FACTORS THAT INFLUENCE CHOICE OF CORPORATE SOCIAL RESPONSIBILITY PROGRAMS AMONG COMMERCIAL BANKS IN KENYA

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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This research project has been submitted for examinations with my approval as university supervisor

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I am sincerely grateful to my supervisor Mr. George Omondi who by being so keen on details, guided and encouraged me in writing this paper. Thank you for your patience and for believing in me. I also acknowledge all the lecturers undertaking MBA classes for equipping me with the knowledge necessary to complete this course and task.

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My foremost gratitude is to the almighty God for giving me the ability and passion to study and guiding me through my academic life.

DEDICATION

This paper is dedicated to my wife Nancy Rael and son Alvin. It is you who gave me the courage to move on with this course. Thank you for your emotional support and encouragement. May this be a reminder that when we stand by one another nothing is unattainable.

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ABSTRACT

The concept of corporate social responsibility, its programs and the factors that influence choice of corporate social responsibility programs in commercial Banks in Kenya. The literature reveals different views on the programs of corporate social responsibility and the factors that influence those choices. This study sought to determine the factors that influence choice of social corporate responsibility among commercial banks in Kenya. The study will be of significance to the commercial Banks in Kenya as they implement their corporate social responsibility. The practitioners will be more informed in their roles of administering corporate social responsibility. The study was conducted using a descriptive cross sectional census survey method, which was appropriate as it enabled the researcher to obtain information from a broader category of commercial Banks for comparison purposes. The design also works well where the respondents targeted are few in number. The target population was all the forty three registered Commercial banks in Kenya. The instrument of data collection was a semi structured questionnaire administered to persons in charge of social corporate responsibility. The data collected was analyzed using charts and graphs to identify the order of their significance. The study found out that majority of Commercial Banks is highly influenced by financial capability then followed by everybody is involved in social corporate responsibility, communication among stakeholders, technology level, market competition, company objective, rating purposes by commercial banks association of Kenya, organizational structure and ethical consideration with order of significance. The study findings also found that there in significant influence of government policies, political instability, resource allocation, and literacy of commercial banks staffs, role allocation, incentives of employees and Staff retention to the choice of corporate social responsibility program in commercial banks. The study recommends that there is need to frequently do corporate social responsibility so as to have the good will from the community they operate from. A further study should be done on the effectiveness of Corporate Social Responsibility in the Commercial Banks in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The word corporate comes from the name corporation which is a legal entity created under state laws, and it is separate and distinct from its managers and owners (Ehrhardt, 2011). Corporate social responsibility is a business outlook that acknowledges a firm’s responsibility to its stakeholders and the natural environment. Maximizing shareholder's wealth does not mean that management should ignore corporate social responsibility such as protecting the consumer, paying fair wages to employees, maintaining fair hiring practices and safe working conditions, supporting education, and becoming involved in such environmental issues as clean air and water.

Horne (2009) says it is appropriate for management to consider the interest of stake holder's other than shareholders. These stakeholders include creditors, employees, customers, suppliers, communities in which a company operates, and others. Only through attention to the legitimate concerns of the firm's various stakeholders can the firm attain its ultimate goal of maximizing shareholder's wealth. Capon (2008) describes environment as literally the big wide world in which organizations operate, that whatever the nature of their business, organizations do not and cannot exist in splendid isolation from the other organizations or individuals around them- be they customers, employee or suppliers. The environment in this case is more appropriately interpreted as the external context in which organization find themselves undertaking their activities.

Thomson (2007) describes the environment even further by saying that all companies operate in a micro-environment shaped by influences emanating from the economy at large, population demographics, societal values and lifestyles, governmental legislation and regulatory, technological factors, and closer to home, the industry and competitive arena in which the company operates. Schermerhom, (1999) puts it even better as he explains that these days' corporations not only may engage in social responsibility, it had damn well better try to do so because businesses have resources and ethical obligations to act responsible.

1.1.1. Corporate Social Responsibility

Corporate social responsibility is 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. (Dahlsrud, 2008) as cited in Dobers (2009). Corporate social responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Corporate social responsibility is founded on the notion that corporations are in relations with other interest like economic, cultural, environment, and social systems since business activities affect such systems in the society (Dobers, 2009).

Corporate social responsibility goes beyond charity and requires the company to act beyond its legal obligations and to integrate social, environmental and ethical concerns into company's business progress (Indianr, 2010). Today, business has become the most powerful institutions on earth. Some of the bigger companies could be bigger than some developing countries. Businesses are no longer expected to play their traditional role of mere profit making enterprises but to look beyond this and also get concerned about the crises in the environment where they operate. The ever increasing role of civil society started to put pressure on companies to act in an economically, socially and environmentally sustainable way. The concept of corporate social responsibility is an endeavor to make businessmen achieve commercial successes in ways that honor ethical values and respect people, communities and the environment.

1.1.2. Factors Influencing the Choice of Corporate Social Responsibility Programs

Martin, (2003) argues that sometimes the most effective means of facilitating increased corporate responsibility is through corporate peer pressure. This is implemented by regulatory mechanism set by the industry so that various factors such as fair practices, product quality and workplace safety are adhered to. McCarthy, (1993) argues that marketing strategy is one of the factors to be considered and could be thought of as selling and advertising. However, it could as well mean creating and delivering of standard.

Marketing tries to anticipate need, decisions about product design and packaging, prices or fees, transporting and storing policies, it is important to note that marketing also does advertisement and sales and sales policies. Torrington, (2008) says that ethical consideration is another factor influencing the choice corporate social responsibility and it is thought of as a set of rules or a set of principles of right conduct. It is a theory or a system of moral values. The rules or standards governing the conduct of a person or the members of a profession like medical ethics. In business context, we therefore understand ethics as a part of the culture of the individual business corporation that sets norms of behavior by which people in the business will abide because the norms has some moral authority as well as being convenient.

Okeyo (2004) established that average profitability industry sector and management style were identified as factors that determine firms involvement in corporate social responsibility in Kenya. Morgolis and Walsh (2001) also argue that financial performance is a factor that determines a firm's involvement in corporate social responsibility. Firms that do not perform well financially may be struggling to survive thus not be able to incur social responsibility expenses.

1.2. Commercial Banks in Kenya

Commercial banks play a crucial role in ensuring Kenya’s economic progress. Commercial banks are supervised by central bank of Kenya which has a duty of preventing inflation, creating monetary policy and supervising other commercial banks. Kenya currently has 43 licensed commercial Banks and one mortgage finance company. Of these 44 institutions, 31 are locally owned and 13 are foreign owned. Citibank, Habib Bank and Barclays Banks are among the foreign owned financial institution in Kenya. Adams, (2013)

Commercial Banks in Kenya have for many years involved in corporate social responsibility. Their main function is to accept deposits from individuals and institutions that it later on turn into profit by giving loans to turned back at high rates so as to make profit. The level of engagement in corporate social responsibility has differed depending on the objective of each Bank. While others have supported sports activities, others have donated staff to the communities with needs. Many commercial Banks involves themselves in community development activities like planting trees, cleaning the environment and educating the less fortunate members of the society. The way commercial Banks get involved into the activities of corporate social responsibilities is unique to each Bank depending on what they want to achieve.

