THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE OF SOCIALLY SCREENED OUT COMPANIES LISTED AT NAIROBI SECURITIES EXCHANGE.

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DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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

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DEDICATION

This work is dedicated to my family and friends for always wishing me the best and encouraging me endlessly. Without their love and support, completing this project would not have been possible.

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ABBREVIATIONS

CAGR - Compound Annual Growth Rate

CSR - Corporate Social Responsibility

CMA - Capital Markets Authority

KLD - Kinder Lydenberg Domini and Co. Inc

NSE - Nairobi Securities Exchange

ROA - Return on Assets

ROE - Return on Equity

ROS - Return on Sales

SRI - Socially Responsible Investing

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ABSTRACT

A business cannot thrive on a fraction of its stakeholders while excluding the others. In recent years, organizations have embraced corporate social responsibility and incorporated corporate social responsibility activities in their practices as a way of satisfying the various stakeholders. This study sought to investigate the effect of corporate social responsibility on financial performance of socially screened out companies listed at Nairobi Securities Exchange. The population of interest comprised all 23 socially screened out companies but due to non-availability of data for some companies, a census could not be carried out. The research only studied 15 companies. Secondary data used in the study for the period 2010-2014 was obtained from publications, annual reports and audited financial statements of the companies. The study employed multiple linear regression analysis to analyze data. Control variables of size, leverage and growth of sales were introduced in the model. The results indicated that there was a significant positive relationship between corporate social responsibility and financial performance. Leverage had a significant relationship whereas growth of sales had an insignificant positive relationship. Size of the company was also found to have a significant inverse relationship with financial performance.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In recent years, corporations have embraced the concept of corporate social responsibility (CSR) and many have incorporated CSR initiatives into their business practices. It is a new management strategy where companies try to create a positive impact on society while conducting their business. Corporate social responsibility is about values and standards by which business operate. It's about the commitment of business to operate legally, behave ethically and contribute to economic development while improving the quality of life of its employees, their families as well as the local community and society at large. (Holme & Watts, 2000).

Kenya is a developing country that is faced with societal and environmental problems as a result of the type of activities that its companies do. Chambers et al. (2003) noted that globalization enhances CSR in developing countries. Organizations always think about increasing their financial performance and only focus on corporate philanthropy, which aims at promoting social welfare through corporate giving without a sense of indebtedness to the public. They rarely focus on merging CSR with their core business and fulfilling the responsibilities as part of corporate obligations (Sengupta, 2011). If organizations conduct socially responsible activities, they can solve the societal and environmental problems (Henderson, 2001).

Corporate social responsibility investment is related to a company's reputation. Corporate philanthropic activities generate a positive reputation and moral capital among stakeholders, providing a company with insurance-like protection for its relationship with the stakeholders (Godfrey, 2005). Stakeholders generally approve

corporate social responsibility which becomes firm moral capital, eventually easing any adverse evaluations of the firm's bad actions.

1.1.1 Corporate Social Responsibility

Bowen (1953) defines corporate social responsibility as obligations of businessmen to pursue policies, decisions and follow lines of action which are desirable in terms of the objectives and values of the society. Carroll (1991) explains that CSR is based on behavior of the company towards its employees, customers, investors, suppliers, local communities and special interest groups. He categorizes CSR into four interrelated aspects which include economic, legal, ethical and discretionary or philanthropic responsibilities.

The economic responsibility of business is to produce goods and services that society desires and to sell them at a profit. By doing so, shareholders get a good return on their investments. The legal responsibilities of business refer to the positive and negative obligations put on businesses by the laws and regulations of the society where it operates. Legal responsibilities can range from labor law, environmental law and consumer and product law (Asemah, Okpanachi, & Edegoh, 2013).

The ethical responsibilities include those standards and norms that a company adapts because the consumers, employees, shareholders, and the community regard them as fair and just but the company does not have an obligation to do so. The responsibilities include paying fair wages, minimizing environmental pollution and incorporating responsible practices that generally reduce societal harms of business operations (Lantos, 2001). The discretionary or philanthropic responsibilities of business includes those corporate actions that go beyond what is simply required and are in response to society's expectation. Businesses can actively engaging in acts or

programs to promote human welfare such as funding projects to aid the environment and donating to charitable causes. Examples include digging boreholes for communities in arid and semi-arid areas, donating funds to children's homes, tree planting activities and donating medical equipment to hospitals.

