible assets is found by summing the book value of inventory and the net value of physical plant and equipment. Book values are rarely good guides to market values and the value of plant and equipment net of depreciation is heavily influenced by depreciation policies. Environmental performance is self-reported and is not interpedently audited.

Finally, there is the standard comment that correlation does not imply causation, so that the correlation between profits and environmental performance could arise from one or more other factors that are causing both. In spite of these limitations the DHY paper raises interesting questions and is a step forward in connecting one aspect of CSR with capital markets and financial performance. One particularly thought-provoking comment by the authors is that capital market valuations internalize externalities. That is, the capital markets recognize difference between private and social costs and treat the excess of social over private as a liability that the corporation will have to meet at some point.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlines the steps undertaken in executing the study. Inclusive are the specific methods and procedures used in the collection, measurement and analysis of the necessary data. It consists of the research design, the population of the study and survey method and research instruments and data analysis.

3.2 Research Design

Emory (1985) and Boyd et al (1990) have cited surveys and observations as the two major techniques of primary data collection. Due to the study's data requirements, a survey format was found most appropriate. The researcher used exploratory survey in this study. According to Tull and Albaum (1973), a survey research is a systematic gathering of information from a sample of respondents for the purpose of understanding and or predicting some aspect of the behavior of the population of interest. Survey study design allowed the researcher to obtain information from a cross-section of banks in Kenya.

3.3 Population

The population of study consisted of all the 43 commercial banks in Kenya. The list is attached as Appendix IV. Of the 43 banks 14 are classified as large, 15 as medium and 14 as small. This is according to the Central Bank of Kenya 2008 annual report. The report is based on the banks total assets; with large banks holding over 15 billion; medium banks holding over 5 billion and small banks less than 5 billion did the classification. Its other classification based on market share was found to be more or less similar to the asset classification. All the Commercial banks represented in Kenya were considered including foreign owned, private and public owned banks.

3.4 Sample Design

This is a sample survey where the researcher adopted the stratified random sampling technique to give all the banks an equal chance but based on respective data. Strata were identified from the various classifications of banks by the Central Bank of Kenya (See Appendix IV). In each category, a random sample technique was used to select banks from each stratum. This sampling method was used by Adieri (2000); Masinde (2002). This sampling method is known to increase the samples statistical efficiency and provide adequate data to analyze the various sub-populations. It also allows the use of different approaches in different strata (Sanders et al, 2000)

TABLE 3: List of Bank Categories

	Bank category	Population	Sample
1	Large (Assets above Kshs 15 Billion)	14	11
2	Medium(Above Kshs 5Bn and Below Kshs 15 Bn	15	14
3	Small (Bellow Kshs 5 Billion)	14	10
	Total	43	35

3.5 Data Collection

The study used primary data, which were collected by use of a questionnaire containing open ended and close ended questions. Personal interviews were found most appropriate because there are many variables being investigated and some of the issues which were raised in the questionnaire required supplementary information. As observed by Parasuraman (1986), personal interviews have the potential of yielding to the highest quality of data as compared to other methods. It also tends to be more flexible. The respondents for the study were marketing managers or their equivalents. They were selected because they are the persons vested with the responsibility of conducting and coordination social investment activities.

A personalized letter and a college letter accompanied the questionnaire to each marketing executive of the bank being studied. Contacts were established with all companies by physically visiting them with the letters of introduction and the questionnaire (appendices 1& II & III). These were hand delivered to the targeted managers requesting for their participation in the study.

The research also involved secondary data. Information from the banks were obtained. These included minutes of meetings, social investments budget programs and also from local newspapers and the internet regarding social investment activities of the banks.

3.6 Data analysis

At the end of the interview process, the completed questionnaires were edited for accuracy, uniformity, consistency and completeness and arranged to enable coding and tabulation before final analysis as recommended in Cooper and Emory,(1998); Nachimias and Nachimias (1999). This enabled basic statistical analysis to be carried out.

Quantitative technique was used in this study. Descriptive statistics i.e. measures of central tendency and dispersion such as the mean and standard deviation were used. These statistical measures are sufficient to enable basic comparison to be made for ease of analyzing the data; all banks were coded based on their strata. This design has been successfully used in the previous studies by (Mwangi, 2003; Nyachieo, 2004; Mbugua, 2004)

Content analysis was be used to assist in establishing "How commercial banks undertake CSR". This method allows respondents to give a wide range of ideas about an issue in much detail. Content analysis aims at identifying patterns that account for a particular behavior of a given unit, and its relationship with the environment. (Musyoki, 2003). Content analysis has been successfully used by Njau (2000), Kandie (2001), Kirui (2001) and Koigi (2001) in past studies.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter gives an analysis of the data got from the field. It employs the use of tables, frequencies and content analysis. A brief discussion is done to analyze open ended questions.

4.1.1 Size of Sample

In order to identify how Commercial Banks undertake CSR and challenges facing them, an exploratory survey of the Commercial Banks involved in the market was undertaken. This survey was conducted between 28th and 30th October. Out of the 35 banks targeted 23 responded. These were considered adequate for the study.