1.3. Research Problem

Gordon, (1990) presents a case that in as much as it is important for a business to make profit in order to survive; a basic point to be remembered is that there is need to satisfy the needs of the society. If the needs of the society are not satisfied, a firm will ultimately cease to exist because a firm operates by public consent to satisfy society's needs. He goes further to explain that the business is a member of the society in which it operates and must work to improve it so as to enhance its image as well as improve the firm's profitability in the long run. The question we then ask is weather competition, financial capability, marketing strategy, corporate ratings, ethical consideration and corporate objective just to mention a few influences the choice of commercial Banks to involve in corporate social responsibility. The other question is, when commercial Banks involves themselves in corporate social responsibility programs, do the above factors influence their choice to get involved in the development agenda of the community?

Commercial Banks in Kenya has for a long time been involved in working to improve community around. Some have done sports while others have engaged in educating the orphans while others still may be silently doing one thing or another in the community around. Commercial Banks want sustainability which they view to mean meeting the needs of the present without compromising the ability of future generations to meet their own needs. Therefore more and more Banks are being proactive and taking steps to address issues such as climate change, oil depilation, energy usage, sports, environmental preservation and cleanliness. (Adams, 2013)

A number of studies have been done on the corporate social responsibility and commercial banks in Kenya but on different perspectives. Gichana, (2004) analyzed corporate social responsibility practices by Kenyan companies. The study revealed that though the firms were involved in the corporate social responsibility, they were mainly involved in health education. Auka (2006) focused on the benefits influencing the practice of corporate social responsibility of financial institutions in Kenya. The researcher found out that the institutions were involved in various corporate social responsibility activities varying from one to another influenced by urge to gain corporate image and moral obligations. Ngurimu (2010) did a research on corporate social responsibility practices by microfinance institutions in Kenya. The study revealed that the majority of the micro finance institutions in Kenya had been in corporate social responsibility activities. No study has been done on corporate social responsibility to determine the factors that influence the choice of corporate social responsibility programs among the Kenya Commercial Banks. This study will seek to identify factors that influence the choice of corporate social responsibility programs among the commercial banks in Kenya?

1.4. Research Objective

To establish factors that influences the choice of corporate social responsibility programs among Commercial Banks in Kenya.

1.5. Value of the Study

Scholars will find it important as the study will increase to the body of knowledge in the area of corporate social responsibility. This will help with future reference for those who will seek to study on the same issue.

The practitioners will be more informed in their endeavor to administer corporate social responsibility programs in the community and the community will be awakened to know that Banks have a responsibility to them.

This study will be of significance to the commercial banks in Kenya as they implement their social corporate responsibilities policies. They will be assisted with the readily available information as they administer their strategic corporate social responsibility.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter discus what the literature says about corporate social responsibility, its programs and the factors influencing choice of corporate social responsibility. The need to scan the environment in order to find its needs that can be addressed is as well discussed as a factor that influences choice of corporate social responsibility.

2.2. Corporate Social Responsibility

Snieska (2008) defines corporate social responsibility as basically what an organization does to positively influence the society in which it exists. It could take the form of community relations, volunteer assistance programs, health care initiatives, and special education. Corporate social responsibility is the way in which corporations take back to the community for having allowed it to operate and make profit. Dubrin (2009) defines corporate social responsibility as the idea that firms have obligations to society beyond their economic obligations to owners or stockholders and beyond those prescribed by law or contract. He goes on to explain that both ethics and social responsibility relate to the goodness or organization's morality. Corporate social responsibility is a broader concept that relates to an organization's impact on society beyond doing what is ethical. Therefore, to behave in a socially responsible way, managers must be aware of how their actions influence the environment.

Godon (1990) describe social responsibility as the implied, enforced or felt obligation of managers, acting in their official capacities, to serve or protect the interests of other groups other than themselves. This calls for banks to incorporate in its strategic planning on how it plans to give back to the community. Chandler (1962) defined strategy as the determination of the basic long term goals and objectives of an enterprise and the adoption of action and allocation of resources necessary for carrying out these goals.

2.3. Corporate Social Responsibility Programs

Thompson et al., (2007) argues that different companies adopt different corporate social responsibility activities, and each company's version of being socially responsible is unique. At general mills the social responsibility focus is on service to community and bettering the employment opportunities for minorities and women. Earnist and Young, one of the four largest global accounting firms focuses on respecting differences, fostering individuality, and promoting inclusiveness so that its 105,000 employees in 140 countries can feel valued, engaged and employed in developing creative ways to serve the firm's clients.

The advocates of corporate social responsibility agree that organizations have responsibility to society other than making profit. This is referred to as the stakeholder theory. Bateman and Zeitham (1993) contend that organizations have a wide range of responsibilities that extend beyond the production of goods and services at a profit. They further argue that as members of society, organizations should actively and in the responsible manner participate in the community and larger environment. This is done by developing the infrastructure around. This view is also supported by Gordon et al (1990) who argue that business is a member of the community in which it operates. Just as citizens may work to improve the quality of their community, the firm should also respect and work with other members of its community.

Rather than view corporate social responsibility as conflicting with economic objectives, corporate social responsibility earns the company a good image in the society which leads to the society choosing its products or services offered as a way of appreciating. Peter and Grammer, (2002) supports this by suggesting that social and economic goals are not inherently conflicting but integrally connected. They farther argue that being known as socially responsible firm may provide a company with social capital referring to the good will of key stakeholders, which can be used for competitive advantage

Donelly (1999) says that because society supports business by allowing it to exist, business is obligated to repay the society for that right by making profit. One of the ways that businesses can pay back to the society is by donations of various items to the community according to the needs at that time. Baron (2006) agrees that social responsibility roles may stem from societal needs not otherwise adequately addressed due to market imperfections, inability or unwillingness of governments to meet these needs. From this perspective, social responsibilities arise from the needs and legitimate concerns of individuals and society, and business must assess those needs and concerns to determine the extent of its responsibility. In the community there are people who need donations like blankets, food staffs just to mention a few. The central question in corporate social responsibility has been that as each organization strives to achieve its mission and vision, does it add value to the society it operates from.

Donnelly (1992) writes that a somewhat restricted interpretation of social responsibility as a social reaction is that it involves only voluntary actions that are required by economic or legal imperative and those that are initiated by voluntary, ultruisive motives. The community has some social issues that must be addressed by the corporation as it does its business in that community. Sport is a social reaction tool that the business engages to meet the needs of the society. Corporate social responsibility should be both a reactive and proactive in the community.

Donelly (1992) again says that the view of socially responsible behavior is anticipatory and preventive rather than reactive and restorative. That the characteristics of socially responsive behavior include taking stands on public issues, anticipating future needs of society and motivating towards satisfying them. Sponsoring the less fortunate people in the society is one way of being socially responsible. Internally, a business can take socially responsible actions in its product line by manufacturing a safe, reliable and complete in its advertisement. On the other hand, It is notable that modern society consists of ethnics, women, the handicapped and the aged. So then, general programs involving general beneficiaries often are considered socially responsible since they elicit corporate efforts to solve or prevent general social programs. Both preventive measures and the reactive measures are important to the area of social responsibility since they both help.