Marsden (2001) defines corporate social responsibility as the essential behavior of a company that includes taking responsibility for its overall impact on the society in which it operates. A socially responsible company is one that earns profits, taking into account the positive and negative effects that it has on the economy, society and the environment. CSR therefore is not optional to business operations nor is it a single act of philanthropy.

There are a variety of measurement techniques to measure CSR in both academic and business communities. The first is content analysis of the area dedicated to CSR in the annual reports and other corporate documents. Sweeney and Coughlan (2008) describe content analysis as a technique that is used for determination of the presence of certain words and concepts in the text. The meanings and relationships of determined words and concepts are then analysed and quantified. The second measure is the use of reputational measures. In this method, analysts rate firms using dimensions of CSR and evaluate stakeholders, the strategy and vision of the firm with respect to CSR. An example is the Fortune magazine ratings which are generated based on opinions of the experts and senior executives and rate ten biggest companies in their industry on eight attributes of reputation (Griffin & Mahon, 1997). The other measure is the use of single issue indicators that judge only one aspect of the socially responsible activities of companies. An example is the pollution control performance reported by the Council of Economic Priorities. A combination of the indicators also

known as multiple issue indicators can also be used. Surveys can also be used to measure CSR. This involves administering questionnaires to company executives and an appraisal of the level of social performance is given based on the answers received.

1.1.2 Financial Performance

Performance is a contextual concept associated with the phenomenon being studied (Hofer, 1983). In the context of organizational financial performance, performance is a measure of the change of the financial position of an organization or the financial results from management decisions and execution of those decisions by workers of the organization. The measures of performance are selected based on the circumstance of the organization and they represent the outcomes achieved either good or bad. Organizational performance can also be judged by many parameters resulting in different interpretations of successful performance which can be considered to be unique (Carton, 2004).

Financial performance measures are intended to evaluate the effectiveness and efficiency by which organizations use financial and physical capital to create value for shareholders. Financial performance therefore is frequently determined using the accounting based measures such as return on assets (ROA), return on sales (ROS), return equity (ROE) or stock market based measures such as Tobin's Q (Combs, Crook, & Shook, 2005). Accounting based measurement is considered a vital and effective measure of the company's profitability. The ROS measures operational efficiency by analyzing how much profits a company derives from sales. The ROE measures how much a company earns in relation to the amount invested in its common stock. The ROA provides information about how much profit is generated on average, by each unit of the assets of the firm. The higher the ROA, the effective is

the use of assets to the advantage of shareholders (Haniffa & Hudaib, 2006).Tobin's Q on the other hand is a traditional measure of expected long-run firm performance. The essence of performance in an organization is the satisfaction of those contributing the assets through value creation by efficiently utilizing the assets (Carton, 2004).

1.1.3 Corporate Social Responsibility and Financial Performance

Based on the theoretical arguments by various researchers, conceptual propositions are derived from a negative and positive relationship between corporate social performance and financial performance. Friedman (1970) supports the proposal of negative association by arguing that businesses only have a responsibility of maximizing profits only. Vance (1975) found a negative association between highly socially responsible firms and financial performance. He argues that socially responsible firms incur additional costs associated with being socially responsible such as making extensive charitable contributions and promoting community development plans which could have been avoided. Mc Guire, Sundgren and Schneeweis (1988) further argue that the additional costs may put affirm at an economic disadvantage compared to other less socially responsible firms. In addition, concern for social responsibility may limit a firm's strategic alternatives.

The proposal of positive association is founded on the stakeholder theory. A meta analysis undertaken by (Orlitzky, Schmidt, & Rynes, 2003) integration of thirty years of research from previous studies, supported the proposition that corporate social performance and financial performance are positively associated and statistically significant. Some authors have argued that social responsibility would improve employee and customer goodwill (Soloman & Hansen, 1985). A firm that is highly socially responsible may encounter few labor problems, change customers' attitudes

towards its products and enhance its relationship with the stakeholders. The firm's financial performance would eventually be improved.