The overall response rate was 65.71 percent. However, the low response rate is typical to social science research and is as a result of "questionnaire fatigue" by corporate offices many of whom do not even bother to acknowledge receipt of such questionnaires.

We designed the questions to determine if CSR is embedded in the company in terms of structure and leadership, funding and logistics, and reporting and assessment.

These questions help distinguish companies with genuine CSR programs from those that merely talk about it. We asked where CSR is in their corporate structure, who initiates and sets CSR policy, and which department or division enforces it. We also asked what factors influence the allocation of annual budgets for their CSR activities, which among the company's functional groups shells out the money, and how they measure and report about their successes. This chapter is divided into two parts. Part one has the analysis of Introduction, Structure and Leadership, Findings and Logistics and Reporting and Assessment. Part two is blessed with the challenges of CSR. The following were the findings.

4.2 Demographic Profile

Table 4: Banks ownership structure

OWNERSHIP	FREQUENCY	PERCENTAGE
Entirely privately owned	5	21.74
Owned partly with the government	10	43.48
International/Foreign owned.	8	34.78
TOTAL	28	100.00

In this survey, entirely privately owned banks comprised 21.74 percent of the ownership structure of the companies surveyed. Those partly owned with the government were 43.48 percent. The remaining 34.78 percent were internationally or foreign owned.

It is imperative to note from the findings that most CSR activities are initiated by Banks owned partly with the government and some large foreign owned ones. Entirely privately owned banks only contribute a small margin of their profits to CSR. Banks which have a large establishment and are therefore huge tend to contribute more to CSR compared to smaller ones.

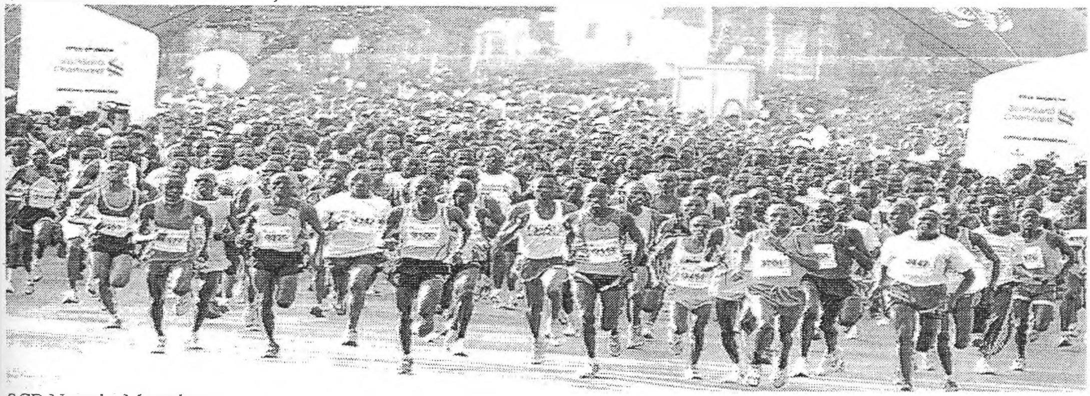
A large chunk of CSR programs is financed by banks which are mass market providers and also those with more employees i.e. above 100. Few banks don't participate in CSR; however the ones which participate do not have a foundation to boast of their CSR achievement except one. Commercial banks spend only less than one percent of their earnings to CSR. Banks with widespread branch network tend to contribute more for CSR compared to the others. Banks which concentrate in towns undertake a large portion of their CSR activities in towns.

It is amazing to note from secondary data that most banks contribute more of their CSR funds to retain customers or to attract potential ones. For example, a bank would fund the construction of a school if that school banks with them or is likely to. High end market providing banks contribute to high end CSR for example in sports such as golf while ignoring the low end market. Little of their budget goes to such groups. Most CSR projects are not always transparently evaluated and the "who is who" in those banks have a lot of say in them. For example target community or foundations of the founders or the CEO are always the beneficiaries. This raises questions on the credibility and the validity of CSR activities.

4.3 PRACTICE OF CSR BY COMMERCIAL BANKS

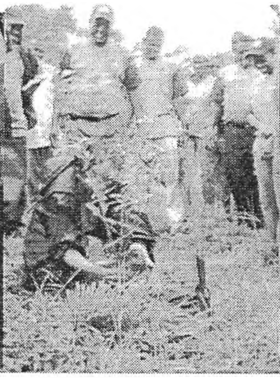
PICTURESQUE- PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY BY COMMERCIAL BANKS IN KENYA

(Source: The Internet)



SCB Nairobi Marathon

KCB Safari Rally efforts



Tree Planting

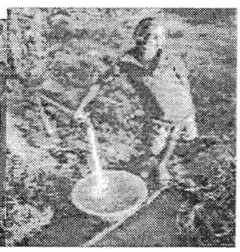
Health Initiative

Equity Bank Mau

CBA golf initiative

Feeding Children

Opening a foundation



Prov of water

Conserving Wildlife - Hlping the Needy.

Childrens Home.

Building A School.