2.4. Factors that influence choice of social responsibility Programs

Pearce and Robin (1991) states that social responsibility issues are numerous, complex, and contingent on specific situations. Each firm regardless of size must decide how to meet its perceived social responsibility. Johnson and Scholes (2002) classify corporate social responsibility factors according to internal and external aspects. That the internal aspects of corporate social responsibility practices include employees welfare, while the external aspects are concerned with environmental issues, markets and marketing, suppliers, employment, community activity and human rights. Gichana (2004) found out that most Kenyan organizations are mainly involved in health and education programs.

Marketing could be thought of as selling and advertising and on the other hand it could as well mean creating and delivering of standard. While it is known that marketing tries to anticipate need, decisions about product design and packaging, prices or fees, transporting and storing policies, it is important to note that marketing also does advertisement and sales and sales policies (McCarthy, 1993). Commercial banks in Kenya get involved in corporate social responsibility as a strategy for the purposes of marketing their product and services. Marketing is both a set of activities performed by organizations and a social process. This means it could be micro activities that deal with the product and service design and prices but it is also macro that deals with advertisement and sales. Commercial banks could do corporate social responsibility as a strategy.

Thompson, (2007) says that corporate objectives are the outcomes and measurable goals set by a group of people in common. Usually, this applies to a business which will conduct its operation in order to achieve set objectives set out by the people who come together to provide those goods and services. He goes ahead to define corporate objective as a realistic goal set by a company that often influences its internal strategic decisions. Most corporate objective targets used by a business will specify the time frame anticipated for their achievement and how the company's successes in doing so are to be assessed. Corporate social responsibility can be done as a way of meeting the corporate objectives.

Torington (2008) presents ethics as a set of rules or a set of principles of right conduct. It is a theory or a system of moral values. The study of the general nature of morals and the specific moral choices to be made by a person; moral philosophy. The rules or standards governing the conduct of a person or the members of a profession: medical ethics. Conforming to the accepted standards of social or professional behavior for example, an ethical lawyer. I want to believe that commercial banks in Kenya should as well have such ethical standards. However there could be variation from one company to another, at least some social responsibility should be put in place. in business context, we therefore understand ethics as a part of the culture of the individual business corporation that sets norms of behavior by which people in the business will abide because the norms has some moral authority as well as being convenient. Torrington (2008) the question the researcher is therefore asking himself is that when commercial Banks participate in corporate social responsibility, are they doing that because it is ethical to return to the community or is it for other purposes to benefit themselves.

An important element of management strategy is managing how stakeholders view a company's impact on the natural environment. Stakeholder's perception can be critical to firm performance and sometimes even survival. Berman et al (1999) as cited in Aaron (2009). Many companies attempt to enhance their environmental image by mitigating detritus effects on the environment and publicizing with varying degrees of accuracy their successes. It can be difficult, however, for stakeholders to evaluate company's environmental impacts. Stakeholders are often unaware of the range of firm's activities and lack access to or the expertise need to analyze relevant environmental data. Lyon and Maxwell (2006) As cited in Aaron and Levine (2009)

Campell (2007) reasons that another factor that influences corporate social responsibility practices in a firm is the level of competition faced. In situations where the level of competition is so extremely intense that profit margins narrow enough to put shareholders value and firm survival at risk, the incentives to look for ways of saving wherever possible will prevail in some firms. This will cause corporations to act in socially irresponsible ways in so far as this will help them turn a profit and survive. Kolko (1963) Mc Craw (1984) Schneiberg, (1999) give example in the past of how periods of very intense competitions caused firms to do all sorts of socially irresponsible things in order to survive as cited in (Cambell, 2007) Some of these include compromising products safety and quality, sweating labor, and cheating customers. Although competition on the other hand may be just do well to the community in order to earn good image.

Morgolis and Walsh (2001) reason that financial capability is one of the factors that determine a firm's involvement in corporate social responsibility. Firm's whose financial performance is weak are less likely to engage in socially responsible corporate behavior than firm's whose financial capability is strong. This is because firms that are less profitable have fewer resources to spare for socially responsible activities than firms that are more profitable an argument that is often referred to as scarce resource theory Waddlock And Graves, (1997), as cited in Campell, (2007)

It follows therefore that if firms are operating in an economic climate where for instance, inflation is high, productivity growth is law, consumers' confidence is weak and it generally appears that it will be relatively difficult for firm to turn a healthy profit in the near term, they will be less likely to behave in socially responsible ways than would otherwise be the case (Campbell, 2007). Tyson (1996) says that planning the future of the management of people involves scanning of the environment of the business and considering how to decide the policy direction to show how their plans take account of the likely scenarios. One of the items to be scanned in the environment is to look at the people around, identify their needs and plan on how the organization will help the community to eliminate that need. Companies are not just to plan on how to make profit but also how to take back to the community that has enabled them to get the profit.

Tyson, (1996) says that planning the future of the management of people involves scanning of the environment of the business and considering how to decide the policy direction to show how their plans take account of the likely scenarios. One of the items to be scanned in the environment is to look at the people around, identify their needs and plan on how the organization will help the community to eliminate that need. Companies are not just to plan on how to make profit but also how to take back to the community that has enabled them to get the profit.

Moris, (1996) reasons that every organization is confronted by external pressures which will have implications for the way it manages its internal operations and employees. That skills shortages, competition, recession, government regulation and new technology are just a few of the many problems which currently affect managers and employees within the organizations. By correctly identifying developments in the organization's external environment and evaluating their possible effects, managers and employers should be better placed to draw up and amend plans to ensure the long-term viability of the organization with which they are associated. Environment must be scanned to know the issues that will affect the business and again strategize on how the organization will help to correct the issues.

Capon, (2008) write that business environment could be either external environment or the internal environment. The internal environment will include the employees and the products or services while the external environment will include the customers. In this case we will dwell so much on the external environment which again is so much to the community at large, the people and the physical features. The external environment is literally the big wide world in which organizations operates. Whatever the nature of their business, organizations do not and cannot exist in splendid isolation from the other organizations or individuals around them are they customers or employees.

Each organization has a unique external environment which has unique impacts on the organization and that due to the fact that organizations are located in different places and are involved in different business activities, they tend to look at corporate social responsibility differently. The products and services of a company are ultimately aimed at customers and the customers come from the community and if the community has problems the problems will automatically affect the operation of the company.

CHAPTER THREE: RESEACH METHODOLOGY

3.1. Research design

This is a descriptive cross sectional census survey. The design is appropriate since all the units of interest were investigated. Comparative analysis amongst all the units was done and the phenomenon under the study described as they appear to be satisfactory.