Waddock and Graves (1997) advocate a causal relationship between corporate social performance and financial performance. Companies with good financial performance invest in social responsibility and with this obtain a good return, which enables them to reinvest in social responsibility, deriving the idea of a virtuous circle.

1.1.4. Socially Screened Companies at the Nairobi Securities Exchange

The Nairobi Securities Exchange (NSE), formerly Nairobi Stock Exchange was officially initiated in 1954 as a voluntary organization of Stock brokers and later on registered under the Companies Act in 1991. The NSE is following its strategic plan to be a market that facilitates trading, clearing and settlement of equities, debt, derivatives and other associated instruments. The NSE is licensed and regulated by Capital Markets Authority (CMA) and has the mandate of providing a trading platform for listed securities and overseeing its member firms. It provides public offers and listing of securities traded at the exchange. The NSE has 64 companies from different sectors of the economy (NSE, 2014).

Currently, the NSE has not launched a Socially Responsible Investing (SRI) index that examines and screens companies on the exchange based on their social performance. A screen is defined as a criterion applied to a universe of potential investments that help analyse candidates. A social screen is non financial criterion of evaluating investments on social, ethical or religious grounds and applying it in the investment decision making process (Kinder & Domini, 1997). Social screening can adapt three forms which include positive, negative or best-in-class screening. Positive screens set criteria which must be met by companies. The screens essentially rank

companies on a wide range of factors such as community diversity, employee relations, human rights, product quality, health, safety standards and environmental protection measures. Negative screening eliminates companies that derive revenue from controversial business activities such as alcohol, tobacco, gambling, firearms, military weapons and nuclear power business. The best-in-class screening includes the best performers from each sector (Iraya & Musyoki, 2013).

Various social indexes use different types of screens. Kinder, Lydenberg, Domini and Co., Inc (KLD) profiles companies by applying both positive and negative screens. These include; community involvement, employment, diversity, corporate governance, environment, human rights, product and exclusionary. Calvert social index evaluates company performance on environment, workplace, product safety and impact, international operations and human rights, community relations and weapons contracting. The Dow Jones sustainability index uses best in class selection rules. It includes best companies in each industry in terms of detailed set of economic, environmental and social criteria covering general as well as industry-specific sustainability trends (Statman, 2005).

Iraya & Musyoki (2013) screened companies using negative and positive screening criteria. They screened in companies that met the criteria such as those with good labour relations and employment equality, community involvement, no acts of human rights violation and environment pollution and those that do not engage in controversial activities. They screened out companies that did not meet the criteria. Their study only focused on screened in companies. This study will therefore focus on screened out companies. These include industries that are considered sinful such as those that produce alcoholic beverages and tobacco products, companies that have negative environmental impacts such as pollution as a result of their operations and

production processes, those that do not meet labor standards by having poor labor relations, poor employer-employee relations and unequal employment opportunities. The screened out companies also include those that engage in human rights violations such as child labor and those that have poor community involvement and development records. In essence, all companies whose records are negative using the set criteria are included in the study.

1.2 Research Problem

There have been various attempts to explain the economic benefits of companies having financial success. When businesses are sustainable, they go beyond short term creation of shareholder value to meet social responsibilities (Bernstein, 2010). Through sustainable practices, successful businesses can enhance economic growth by assisting the government to slowly raise the living standards of the people. Successful companies can also enhance economic development through innovation. CSR initiatives can result in innovation through the use of social, environmental, or sustainability drivers to create new ways of working, new products, services, processes and new market space (Little, 2006).

The topic of CSR in relation to financial performance has already received a lot of attention in the literature. Previous studies have presented contradictory results. Various studies between CSR and financial performance have recorded positive, neutral and negative relationships. Those that theorized positive relation argued that companies record positive results such as increased customer loyalty, competitive advantage, improved stakeholder relationships and enhanced reputation which ultimately improve financial performance. Those that theorized negative relation argued that socially responsible companies incur additional costs, establishing

inconclusive results. It is therefore imperative to conduct a research to find out if CSR has an effect on financial performance of socially screened out companies.