4.3.1 STRUCRURE AND LEDERSHIP

To establish the extent of company's CSR program under the following thematic areas

Table 5: Extent of a co.s CSR program

CATEGORIES	MEAN	SD
EDUCATION	**4.70**	**0.03**
classrooms	***4.04***	**0.74**
books	*3.74*	0.61
libraries	*3.52*	0.59
teacher training	*2.48*	0.26
scholarships	***4.57***	**0.90**
others	*2.91*	0.42
HEALTH	4.26	0.95
ENVIRONMENT	**4.87**	**0.98**
COMMUNITY	**4.93**	**0.94**
ARTS AND CULTURE	4.17	0.75
SPORTS	**4.53**	**0.89**
WILDLIFE CONSERV.	3.30	0.47
ECONONIC EMPOWERMENT	**4.57**	**0.90**
DISASTER RELIEF	4.35	0.90
MUSIC	2.30	0.23
WATER	1.91	0.15
ENTERPRENURESHIP	3.87	0.65

SD= Standard Deviation

From the findings above we can conclude that Commercial banks invest their funds in the following thematic areas.

1. Community which got a mean of 4.82
2. Environment which got a mean of 4.87
3. Education with 4.70 mean rate especially scholarships with a 4.57 mean.
4. Economic empowerment was forth with a mean of 4.57
5. Sports was fifth with a mean rate of 4.53

To determine who initiates company's CSR programs

Table 6: Initiator of SCR programs

AUTHORITY/STAKEHOLDERS	MEAN	SD
CEO	0.22	0
HEAD OFFICE ABROAD	0.09	0.27
REGIONAL OFFICE	0	0
EMPLOYEES ASKED FOR IT	0.09	0.27
FUNCTIONAL GROUP IN A COMPANY	0.61	0.07

SD= Standard Deviation

Functional groups in a company were seen as the main driver for CSR. These include the CSR foundation group, the marketing manager, the public relation departments etc. They had the highest mean rate at .61. The CEO contributes 0.22 of the mean. The rest are insignificant.

To determine what of the company's stakeholder groups, whose expectations and interests do your CSR activities address?

Table 7: Company Stakeholder group

STAKEHOLDERS	MEAN	SD
STOCKHOLDERS	3.04	0.03
COMMUNITY	4.87	0.31
EMPLOYEES	3.86	0.02
INVESTORS	2.48	0.17
SUPPLIERS	2.25	0.26
CUSTOMERS	4.48	0.16

SD= Standard Deviation

Focus on the Community

A major finding of our survey, one that has been often assumed but never backed up by a study, is this: in Kenya, the entry point for CSR practice has been concentrated on two aspects: community work and PR.

An overwhelming 4.87 out of 5 mean rate went to respondents who say the community wherein they operate a business is their main or one of their target stakeholders. A mean rate of 3.86 went to the respondents who agreed that to a large extent CSR activities addressed expectations and interests of employees. With a mean of 4.48 some respondents said that CSR was a customer focused initiative.

What is your approach towards CSR

Table 8: Approach towards CSR

Approach	MEAN	SD
Understanding the social, economic and environmental impacts, and managing them as part of normal operations;	5.00	0.17
Balancing short-term priorities with longer-term needs	4.83	0.19
Seeking out the views of others before taking decisions	4.78	0.76

SD= Standard Deviation

Our survey indicated that all Commercial approach CSR through understanding the social and economic environmental impacts and managing them as part of normal operations, Also with a mean of 4.83 respondents agreed that banks approached CSR by balancing short term priorities with long term needs. While others agreed that banks approached the CSR initiative by seeking out the views of others before taking decisions. This got a mean rate of 4.78.

To determine whose function is of setting the CSR policy of the company

Table 9: Setting up company policy

OFFICER/DEPARTMENT	MEAN	SD
CEO	4.70	0.12
CSR MANAGER	4.22	0.18
HUMAN RESOURCES	0.43	0.12
MARKETING	1.30	0.05
FINANCE	0.00	0
OPERATIONS	0.00	0
PUBLIC AFFAIRS	2.39	0.10
OTHERS	1.74	0.07

SD= Standard Deviation

With a mean of 4.70 out of 5, the CEO is hands-on in setting the policy. This task includes determining who the target stakeholders are. The top two target stakeholders are community and customers.

The other respondents with a mean of 4.22 attributed this task to a to the CSR manager.

To determine whose function is to develop, interpret and enforce the CSR policy

Table 10: To develop, interpret and enforce policy

OFFICER/DEPARTMENT	MEAN	SD
CEO	1.96	0.14
CSR MANAGER	1.09	0.05
HUMAN RESOURCES	0.65	1.85
MARKETING	1.74	0.13
FINANCE	0.87	3.29
OPERATIONS	0.43	0.82
PUBLIC AFFAIRS	**4.48**	**0.87**
OTHERS	0	0
EXECUTIVE COUNCIL	1.96	0.16
CORPORATE FOUNDATION	**4.57**	**0.90**

SD= Standard Deviation

Embedding CSR in the Company

Getting the other functional groups involved in embedding the CSR strategy into the way the company plans and implements products and services—not just in crafting the program—is rare. With a mean of 1.96 our survey shows that when the CEO/or the executive council has made his or their commitment to CSR, he or they let the others in the organization move it forward.