3.2. Population of study

The population of study was all the 43 commercial banks licensed to operate in Kenya as commercial banks by the Central Bank of Kenya (Central Bank opinion report, 2012)

3.3. Data collection

Primary data was obtained using a semi-structured questionnaire. Respondents were the heads of corporate social responsibility functions in the commercial banks or an equivalent position as was directed by a particular Bank. The questionnaire is divided into two sections. Section one is designed to obtain general information on the organization. Section two consists of questions on factors influencing corporate social responsibility programs in the commercial banks. The questionnaire were administered through "drop and pick later" method.

3.5. Data Analysis

The data collected was checked for completeness and consistency. Factor analysis was used to rate each factor in the order of their significance. Each factor was checked against the tables, charts and graphs.

Data analysis is the process of bringing order, structure and meaning to the mass of information collected. It involves examining what has been collected and making deductions and inferences Kombo and Tromp (2006).

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter concentrates on the findings of the research, giving a view to the analysis of the data reporting of the interpretations of the results, the general approach used includes the use of tables, charts and graphs to represent the research findings. The chapter focuses on the main tool of data collection, the questionnaire, and as such bases its findings on the guidelines set by the questionnaire.

4.2 Demographic Characteristic

4.2.1 Number of branches

The respondents were asked to indicate the number of branches of their banks. The findings are presented in Figure 4.1

Table 4.1: Number of branches

Number of branches	Frequency
Less than 10	2
10 to 20	6
20 to 30	10
30 to 40	13
Above 40	4

Figure 4.1: Number of branches

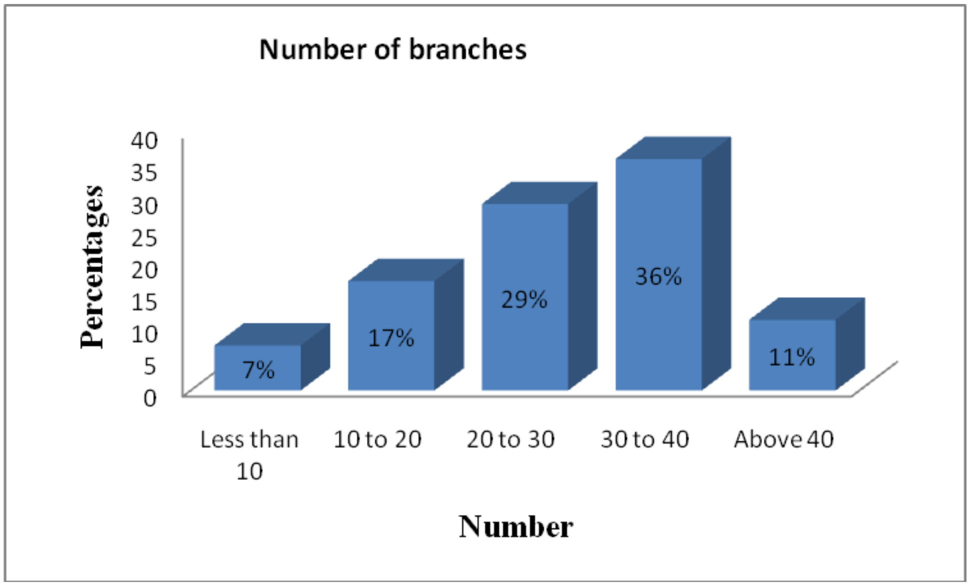

Figure 4.1 presents the findings on the number of branches of the surveyed Kenya commercial banks. From the Figure, 36 % of the respondent indicated that the bank they are working have 30 to 40 branches country wide. 29% of the respondent indicated that the bank they are working have 20 to 30 branches country wide, 17% of the respondent indicated that the bank they are working have 10 to 20 branches country wide, 11% of the respondent indicated that the bank they are working have above 40 branches country wide 11% while 7% of the respondent indicated that the bank they are working have less that 10 branches country wide. This implies that majority of commercial banks have 30 to 40 branches in the country thus affirming a lot of investment by commercial banks.

4.2.2 Bank Ownership

The respondents were asked to indicate the type ownership of their bank. The findings are presented in Figure 4.2

Table 4.2: Bank Ownership

Bank Owners	Frequency
State	5
Private owners	22
State and Private owners	8

Figure 4.2: Bank Ownership

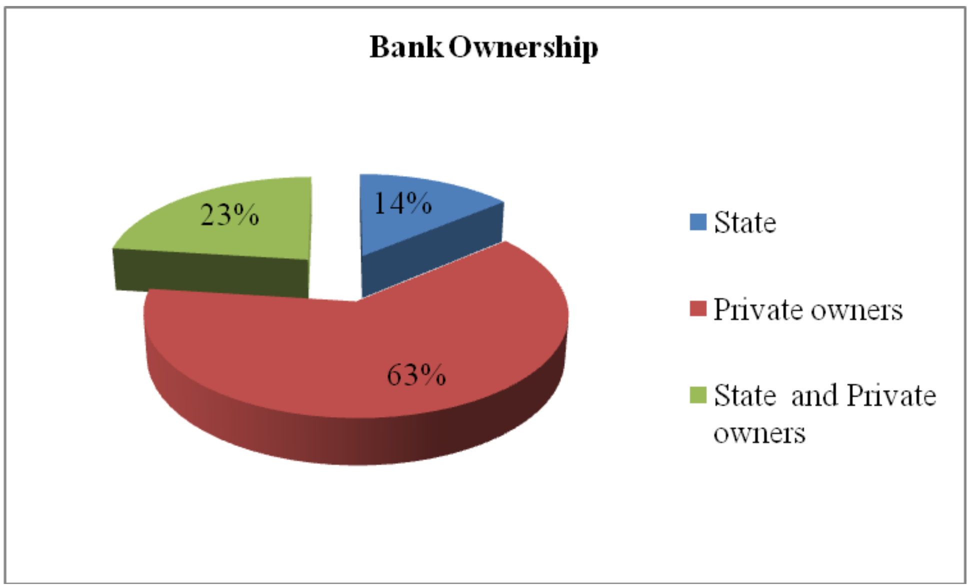

Figure 4.2 presents the findings on the type ownership of the Kenya commercial banks. From the Figure, 63 % of the respondent rate indicated that the type of ownership of the Kenya commercial banks is private ownership. 23% of the respondent rate indicated that the type of ownership of the Kenya commercial banks is both state and private ownership while 14% of the respondent rate indicated that the type of ownership of the Kenya commercial banks is state ownership. This shows that many commercial banks in Kenya

are privately owned. According to findings state owns small number of commercial banks in Kenya.