Many studies, both local and global have been carried out to address the effect of CSR on firm financial performance. Globally, Waddock and Graves (1997) found out that CSR has indeed, a positive effect on firm financial performance. Tsoutsoura (2004) found a positive relationship and observed that CSR investment depended on company size, culture and industry. Choi, Kwak and Choe (2010) examined and reported a positive relationship. CSR was crucial in determining the ROA. Lopez, Garcia and Rodriguez (2007) reported a negative relationship between CSR and financial performance.

The various studies conducted globally rarely focused on the socially screened out firms. Socially screened out companies are not fully socially responsible. On one hand, they engage in activities in their daily operations and production processes that may have a significant negative effect on their performance. These companies pollute the environment and do not maintain good relations with employees. They also violate human rights and are least involved in developing the society that they live in. Some engage in controversial business activities such as production of alcoholic and tobacco products. On the other hand, these companies support some CSR activities such as corporate philanthropy. Locally, Osubiri (2006) studied CSR and portfolio performance and found that CSR had an effect on portfolio performance. Mwangi and Jerotich (2013) realized that there was no significant positive relationship between CSR practice and financial performance. Kipruto (2014) found out that expenses on social course had an effect on financial performance of commercial banks in Kenya.

The aforementioned studies have concluded that there is an association between CSR and financial performance. However, CSR has not been studied in firms that have been screened out and whose records are negative after being subjected to social screens as a result of their actions. Most firms face criticism for their actions but the public may be more forgiving and support the firms, if they voluntarily engage in CSR activities. It is therefore essential to determine whether CSR influences financial performance despite their actions. This study therefore seeks to answer the following question; what is the effect of corporate social responsibility on financial performance of socially screened out companies?

1.3 Research Objective

The objective of the study is to determine the effect of corporate social responsibility on financial performance of socially screened out companies listed at the NSE.

1.4 Value of the Study

The knowledge provided in this study will be important to scholars and academic researchers since it would enhance literature on corporate social responsibility and the financial performance of companies. It will stimulate interest, generate debates and discussions among researchers and hence contribute to the existing body of knowledge. It would also act as a basis for further research.

The study will be significant since its findings would assist the managers to make informed decisions on how to balance economic, legal, ethical and philanthropic responsibilities so as to meet stakeholders' expectations while at the same time improve their financial performance.

The government would utilize the findings to formulate policies that would ensure businesses make sustainable development over and above what the law obliges them to do by conducting socially responsible activities. The study will challenge the legislators and environmentalists and the government at large to introduce new rules, design new regulatory agencies and strengthen existing departments so as to promote corporate social responsibility.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter contains a review of relevant theories that explain corporate social responsibility and financial performance of firms. It also presents various empirical studies that are relevant to corporate social responsibility and firm financial performance as well as determinants of financial performance.

2.2 Theoretical framework

The theoretical framework is the structure that can hold and support a theory of a research study. It introduces and describes the theory which explains why the research problem under study exists. This sub section explains theories and concepts relevant to the topic of study.

2.2.1 Apologia for the Status Quo Theory

Hoover (1989) defines apologia as a genre of public address in self-defense or a genre of communication in a process that may include ongoing attempts to repair reputation. Hearit (2006) explains that apologia is not an apology, though it may contain one, but a defense that seeks to present compelling counter description of organizational actions. Organizations and societies are in constant transition, evolving and changing from one form to another but some are resistant to change and prefer keeping things the way they are or maintaining the status quo (Jost, Banaji, & Nosek, 2004). They further argue that organizations are motivated to some extent to defend, bolster and rationalize aspects of their status quo. Organizations can fail to act in the public interest through acts of wrong doing in their daily operations and production processes, but they can bolster their image and reputation by doing other good acts and still maintain their flawed status quo. When organizations face criticism for their

actions, they can use CSR activities as an apologia for their acts of wrong doing. Through apologia, organizations face their wrong and deal with the problem indirectly. For example, in the case of environmental pollution they may offer to assist communities in other ways and insist that they are doing it out of charity and seek restoration back to into the community (Hearit, 1999).

2.2.2 Stakeholder Theory

Freeman (1984) developed the stakeholder theory and defined the stakeholder as any group or individual who can affect or is affected by the achievement of the firm's objectives. Freeman further defined stakeholders as those groups who are vital to the survival of the organization. He identified stakeholders as suppliers, customers, employees, stockholders and the local community as well as the management.