However a majority of the respondents with a mean of 4.57 gave this task to Corporate Foundation. Of the respondents with a meant of 4.48 attributed this role to the Public Affairs.

4.3.2 FINDINGS AND LOGISTICS

To determine who has access to a discretionary fund

Table 11: Access to discretionary fund

	MEAN	SD
CEO	0.48	0.13
CSR MANAGER	0.09	0.76
HUMAN RESOURCES	0.04	0.19
MARKETING	0.09	0.76
FINANCE	0.09	0.76
OPERATIONS	0.04	0.19
PUBLIC AFFAIRS	0.13	1.7
LEGAL	0.04	0.09
COMMUNITY RELATIONS	0.09	0.76
ENVIRONMENTAL DEPARTMENT	0.04	0.19

SD= Standard Deviation

The CEO also allocates a portion of his or her office's executive discretionary fund for CSR. He got the highest mean of 0.48. This puts social and environmental causes in the same league as his budget for networking in business groups or in golf courses, and dining out clients and suppliers. Public affairs was second with a mean rate of 0.13

To establish what determines the budget.

Table 12: Determination of the budget

VARIABLE	MEAN	SD
Company profits from past year	3.8	0.67
Company's goals for revenues	2.4	0.24
For reputation and goodwill	4.7	0.95
Others	1.8	0.13

The CSR budget is determined moderately by the Company profits for the past year. The Company's goal for revenues dictate lower with a mean of 2.4 while a large portion of the CSR budget is determined by the reputation and goodwill of the company which got a mean of 4.7

C3: To establish from whom the CSR budget come from
Table 13: Source of CSR budget

OFFICER/DEPARTMENT	MEAN	SD
CEO	0.48	0.07
CSR MANAGER	0.61	0.37
HUMAN RESOURCES	0.22	4.73
MARKETING	0.13	1.70
FINANCE	0	0.00
OPERATIONS	0.26	6.81
PUBLIC AFFAIRS	0.17	3.02
LEGAL	0.09	0.76
COMMUNITY RELATIONS	0.17	3.02
ENVIRONMENTAL DEPARTMENT	0	0.00

SD= Standard Deviation

With a mean of 0.61 majority of respondents voted in favour of the CSR manager. Other respondents however noted that the CSR budget does not pass without the blessing of the CEO. The CEO got a mean rate of 0.48.

To find out who approves CSR project proposals and budget

Table 14: CSR budget proposal

OFFICER/DEPARTMENT	MEAN	SD
CEO	0.70	1.10
CSR MANAGER	0.52	1.18
HUMAN RESOURCES	0.04	0.00
MARKETING	0.13	0.07
FINANCE	0.39	0.66
OPERATIONS	0.00	0.00
PUBLIC AFFAIRS	0.13	0.07
LEGAL	0.00	0.00
COMMUNITY RELATIONS	0.00	0.00
ENVIRONMENTAL DEPARTMENT	0.00	0.00

SD= Standard Deviation

Majority of respondents believed the CEO approves CSR project proposals and budget, with a mean of 0.70. Others thought it was the job of the CSR manager, and gave it a mean of 0.52 while the rest with a mean rate of 0.39 insisted that Finance must have a hand in it.

To know how much of the CSR budget comes from non-company resources (i.e. employee resources

Table 15: Other sources of CSR budget

PORTION	MEAN	SD
ALL	0	0
NONE	0.49	1
PARTIAL	0.51	0.9

SD= Standard Deviation

With a mean rate of about 0.51 respondents said resources for supporting CSR programs partially come from employees. Besides cash donations, these resources consider volunteered time.

4.3.3 REPORTING AND ASSESSMENT

To establish the extent with which we measure the success of banks CSR programs and projects

Table 16: Measuring Success

VARIABLE	MEAN	SD
REVENUES	1.52	0.16
GOODWILL	4.26	0.78
EMPLOYEE SATISFACTION	3.78	0.62
PUBLICITY	3.65	0.57
BRAND EQUITY	3.04	0.40
OTHERS (unhampered company operations, community acceptance)	4.43	0.85

SD= Standard Deviation

With a lower aggregate mean of 1.52 respondents said the company's revenue goal is the first most important consideration for allotting fund for CSR activities during the annual budgeting exercise.

A massive number of respondents said Goodwill was the main measure of success by Banks for their CSR programs and projects. This got a mean rate of 4.26. A higher mean rate of 4.43 however went to other variables such as community acceptance and unhampered company operations. The others with impressive mean rates were employee satisfaction with a mean rate of 3.78, Publicity at 3.65 and brand equity at 3.04 mean rate.