4.2.3: Size of Bank

The respondents were asked to indicate the size of their bank in terms of monetary value. The findings are presented in Figure 4.3

Table 4.3: Size of Bank

Size of Bank	Frequency
Large	16
Moderate	13
Small	6

Figure 4.3: Size of Bank

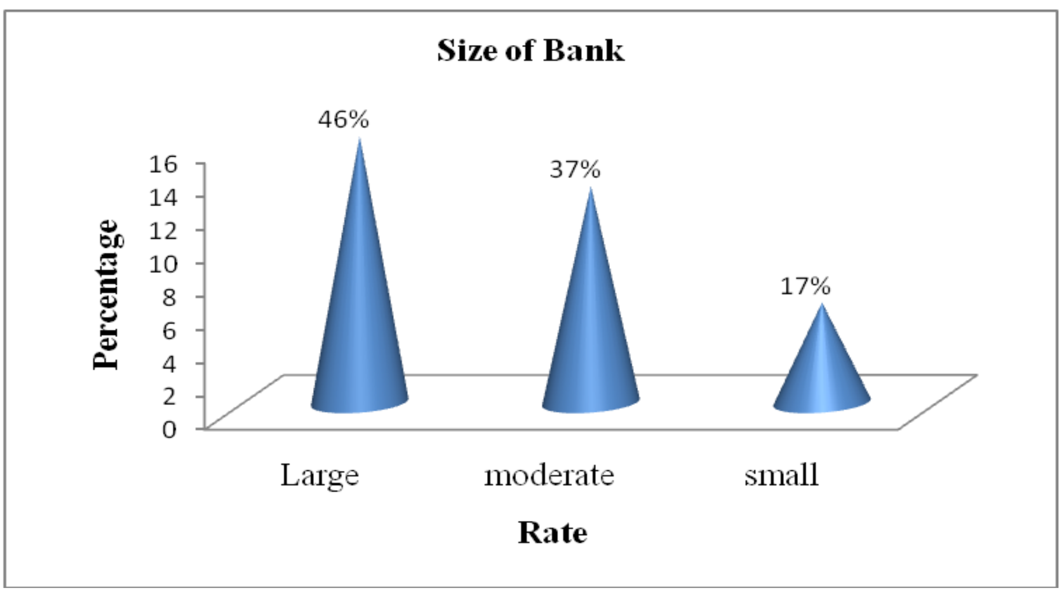

Figure 4.3 presents the findings on the size of Kenya commercial banks in terms of monetary value. From the Figure, 46 % of the respondent rate indicated that the size of Kenya commercial banks in terms of monetary value is large, 37% of the respondent rate indicated that the size of Kenya commercial banks in terms of monetary value is moderate while 17% of the respondent rate indicated that the size of Kenya commercial banks in terms of monetary value is small. This implies that Kenya commercial banks are considered to be large in terms of monetary value

4.2.4: Number of Customers

The respondents were asked to indicate the numbers of customers in their bank. The findings are presented in Figure 4.4

Figure 4.4: Number of Customers

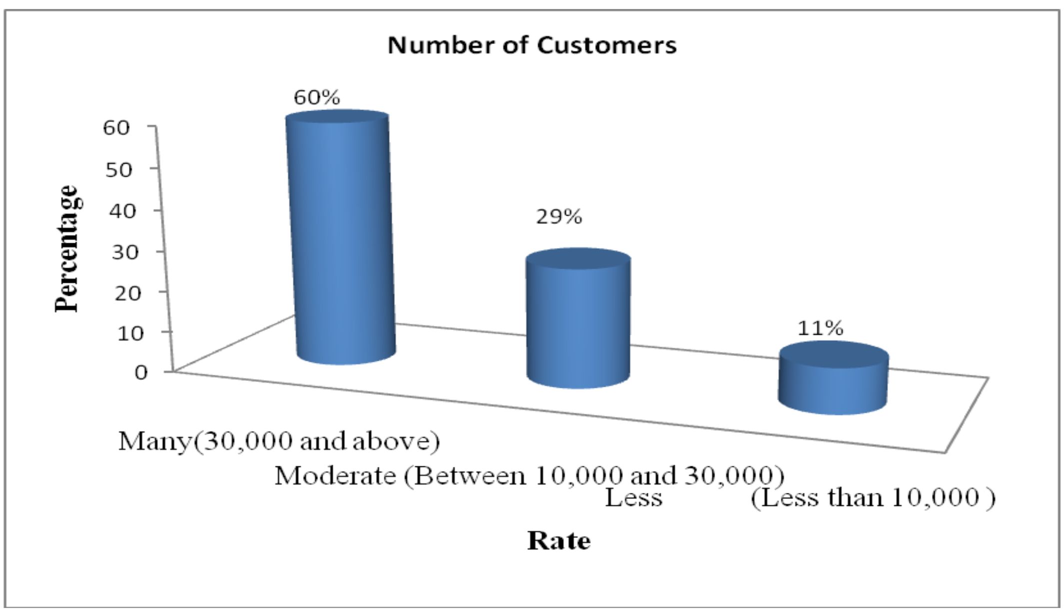

Figure 4.4 presents the findings on the number of customers getting financial services in their bank. From the Figure, 60 % of the respondent rate indicated that the number of

customers getting financial services in their bank are many ranging 30, 000 and above, 29% of the respondent rate indicated that the number of customers getting financial services in their bank are moderate many ranging between 10, 000 to 30, 000 while 11% of the respondent rate indicated that the number of customers getting financial services in their bank are less ranging below 10, 00. This indicates that many Kenya commercial banks have satisfactory number of customers transacting for their financial services in their bank. It also shows majority of Kenya population are getting financial services from bank and commercial banks have dominated financial sector.

4.2.5: Bank’s Existences

The respondents were asked to indicate for how long has their bank have been in existence. The findings are presented in Figure 4.5

Table 4.4: Bank’s Existences

Series	Bank’s Existences	Frequency
1	Under 5 years	7
2	6 – 10 years	6
3	11 – 15 years	8
4	16 – 20 years	7
5	21 – 25 years	4
6	Over 25	3

Table 4.5 presents the findings on how long the commercial bank has been in existence. From the Figure, 23% of the respondent rate indicated that the bank have been in existence for a period ranging from 11 to 15 years, 20% of the respondent rate indicated that the bank have been in existence for a period less than 5 years and also another 20% of the respondent rate indicated that the bank have been in existence for a period ranging from 16 to 20 years. 17% of the respondent rate indicated that the bank have been in existence for a period ranging from 6 to 10 years, 11% of the respondent rate indicated that the bank have been in existence for a period ranging from 21 to 25 years while 9% of the respondent rate indicated that the bank have been in existence for a period of over 25. This shows that many commercial banks in Kenya have well established and understand that the banking sector.

4.2.6: Volumes of Bank Deposits

The respondents were asked to indicate the volumes of their bank deposits. The findings are presented in Figure 4.6

Table 4.5: Volumes of Bank Deposits

Volumes of Bank Deposits	Frequency
Large	17
Moderate	12
Small	6

Table 4.6 presents the findings on the volumes of the bank deposits in terms of finance. From the Figure, 49% of the respondent rate indicated that the volumes of their bank deposits in terms of finance is large, 34% of the respondent rate indicated that the volumes of their bank deposits in terms of finance is moderate while 17% of the respondent rate indicated that the volumes of their bank deposits in terms of finance is small. This shows that there are a lot of money deposit to commercial bank significantly showing high revenue return and finally high profit.