Donaldson and Preston (1995) viewed stakeholder theory from descriptive, normative and instrumental taxonomic branches. The descriptive stakeholder theory is used to describe, and sometimes to explain, specific corporate characteristics and behaviors. It seeks to outline the views of participants of the mission and objectives of their organization and its actions with regard to different stakeholders. Instrumental stakeholder theory identifies the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives such as growth and profitability. It assumes that the corporation is an instrument for wealth creation with CSR conceived as a strategic tool to promote achievement of economic objectives (Garriga & Mele, 2004).

Normative stakeholder theory interprets the function of the corporation, including the identification of moral or philosophical guidelines for the operation and management of corporations. The theory delineates philosophically based moral obligations

towards stakeholders focusing on the ethical requirements that cement the relationship between business and society (Garriga & Mele, 2004). Evan and freeman (1990) justified the normative theory by asserting that a company should be managed for the benefit of its stakeholders. Stakeholders must participate in decisions that substantially affect their welfare. Managers must act in the interests of the stakeholders as their agent in the interests of the corporation to ensure the survival of the firm. Freeman also tried to build on the normative theory by introducing the Doctrine of fair contracts which explained how the relationship between stakeholders and the corporation could be enhanced through six principles.

Stakeholder theory offered a new way to organize thinking about organizational responsibilities. By suggesting that the needs of shareholders cannot be met without satisfying to some degree the needs of other stakeholders, it turned attention to considerations beyond direct profit maximization. In other words, even when a firm seeks to serve its shareholders as a primary concern, its success in doing so is likely to be affected by other stakeholders (Foster & Jonker, 2005; Hawkins, 2006).

Modern corporate stakeholder theory contends that the value of a firm depends on the cost not only of explicit claims but also of implicit claims such as quality service and corporate social responsibility. Thus firms with an image of high corporate social responsibility may find that they have more low cost implicit claims than other firms and thus have higher financial performance (Cornell & Shapiro, 1987).

2.2.3 Social Contracts Theory

Gray, Owen and Adams (1996) describe society as a series of social contracts between members of society and society itself. A social contract is a set of rules and assumptions about behavior patterns among the various elements of society (Weiss,

2008).According to this theory, a business must act in a responsible manner not only because it is in its commercial interest to do so, but because it is part of how society expects it to operate (Moir, 2001). The social contract is rooted in the customs of society, formulated between the public and the organization when they exchange something and exercised in an ethical manner (Weiss, 2008). He further argued that the social contract should be based on agreements between the corporation and the stakeholders and both parties should be satisfied with it. Donaldson and Dunfee (1999) describe macro and micro social contracts in the integrated social contracts theory. A macro social contract appeals to all rational contractors whereas a micro social contract appeals to an identified community based on the attitudes and beliefs of the community. Donaldson uses social contract theory to establish the moral foundation of the corporation. He argues that corporations considered as productive organizations exist to enhance the welfare of society through the satisfaction of consumer and worker interests, in a way which relies on exploiting corporations' special advantages and minimizing disadvantages. Long-term economic benefits of organizations, according to the social contracts theory depends on the contracts between the organization and stakeholders.

2.2.4 Good Management Theory

The theory was developed by Sandra Waddock and Samuel Graves and it is used to explain the connection between corporate social performance and financial performance. Waddock and Graves (1997) view corporate social responsibility as a tool with low costs but potentially great benefits. The proposition asserts that a company should try to satisfy its stakeholders without concentrating on its financial situation. If management is focused clearly and directly on demands from its

stakeholders, a fairer and more rational assessment of competing demand would result in good management (Jones, 1995). Alexander Buchholz (1978) suggested that a socially aware and concerned management will possess the requisite skills to run a superior company. A good management team that is capable of managing the resources of the firm in a way that stakeholder interests are satisfied and good relations maintained will also make the company perform well in social dimensions. As a result the company would achieve a good image and reputation and hence improve its financial performance (Waddock and Graves, 1997).

2.3 Determinants of Financial Performance

A firm's financial performance is directly influenced by many factors. The various factors have differing influences on the firm depending on the circumstance and situation of the firm. Therefore, no common collection of these factors has been established yet to be determinants of financial performance. Analysis of determinants of financial performance is essential for all stakeholders.