To find out how else Commercial banks communicate their CSR programs

Table 17: Communicating CSR

FORM OF COMMUNICATION	MEAN	SD
COMPANY NEWSLETTER	4.70	2.31
MEDIA COVERAGE OF CSR EVENTS	4.43	0.85
WORD OF MOUTH	4.35	0.82
OTHERS	2.39	0.24

SD= Standard Deviation

Some companies, which have been experimenting in their CSR approach because they have neither the capacity nor expertise, rely on their internal or external public relations team and advertising agencies to draft and implement the CSR activities for them.

There have been campaigns for the companies to communicate their CSR programs so that others could emulate it. Some have latched on to CSR as part of a company's cause-related marketing. It's an effort to attach an emotional value to the brand by supporting causes that the company's target markets can relate to.

Respondents with the highest mean of 4.70 thought Commercial Banks communicate their CSR activities through their Newsletters. The second bunch with a mean of 4.43 voted for media coverage of CSR events while the others with a mean of 4.35 thought that CSR activities could be communicated through word of mouth.

Lack of Community participation of CSR activities with a mean rate of 4.96, which tied with narrow perception towards CSR activities and Ethics and Governance. Weak foundation for CSR came in third with a mean rate of 4.87. Inability to understand Society's needs, unfriendly employee workplace and High business risk in the environment tied in the fourth place with 4.83 mean rate.

Others were Few initiatives to conserve global environment (4.26 mean rate), Issues of Transparency (4.61 mean rate) and lack of participation for sustainable development (4.74 mean rate).

CHAPTER FIVE

DISCUSSION, SUMMARY AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the findings as well as the conclusions gathered from the analysis of the data. It incorporates the various suggestions and comments given by the respondents in the questionnaires. Findings have been summarized alongside the objectives of the study. Conclusions have been drawn from the study and the recommendations for actions are also given.

5.2:1 DISCUSSIONS

The first objective of the research was to determine how commercial Banks practice Corporate Social Responsibility. The following findings were observed;

We have established that Commercial Banks invest their CSR funds on the Community, Sports and Environment, Education, Disaster relief and Health. Functional groups in a company are believed to be the main initiators of CSR activities with the blessing of the CEO. Commercial Banks in Kenya undertake CSR activities in the interest and expectations of the community, employees and their customers.

It is also a known fact that banks approach CSR issues by first seeking to understand the social economic and environmental impacts and managing them as part of normal operations. They then do the balancing act between short term priorities and long term needs. They achieve this by seeking views of others before taking decisions. The CEO is vested with the responsibility of setting the CSR policy of their companies. However, when it comes to developing, interpreting and enforcing the CSR policy, the corporate foundation, public affairs, CEO and marketing departments take the lead respectively. The CEO is also known in case there is no budget allocation for CSR to allocate a part of his/her office discretionary funds to CSR activities. This puts social and environmental causes in the same league as his budget for networking in business groups or in golf courses, and dining out clients and suppliers.

The CSR budget is determined by a number of factors among them reputation and goodwill, company goals for revenues, profits from past years among others. However the budget comes from the CSR manager with the blessing of the CEO who would approve a proposal and budget. This explains the fact that most Commercial Banks do not have a full functional CSR foundation. Half of the resources from non company CSR budget are known to come from employees.

Banks measure the success of their CSR activities through goodwill, employee satisfaction, unhampered company operations and community acceptance. Also most banks communicate their CSR activities through company newsletter, media coverage and word of mouth.

The second objective was to establish the challenges Commercial Banks face in undertaking their CSR activities. Our findings managed to zero in on the following factors; Lack of community participation in CSR activities, Weak foundation for CSR, Inability to understand society's needs, unfriendly employee workplace, high business risk in the environment, Ethics and governance issues, lack of partnerships for sustainable development and few initiatives to conserve global environment. Issues of transparency also featured prominently.

5.2.2 SUMMARY

The aim of this study was to establish the Practice of Corporate Social Responsibility by Commercial Banks in Kenya. The study had two objectives; to determine how Commercial Banks in Kenya practice CSR and the second was to bring out the challenges the banks face while carrying out Corporate Social Responsibility.

- In most of the companies, the Functional group in a company such as the Foundation, Marketing Department, PR Department Etc initiates CSR programs with the blessing of the CEO.

The entry point for CSR practice has been concentrated on two aspects: community work and PR.

- Getting the other functional groups involved in embedding the CSR strategy into the way the company plans and implements products and services is rare.
- Most companies leave the CSR implementation to the corporate foundation or its equivalent, while half say they let the public relations or corporate communications group take the lead.
- Next to the community, the employees are the stakeholders that the companies target for their CSR. Investors are low priority.

The second objective was about the challenges facing CSR. We have discussed all of them at length. The challenges are discussed above.

5.2.3 CONCLUSIONS

Corporate Social responsibility is a programme of actions undertaken to reduce externalized costs or to respond to market failures. It is also the voluntary commitment by business to manage its activities in a socially responsible way.

This study asserted (Margolis and Walsh 2001, FFF, 2002) notion that there is a correlation between the socially and environmentally responsible company and positive financial performance. According to this survey, large partly public owned and huge foreign owned banks which contribute largely to society tend to report impressive financial performance compared to their counterparts who don't practice CSR.