4.3 Factor Analysis

Factor analysis has been used because of the concern of decomposing the information content in a set of variables into information about an inherent set of latent components/factors. This assisted in reducing a number of variables into fewer factors which are of similar characteristics. The analysis was carried out and the results have been presented in terms of: Descriptive Statistics, Kaiser-Meyer-Olkin and Bartlett's Test, Scree Plot, Total Variance Explained /Eigen values, Initial Component Matrix and Rotated Component Matrix (Varimax)

The respondents were to rate the extent that the descriptive of the factors listed below influence corporate social responsibility programs in their banks using Likert scale. The findings are presented in Figure 4.7, Figure 4.8 and Figure 4.9 respectively.

Table 4.6: Factors Influencing the Choice of Corporate Social Responsibility Programs in commercial banks

General factors	Distractive statement of general factors	Mean	Standard Deviation
Communication among stakeholders	We communicate to stakeholders about our intentions on corporate social responsibility undertaken	4.321	.8342
	Stakeholders gives us response on the corporate social responsibility	3.564	.6743
Organizational structure	We do corporate social responsibility because its function within our organization's structure	3.765	.6432
	Our structure has the head of corporate social responsibility	3.781	.4231
Company objective	It is our Bank's objective to do corporate social responsibility	3.665	.7342
	We do corporate social responsibility to meet our objective	3.541	.9564
Market competition	Corporate social responsibility is our marketing strategy	3.789	.9843
	We do corporate social responsibility to gain market share	3.424	.9823
Technology level	We have high technology to do corporate social responsibility	3.432	0.7658
	It is efficient technologically for us to do corporate social responsibility.	3.415	.3496
Financial capability	We do corporate social responsibility when we have enough money	4.576	.5812
	We do corporate social responsibility when we have high profit	4.473	
Ethical consideration	We do corporate social responsibility because it is ethical	2.543	.4392
	We do corporate social responsibility to help the community	2.675	.6539
Rating purposes by commercial banks association of Kenya	We do corporate social responsibility to get recognition	3.156	.8975
	We do corporate social responsibility to be rated high by central bank of Kenya	3.347	.8467
Everybody is involved	Everybody is involved in corporate social responsibility	4.323	.8456

The results from Table 4.7 show that majority of the respondents regarding communication among stakeholders on the reason for communication is to communicate to stakeholders about bank intentions on corporate social responsibility undertaken m=4.32, according to respondents communication is for the stakeholders to give response on the corporate social responsibility m=3.564. Regarding the influence of Organizational structure to corporate social responsibility a mean of 3.765 indicated they do corporate social responsibility because its function within their organization's structure, respondents also at a mean of 3.781 indicated that the structure has the head of corporate social responsibility. The respondents indicated company objective is a factor influence to corporate social responsibility. Respondents at a mean of 3.665 indicated that it is their Bank's objective to do corporate social responsibility while respondents at a mean of 3.541 indicated that they do corporate social responsibility to meet their objective

The respondents indicated that market competition is a factor influencing corporate social responsibility. Respondents at a mean of 3.789 indicated that corporate social responsibility is their marketing strategy while respondents at a mean of 3.424 indicated that they do corporate social responsibility to gain market share. The respondents indicated that technology level is a factor influencing corporate social responsibility. Respondents at a mean of 3.432 indicated that they have high technology to do corporate social responsibility while respondents at a mean of 3.415 indicated that it is efficient technologically for them to do corporate social responsibility. The respondents indicated that financial capability is a factor influencing corporate social responsibility. Respondents at a mean of 4.576 indicated that they do corporate social responsibility when they have enough money while respondents at a mean of 4.473 indicated that they do corporate social responsibility when we have high profit

The respondents indicated that ethical consideration is a factor influencing corporate social responsibility. Respondents at a mean of 2.543 indicated that they do corporate social responsibility because it is ethical while respondents at a mean of 2.675 indicated that they do corporate social responsibility to help the community. The respondents indicated rating purposes by commercial banks association of Kenya is a factor influencing corporate social responsibility. Respondents at a mean of 3.156 indicated they do corporate social responsibility to get recognition while respondents at a mean of 4.323 indicated that everybody is involved in corporate social responsibility. This implies that financial capability has a higher influence in cooperate social responsibility while ethical consideration is regarded as with the least effects on influence in cooperate social responsibility.

Table 4.8: Summary of General Factors Influencing the Choice of Corporate Social Responsibility

General Factors Influencing the Choice of Corporate Social Responsibility	Mean	Std. Deviation
Financial capability	4.3594	0.48127
Everybody is involved in CSR	4.3333	0.49237
Communication among stakeholders	3.9352	0.67412
Technology level	3.751	0.86635
Market competition	3.7401	0.75097
Company objective	3.7226	0.86259
Rating purposes by commercial banks association of Kenya	3.4454	0.78267
Organizational structure	3.3241	0.77048
Ethical consideration	3.2778	0.4457

The results from Table 4.8 show that majority of the respondents at great extent indicated that Financial capability is a factor influencing the choice of corporate social responsibility program in commercial banks m=4. 4.3594 and majority of the respondents at great extent indicated that Everybody is involved in CSR is a factor influencing the choice of corporate social responsibility program in commercial banks m=4.3333. The respondents small extent indicated that ethical consideration is a factor influencing the choice of corporate social responsibility program in commercial banks m=3.2778

4.3.1 Kaiser-Meyer-Olkin and Bartlett's Test

Table 4.9: Kaiser-Meyer-Olkin and Bartlett's Test.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.727
Bartlett's Test of Sphericity	Approx. Chi-Square	331.869
	Df	29
	Sig.	.000

In order to use factor analysis for further analysis was important to test the significance of the technique. This was done by the use of P value (the smallest level at which null hypothesis can be rejected.

P-value = 0.000 is less than 0.05 (reject Ho); see in table 4.9

There is enough evidence to support Ha, that is, there is correlation between the variables hence go ahead with Factor Analysis

Kaiser-Meyer-Olkin Measure of Sampling Adequacy - This measure varies between 0 and 1, and values closer to 1 are better. A value of .727 is a suggested minimum. Bartlett's Test of Sphericity This tests the null hypothesis that the correlation matrix is an identity matrix. An identity matrix is a matrix in which all of the diagonal elements are 1 and all off diagonal elements are 0. You want to reject this null hypothesis.

Table 4.70: Communalities

	Initial	Extraction
Communication among stakeholders	1.000	**.822**
Organizational structure	1.000	**.802**
Company objective	1.000	**.681**
Market competition	1.000	**.862**
Technology level	1.000	**.873**
Financial capability	1.000	**.950**
Ethical consideration	1.000	**.951**
Rating purposes by commercial banks association of Kenya	1.000	**.765**
Everybody is involved in CSR	1.000	**.959**

Extraction Method: Principal Component Analysis.

The finding on Communalities on each variable's variance that can be explained by the factors (e.g., the underlying latent continua. With principal factor axis factoring, the initial values on the diagonal of the correlation matrix are determined by the squared multiple correlation of the variable with the other variables. Extraction column indicate the proportion of each variable's variance that can be explained by the retained factors. Variables with high values are well represented in the common factor space, while variables with low values are not well represented. (In this example, we don't have any particularly low values.) They are the reproduced variances from the factors that you have extracted. You can find these values on the diagonal of the reproduced correlation matrix.

Table 4.8: Total Variance Explained

Component		Initial Eigenvalues			Extraction Sums of Squared Loadings		
		Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
dimension0	1	3.420	37.998	37.998	3.420	37.998	37.998
	2	1.872	20.799	58.797	1.872	20.799	58.797
	3	1.365	15.169	73.966	1.365	15.169	73.966
	4	1.008	11.197	85.163	1.008	11.197	85.163
	5	.688	7.641	92.804			
	6	.361	4.009	96.813			
	7	.169	1.876	98.689			
	8	.066	.734	99.422			
	9	.052	.578	100.000			

Extraction Method: Principal Component Analysis.

Eigenvalues are the variances of the factors. Because we conducted our factor analysis on the correlation matrix, the variables are standardized, which means that the each variable has a variance of 1, and the total variance is equal to the number of variables used in the analysis, in this case, 9.

With the Total column contains the eigenvalues. The first factor account for the most variance (and hence have the highest eigenvalue), and the next factor will account for as much of the left over variance as it can, and so on as shown in table 7. Hence, each successive factor will account for less and less variance. Cumulative column contains the cumulative percentage of variance accounted for by the current and all preceding factors. For example, the third row shows a value of 92.804. This means that the first three factors together account for 92.804% of the total variance.

Figure 4.5: Scree Plot

The scree plot graphs the eigenvalue against the factor number. You can see these values in the first two columns of the table immediately above. From the third factor on, you can see that the line is almost flat, meaning the each successive factor is accounting for smaller and smaller amounts of the total variance.

4.4 Other factors Influencing Corporate Social Responsibility Programs in Commercial Bank.

Table 4.13: Other Factors Influencing Corporate Social Responsibility Programs in Commercial Bank.

Factors Influence Corporate Social Responsibility Programs in Commercial Bank.	**Frequency of respondents**
Government Policies	21
Political Instability	19
Role Allocation	20
Literacy of Commercial Banks Staffs	19
Incentives of Commercial Banks Staffs	16
Retention of Employees	12
Resource Allocation	17

Majority of respondent at the rate of 59% indicated that government policies influence corporate social responsibility programs in commercial bank. According to respondents government policies are fundamental in corporate social responsibility programs in commercial bank since financial sector require regulatory measure to safeguard market competitiveness.

Majority of respondent at the rate of 58 % indicated that role allocation influence corporate social responsibility programs in commercial bank. According to the respondent role allocation have an immense influence corporate social responsibility programs in commercial bank, if roles are not allocated in the commercial bank to a specific department and herein to a specific individual corporate social responsibility programs will be negatively affected and thus the financial sector suffers.

Majority of respondent at the rate of 55% indicated that literacy of commercial banks staffs influence corporate social responsibility programs in commercial bank. According to the respondent, literacy of commercial banks involves specialization; technical knowledge and expertise to handle corporate social responsibility programs in commercial bank. According to respondents if the does not possess the technical knowledge and expertise required in corporate social responsibility programs it will be a difficult to realize and to achieve the goal corporate social responsibility programs in commercial bank.

Majority of respondent at the rate of 53% indicated that political instability influence corporate social responsibility programs in commercial bank. According to the respondent political instability affects the leadership of which consequently affects legislation that directly or indirectly influence corporate social responsibility programs in commercial bank

Majority of respondent at the rate of 47% indicated that resource allocation influence corporate social responsibility programs in commercial bank. According to respondents, resources allocation in terms of finance, time and human resources are paramount for a successful development, implementation, monitoring and evaluation of corporate social responsibility programs in commercial bank.

Majority of respondent at the rate of 46% indicated that incentives of commercial banks staffs influence corporate social responsibility programs in commercial bank. According to respondents the interaction intended, promoted and brought about by corporate social responsibility programs may not be highly realized because of the disparity of commercial banks staffs' incentives from different banks.

Majority of respondent at the rate of 34% indicated that commercial banks staffs' retention influence corporate social responsibility programs in commercial bank. According to respondents the pursuit for retention of staffs in every commercial bank is a barrier corporate social responsibility programs in commercial bank in Kenya. The respondents indicated that promoting a vibrant corporate social responsibility programs may expose their staffs to new opportunities and cause them loose those employees to more competitive and high rewarding banks.

4.5 Discussion

According to the findings majority of commercial banks have 30 to 40 branches in the country thus affirming a lot of investment by commercial banks. The study shows that many commercial banks in Kenya are privately owned and according to findings state owns small number of commercial banks in Kenya. The study reveals that Kenya commercial banks are considered to be large in terms of monetary value and also indicating that many Kenya commercial banks have satisfactory number of customers transacting for their financial services in their bank. From the study majority of Kenya population are getting financial services from bank and commercial banks have dominated financial sector. The commercial banks in Kenya have well established and understand well the banking sector. The study findings show that there are a lot of money deposit to commercial bank significantly showing high revenue return and ultimately high profit this conforms to Thompson et al., (2007) argues that different companies adopt different corporate social responsibility activities, and each company's version of being socially responsible is unique. At general mills the social responsibility focus is on service to community and bettering the employment opportunities for minorities and women. The study found that communication and ethical consideration at great extent influence the choice of corporate social responsibility program in commercial banks. Involvement of everybody, company objective, organization structure and rating purposes at moderate extent influence the choice of corporate social responsibility program in commercial banks while market competition and technology level at a small extent influence the choice of corporate social responsibility program in commercial banks. Moris, (1996) reasons that every organization is confronted by external pressures which will have implications for the way it manages its internal operations and employees. That skills shortages, competition, recession, government regulation and new technology are just a few of the many problems which currently affect managers and employees within the organizations. The respondent also noted that there in significant influence of government policies, political instability, resource allocation, and literacy of commercial banks staffs, role allocation, incentives of employees and Staff retention to the choice of corporate social responsibility program in commercial banks. Morgolis and Walsh (2001) also argue that financial performance is a factor that determines a firm's involvement in corporate social responsibility.

CHAPTER FIVE: SUMMAY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents summary of findings as discussed in chapter four and interpretations of the data analysis, conclusions and recommendations based on the findings. This research was to investigate the factors that influence choice of Corporate Social Responsibility among commercial banks in Kenya. Thirty five Banks were investigated out of a total of forty three. Eight did not respond.

5.2 Summary of findings

The objective of the study sought to establish factor that influences the choice of corporate social responsibility programs among Commercial Banks in Kenya. The findings showed that most commercial Banks in Kenya are highly influenced by ethical consideration to be involved in the corporate social responsibility. Communication follows. Banks are involved in Corporate Social Responsibility because it is well communicated across the Banks. Banks also get involved in corporate social responsibility because everybody does it and lastly to be rated high by Central Bank of Kenya. Company objective in commercial banks do corporate social responsibility because it is in their corporate objective. Organization structure shows that the banks are influenced by organization structure. It is in the structure of the banks to do corporate social responsibility. Competition is significant a lot of commercial Banks do corporate social responsibility because they want to have competitive advantage over others. Technology is the fairly considered influencing. This is followed by financial capability, that the Banks do corporate social responsibility when they have financial capability to do so. The study findings shows that there in significant influence of government policies, political instability, resource allocation, and literacy of commercial banks staffs, role allocation, incentives of employees and Staff retention to the choice of corporate social responsibility program in commercial banks.