The study also proved that Companies with good reputation are those that are environmentally and socially responsible. Such companies tend to gain trust among their customers and thus attain their loyalty. These companies according to this survey also tend to have improved working conditions for their employees since they undertake CSR activities partly to the interest and expectations of their employees.

This study also revealed that in their practice of CSR, Commercial Banks are faced with various challenges which they are obliged to address. Among them being; lack of community participation in CSR activities, weak foundation for CSR, Inability to understand society's needs and unfriendly employee workplace.

The study also partly confirmed the silently spoken, high degree of cynism but popular belief that CSR is a costly public relation focused activity which adds little value to business. This could be attributed to the number of Commercial banks which allocate their budget to CSR. The survey reveal that most projects tend to favour their or would be their customers. More so, there is lack of transparency in these activities as "who is who" in those banks dictate the direction such funds take; mostly to their communities or foundations.

Finally, the study brought out comprehensively the practice of CSR by Commercial Banks in Kenya. This was significant considering the fact that most banks don't publicize their Social investment programs.

5.3 LIMITATIONS OF THE STUDY

Though the study was generally successful, it was faced by some limitations. First of all, only about two thirds of the selected organizations comprising 65.71 percent took part in the study. 34. 29 percent did not take part in the study. This means that the study cannot be generalized to the entire banking industry.

The study was carried out within limited time and resources. This constrained the scope as well as the depth of the research.

One major limitation of the study was most senior bank officers responsible for carrying out the CSR were not available or could not be reached. As a result the researcher was forced to rely on junior staff who did not know much about CSR activities.

The study also focused on management perspective. It would have been of value to obtain views of other stakeholders as well.

A number of respondents left a few questions unanswered making it difficult to gather information. Many respondents did not comment on the extent of an issue beyond "to a great extent and to an extent."

A number of senior bank officers declined to fill in the questions as they were afraid of exposing their operations and also fear of losing their jobs since the banking sector operate discreetly. The banks also feared that may be the data collection process was a ploy to aid the researcher furnish other banks with information regarding their operations.

5.4 IMPLICATIONS OF THE RESEARCH TO POLICY AND PRACTICE

This research should influence all commercial banks in Kenya and other companies as well to get involved in CSR activities. This is because CSR brings several advantages to business, among them enhanced competitive advantage, improved financial performance, and reduced exposure to non financial risk and enhancing brand image.

The research should also encourage Commercial Banks publish their Social programs. This is because, by them providing truthful and useful information about their CSR activities, stakeholders would be able to freely make up their minds about the extent to which they can get involved with the company.

The issue of ethics and governance also need to be addressed. Transparency in the allocation of projects needs to be tackled. Besides, the community must be involved fully in CSI activities. This must be done by understanding the society's needs and creating a friendly employee workplace. It would also be prudent for banks to set up foundations to address CSR issues.

Finally, Commercial Banks need to reassert their commitment to CSR by devoting higher portion of their earnings to CSR. This will make them to be taken more seriously by the society in general.

5.5 SUGGESTIONS FOR FURTHER RESEARCH

This study focused on management perspective. It would have been of value to obtain views of other stakeholders as well. Hence I would like to suggest that a comprehensive study be undertaken which involves other stakeholders such as the community and employees.

This study concentrated on the challenges Commercial Banks face. It would be prudent to undertake another study which would address solutions to those challenges.

This research was very generalized in that it studied all Commercial Banks. A case study for each individual Bank needs to be undertaken.

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APPENDIX I

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 27/10/2009

TO WHOM IT MAY CONCERN

The bearer of this letter FREDERICK OTIENO

Registration No: D61/7966/2005

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

APPENDIX II

Frederick O. Otieno
Mobile: 0723-460479, 0737-870989
E-mail: rederickodhiambo@yahoo.com
Wednesday, October 28, 2009

Dear Respondent,

Re: MBA RESEARCH PROJECT.

I am a student at the University of Nairobi undertaking a Masters of Business Administration
(MBA) programme. The final part of the programme requires the student to undertake a research project based on the area that affects business organizations in Kenya. This study is based on "The Practice of Corporate Social Responsibility by Commercial Banks in Kenya".

As one of the Commercial Banks in Kenya, your organization has qualified to participate in this study. The questionnaire for data collection is attached here with. This is divided into two parts. Part one which concentrates on "How commercial banks undertake Corporate Social Responsibility", has four sections namely, Introduction, General CSR Questions, Funding Guidelines and Project /Proposal Evaluation and Processing.

Part II of the questionnaire rests on challenges facing Commercial Banks in their practice of Corporate Social Responsibility. I will drop the questionnaire and collect it a day later. The information obtained will be used purely for academic purposes and in no instance will your name or that of your organization be mentioned in the final report. I would request that you answer the questions as honestly as possible.

Your participation and Corporation will be highly appreciated,

Yours Faithfully,

Frederick Odhiambo Otieno

QUESTIONNAIRE

A SURVEY OF THE PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY BY COMMERCIAL BANKS IN KENYA

Date: ______________

Name of Bank____

SECTION A

INTRODUCTION

Designation of Respondent_______________________________________

A1 How long has your bank been operating in Kenya?