5.3 Conclusion

Most commercial Banks in Kenya practice corporate social responsibility. They do this mainly for ethical consideration. Banks want to help communities where they come from by fixing certain societal problems to help in improving the surrounding of their businesses. Although it is in their corporate objective to do this, and that they communicate it so well to all stakeholders, one thing stand out that they do corporate social responsibility for competition purposes that is gain competitive advantage hence bigger market share.

According to the findings majority of commercial banks have 30 to 40 branches in the country thus affirming a lot of investment by commercial banks and. The study shows that many commercial banks in Kenya are privately owned and according to findings state owns small number of commercial banks in Kenya. The study reveals that Kenya commercial banks are considered to be large in terms of monetary value and also indicating that many Kenya commercial banks have satisfactory number of customers transacting for their financial services in their bank. From the study majority of Kenya population are getting financial services from bank and commercial banks have dominated financial sector. The commercial banks in Kenya have well established and understand well the banking sector. The study findings show that there are a lot of money deposit to commercial bank significantly showing high revenue return and ultimately high profit.

5.3 Recommendation

Commercial Banks are in a competitive and growing industry. Both the new entrants and the ones already existing need to embrace corporate social responsibility not only for ethical consideration but also to gain competitive advantage. They need to frequently do corporate social responsibility so as to have the good will from the community they operate from.

5.4 Limitations of the Study

The study suffered from the limitation of data collection. The respondents were reluctant to fill the questionnaires even after being convinced that the information given was purely for academic purposes and would be treated with a lot of confidentiality. Other Banks refused to take the questionnaire citing that it was not in their policy to be filling any. Others took in the questionnaire but did not work on it and so did not avail for picking.

5.5 Suggestion for Further Study

For further research, a study should be done on the effectiveness of Corporate Social Responsibility in the Commercial Banks in Kenya. Also an in-depth study on the challenges faced in the implementation of Corporate Social Responsibility activities in the Commercial Banks within Kenya. A similar study concerning the same topical issues addressed in this paper should be studied on another population such as credit co-operative societies for a comparison of results.

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APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

David Amara

University of Nairobi,

School of Business

P.O Box 30197,

Nairobi.

Dear Sir/Madam,

REF: REQUEST FOR RESEARCH DATA

I am required to submit as part of my coursework assessment a research project on a management problem. This requires me to a real management problem affecting firms in Kenya. I therefore request that you allow me 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 your Bank at request.

Thank you.

Yours faithfully,

David Amara

D61/60250/2011

APPENDIX II: QUESTIONNAIRE

Please give answers in the spaces provided and tick the box that matches your response to the questions where applicable.

SECTION ONE: ORGANISATION PROFILE

1) Name of the Bank...

2) How many branches do you have? ....

3) Who are the owners of the bank?

   a) State ( )

   b) Private owners ( )

   c) Both (a) and (b) ( )

   d) Any other.. (Write the owner Please)

4) What is the size of your bank in terms of capital base

   a) Large ( )

   b) moderate ( )

   c) small ( )

5) How many customers do you have compared to other banks?

   a) Many (30,000 and above) ( )

   b) Moderate (Between 10,000 and 30,000) ( )

   c) less (Less than 10,000) ( )

6) For how long has your bank been in existence? Tick as appropriate.

a) Under 5 years ( )

b) 6 – 10 years ( )

c) 11 – 15 years ( )

d) 16 – 20 years ( )

e) 21 – 25 years ( )

f) Over 25

7). How would you describe the volumes deposits in your Bank compared to other Banks? Tick as appropriate.

a) Large ( )

b) Moderate ( )

c) Small ( )

SECTION TWO: FACTORS THAT INFLUENCE THE CHOICE OF CORPORATE SOCIAL RESPONSIBILITY PROGRAMS

7) To what extend do the factors listed below influence corporate social responsibility programs in your bank. Rate them on the scales provided below:

5 - Very great extent

4 - Great extent

3 - Moderate extent

2 - Small extent

1 - Not at all

		Very great	Great extent	Moderate	Small extent	Not at all	
		5	**4**	**3**	**2**	**1**	
(i)	Communication among stakeholders						
	We communicate to stakeholders about our intentions on corporate social responsibility.						
	Stakeholders give us response on the corporate social responsibility undertaken.						
(ii)	Organizational structure						
	We do corporate social responsibility because its function is within our organization's structure						
	Our structure has the head of corporate social responsibility.						
(iii)	Company objective						
	It is our Bank's objective to do corporate social responsibility.						
	We do corporate social responsibility to meet our objective						
(iv)	Market competition						
	Corporate social responsibility is our marketing						

	strategy.						
	We do corporate social responsibility to get competitive advantage.						
	We do corporate social responsibility to gain market share.						
(v)	Technology level						
	We have high technology to do corporate social responsibility.						
	It is efficient technologically for us to do corporate social responsibility.						
(vi)	Financial capability						
	We do corporate social responsibility when we have enough money						
	We do corporate social responsibility when we have high profit						
(vii)	Ethical consideration						
	We do corporate social responsibility because it is ethical.						
	We do corporate social responsibility to help the community.						
(ix)	Rating purposes by commercial banks association of Kenya.						

	We do corporate social responsibility to get recognition.						
	We do corporate social responsibility to be rated high by central bank of Kenya.						
(x)	Everybody is involved in corporate social responsibility.						

What other factors not mentioned above influence corporate social responsibility programs in your bank.

____

____

____

____

____

Thank you for your co-operation.

APPENDIX III: LIST OF COMMERCIAL BANKS IN KENYA

ABC Bank

Bank of Africa

Bank of Baroda

Bank of India

Barclays Bank

Brighton Kalekye Bank

CFC Stanbic Bank

Chase Bank (Kenya)

Citibank

Commercial Bank of Africa

Consolidated Bank of Kenya

Co-operative Bank of Kenya

Credit Bank

Development Bank of Kenya

Diamond Trust Bank

Dubai Bank Kenya

Eco bank

Equatorial Commercial Bank

Equity Bank

Family Bank

Fidelity Commercial Bank

Fina Bank

First Community Bank

Giro Bank

Gulf African Bank

Guadian Bank

Habib Bank of Zurich

Habib Bank Kenya

I&M Bank

Imperial Bank Kenya

Jamii Bora Bank

K-Rep Bank

Kenya commercial bank

Middle East Bank Kenya

National Bank of Kenya

NIC Bank

Oriental Commercial Bank

Paramount Universal Bank

Prime Bank

Standard Chartered Bank Kenya

Transnational Bank Kenya

United Bank of Africa

Victoria Commercial Bank

(Central Bank opinion report,2012)