___________ Years.

A2 Is this Bank
(1) Entirely privately owned
(2) Owned partly with the government
(3) International/Foreign owned.

A3 How would you classify this bank?

(1) Commercial Bank
(2) Non-bank financial institution(other than mortgage or building)
(3) Mortgage Finance Company
(4) Building Society

A4 what is your market segment?

(A) Low end market segment
(B) High end market segment
(C) Mass market Provider

A5 what is the current employee strength of your organization? (Tick where appropriate)

(1) 0-50
(2) 51-100
(3) 101-200
(4) More than 200

A6 How many branches does your organization have? (Tick where appropriate.)

(1) 1-10
(2) 10-20
(3) 20-50
(4) More than 50

A7 What is your presence in Kenya? (Tick where appropriate.)

(A) Major cities
(B) Major towns in Kenya
(C) Both in towns and a few rural areas
(D) All over the country

A8 Does your bank participate in Corporate Social Responsibility?

Yes ( ) No ( )

A9 If YES, does your organization have a foundation for CSR?
Yes ( ) No ( )

SECTION B

STRUCTURE AND LEADERSHIP

B1 To what extent is your company's CSR program under the following thematic areas? (Tick as appropriate)

(1=Not at all, 2= Less extent, 3=Moderate, 4=Great extent, 5= Very great extent)

CATEGORIES	5	4	3	2	1
EDUCATION					
classrooms					
books					
libraries					
teacher training					
scholarships					
others					
HEALTH					
ENVIRONMENT					
COMMUNITY					
ARTS AND CULTURE					
SPORTS					
WILDLIFE CONSERV.					
ECONONIC EMPOWERMENT					
DISASTER RELIEF					
MUSIC					
WATER					
ENTERPRENURESHIP					

If others, please specify.

1______________________________

2______________________________

3______________________________

4______________________________

5______________________________

B2. Of the company's stakeholder groups, whose expectations and interests do your CSR activities address? (To what extent) (Tick as appropriate)

(1=Not at all, 2= Less extent, 3=Moderate, 4=Great extent, 5= Very great extent)

STAKEHOLDERS	5	4	3	2	1
STOCKHOLDERS					
COMMUNITY					
EMPLOYEES					
INVESTORS					
SUPPLIERS					
CUSTOMERS					

If others please specify

1.______________________________
2.______________________________
3.______________________________
4.______________________________
5.______________________________

B3. Who initiats your company's CSR programs?

AUTHORITY/STAKEHOLDERS	(Tick as appropriate)
CEO	
HEAD OFFICE ABROAD	
REGIONAL OFFICE	
EMPLOYEES ASKED FOR IT	
FUNCTIONAL GROUP IN A COMPANY	

If others please specify.

1____
2____
3____
4____
5____

B4. **What is your approach towards CSR?** Please indicate the extent to which your bank approaches CSR. (Tick as appropriate)

1=Not at all, 2= Less extent, 3=Moderate, 4=Great extent, 5= Very great extent)

Approach	5	4	3	2	1
Understanding the social, economic and environmental impacts, and managing them as part of normal operations;					
Balancing short-term priorities with longer-term needs					
Seeking out the views of others before taking decisions					

B5. **Whose functions are the following:** ie to what extent are the following people/ departments involved in undertaking the following functions?

(Tick as appropriate)

(1=Not at all, 2= Less extent, 3=Moderate, 4=Great extent, 5= Very great extent)

a. Setting the CSR policy of the company

OFFICER/DEPARTMENT	5	4	3	2	1
CEO					
CSR MANAGER					
HUMAN RESOURCES					
MARKETING					
FINANCE					
OPERATIONS					
PUBLIC AFFAIRS					
OTHERS					

b. Developing, interpreting and enforcing the policy

OFFICER/DEPARTMENT	5	4	3	2	1
CEO					
CSR MANAGER					
HUMAN RESOURCES					
MARKETING					
FINANCE					
OPERATIONS					
PUBLIC AFFAIRS					
OTHERS					
EXECUTIVE COUNCIL					
CORPORATE FOUNDATION					

C3. Where does the CSR budget come from?

(Tick where appropriate)

OFFICER/DEPARTMENT	
CEO	
CSR MANAGER	
HUMAN RESOURCES	
MARKETING	
FINANCE	
OPERATIONS	
PUBLIC AFFAIRS	
LEGAL	
COMMUNITY RELATIONS	
ENVIRONMENTAL DEPARTMENT	

C4. Who approves CSR project proposals and budget?

(Tick where appropriate)

OFFICER/DEPARTMENT	
CEO	
CSR MANAGER	
HUMAN RESOURCES	
MARKETING	
FINANCE	
OPERATIONS	
PUBLIC AFFAIRS	
LEGAL	
COMMUNITY RELATIONS	
ENVIRONMENTAL DEPARTMENT	

C5. How much of the CSR budget comes from non-company resources (i.e. employee resources) Please indicate the percentage.

PORTION	PERCENTAGE
ALL	
NONE	
PARTIAL	

SECTION D

REPORTING AND ASSESSMENT

D1. How do you measure the success of your CSR programs and projects? (To what extent.) Tick as appropriate

(1=Not at all, 2= Less extent, 3=Moderate, 4=Great extent, 5= Very great extent)

VARIAB LE	5	4	3	2	1
REVENUES					
GOODWILL					
EMPLOYEE SATISFACTION					
PUBLICITY					
BRAND EQUITY					
OTHERS (unhampered company operations, community acceptance)					

D2. How else do you communicate your CSR programs?(To what extent) Tick as appropriate

1=Not at all, 2= Less extent, 3=Moderate, 4=Great extent, 5= Very great extent)

FORM OF COMMUNICATION	5	4	3	2	1
COMPANY NEWSLETTER					
MEDIA COVERAGE OF CSR EVENTS					
WORD OF MOUTH					
OTHERS					

Part II

The following are some of the challenges facing Corporate Social Investment. How significant are they to your bank in its pursuit for CSR? (Please tick where appropriate in order of importance)

(5=Very important; 4=Important; 3-Moderate; 4=Least important; 5=Not important)

	Very Important	Important	Moderately Important	Least Important	Not important
l warming					
uality of environmental Management					
f commitment to biodiversity					
isaster control measures					
uality of information and Communication					
k from customer's perspective					
ty to understand society's needs					
hysical and mental health of employees					
ndly employee workplace					
formation literacy in society					
oundations for CSR					
stomer (stakeholder) satisfaction					
tiatives to conserve global environment					
e of a safe and secure communication society					
ble information and communication services					
a company's diverse workplace					
community participation of CSR activities					
ate organizational capacities					
Transparency					
ilability of well organized NGO's					
factors					
perception towards CSR activities					
lability of CSR guidelines					
onsensus on implementing CSR issues					
iness risk in the environment					
OS					
nd Hunger					
l Governance Issues					
artnerships for sustainable Development					
s for women workers					

If there are others please specify

1.____
2.____
3____
4____
5.____
6____
7____
8.____
9.____
10.____

THANK YOU VERY MUCH FOR YOUR COOPERATION

APPENDIX IV

BANKING SECTOR TOTAL NET ASSETS REPORT AS AT DECEMBER 2008

Large (Assets above Kshs 15 Billion)

	BANK	NET ASSETS
		Kshs. Millions
1	Kenya Commercial Bank	174,712.00
2	Barclays Bank of Kenya	168,786.00
3	Standard Chartered Bank	99,140.00
4	Cooperative Bank of Kenya	83,897.00
5	CFC Stanbic Bank	83,166.00
6	Equity bank	77,136.00
7	Commercial bank of Africa	50,110.00
8	Citi Bank NA	47,535.00
9	NIC Bank	42,704.00
10	National Bank of Kenya Ltd	42,696.00
11	Diamond trust bank of Kenya	41,592.00
12	I & M Bank Ltd	36,656.00
13	Prime Bank Ltd	19,945.00
14	Bank of Baroda	18,361.00
	Total	**986,436.00**
	Medium(Above Kshs 5 Billion and Below Kshs 15 B	
15	Housing Finance Co. of Kenya Ltd	14,330.00
16	Imperial Bank Ltd	13,432.00
17	Bank of Africa Ltd	12,304.00
18	Bank Of India	12,049.00
19	Savings & Loan Ltd	11,555.00
20	Eco Bank Ltd	10,499.00
21	Family Bank Ltd	10,410.00
22	Chase Bank Ltd	10,300.00
23	Fina Bank Ltd	9,865.00
24	K-Rep Bank Ltd	8,184.00
25	African Banking Corporation Ltd	6,584.00
26	Habib AG Zurich	6,557.00
27	Development Bank of Kenya	6,520.00
28	Giro Commercial Bank Ltd	5,938.00
29	Gulf African Bank Ltd	5,558.00
30	Southern Credit Banking Corp	5,171.00
31	Gulf African Bank Ltd	5,000.00
	Total	**154,256.00**

	BANK	NET ASSETS
	Small (Bellow Kshs 5 Billion)	
32	Consolidated Bank of Kenya	4,657.00
33	Habib Bank Ltd	4,491.00
34	Victorial Commercial Bank Ltd	4,460.00
35	Equitorial Commercial Bank Ltd	4,410.00
36	Fidelity Commercial bank Ltd	4,329.00
37	Credit Bank	3,637.00
38	Transnational Bank Ltd	3,388.00
39	Middle East Bank Ltd	3,297.00
40	First Community Bank Ltd	3,180.00
41	Paramount Universal Bank	2,646.00
42	Oriental Commercial Bank Ltd	2,289.00
43	Dubai Bank Ltd	1,639.00
44	City Finance Bank Ltd	538
45	Charter House Bank Ltd	-
	Total	**42,961.00**
	Grand Total	**1,183,698.00**

Q= Qualified

Source: Central Bank Of Kenya

*** Charter House Bank Ltd did not present its Accounts**