2.3.1 Company Size

The size of the firm is a factor that determines a company's financial performance. Financial performance of a firm can be affected by its size in different ways. Size affects the firms' practices and capabilities. Flamini, McDonald, and Schumacher (2009) argued that larger firms are more competitive than smaller firms in harnessing economies of scale in transactions and enjoy a higher level of profits. On the other hand, as firms become larger, they might suffer from inefficiencies, leading to inferior financial performance.

2.3.2 Leverage

According to Rajan and Zingales (1995), leverage can be defined as the ratio of total liabilities to total assets. It can be seen as an alternative for the residual claim of equity holders. This ratio shows the degree to which a business is utilizing borrowed money. According to (Grossman & Hart, 1982), firms which are mostly equity financed may have low risk of bankruptcy compared to highly leveraged firms. If the levered firms are unable to meet their debt repayment obligation, they may be unable to find lenders in the future. Leverage can increase the shareholders' return on their investment and make good use of the tax shield associated with borrowing.

2.3.3 Growth

Firm's growth is related to its activities (Coad, 2007). Firm growth can be determined by growth in assets or sales. As one of the activities carried out by firms, sales growth is positively and robustly associated with financial performance. High growth firms are expected to record higher returns. The expected future good returns are used by financial markets to determine the value of the firm. Other than determining financial performance of a firm, growth is also an important component in influencing valuation (Varaiya, 1987).

2.4 Empirical Review

Waddock and Graves (1997) investigated the relationship between CSR and Financial performance using a sample of 469 companies in USA for the period of 1989-1991.CSR was measured using KLD database which rates standard and poor 500 companies on eight different CSR attributes. Financial performance was measured by return on assets, return on equity and return on sales. The control variables in the regression model accounted for size, risk and industry. Companies in

the financial sector and wholesaling and retailing sectors reported the highest CSR index and hence were ranked the best. This proved that companies with better financial position had better CSR practices. The findings of the research indicated a significant positive relationship between corporate social responsibility and financial performance.

Tsoutsoura (2004) studied the relationship between CSR and financial performance in the USA using a sample of 422 firms from the S&P 500 for a period of five years, 1996-2000. CSR was measured using the KLD rating and participation in the Domini 400 social index. Financial performance was measured by return on assets, return on equity and return on sales. Cross-sectional time series regression analysis was used to test the hypotheses using financial performance as the dependent variable and controlling for size, debt level and industry. She found that there was a significant positive relationship between CSR and financial performance. She further observed that each company differed in how it implemented CSR depending on the company's size, industry, business culture, and stakeholders' demands and how progressively the company engaged in CSR.

Choi et al. (2010) investigated the relationship between CSR and financial performance in Korea. A sample of 1222 firms in the years 2002-2008 was used. Corporate social responsibility was measured by both an equal-weighted CSR index and a stakeholder-weighted CSR index. Financial performance was measured by return on assets. Cross sectional regression model was used in the analysis and the study reported a positive and significant relationship between stakeholder-weighted CSR index and financial performance.

Barnett and Salomon (2006) investigated the relationship between social responsibility and financial performance within mutual funds that practiced socially responsible investing (SRI). They conducted an empirical test on 61 managed SRI funds from 1972 to 2000. They found out that there was a curvilinear relationship between the two and financial performance depended on the kind of screens used. They concluded that a positive relation existed between CSR and corporate financial performance.

Lopez et al. (2007) analyzed corporate social performance and financial performance of a sample of two groups of 55 European firms across the years 1998-2004 quoted in the Dow Jones Global Index (DJGI) and Dow Jones Sustainability Index (DJSI). They used the Dow Jones Sustainability Index to measure corporate social performance and accounting measure of profit or loss before taxes to measure financial performance. They further controlled for industry, size, and risk and found a negative relationship between CSR and financial performance. The theory behind the finding was companies that engaged in CSR programs were at a disadvantage because they incurred unnecessary and avoidable costs.

Mwangi and Jerotich (2013) studied the relationship between corporate social responsibility practices and financial performance of firms in the manufacturing, construction and allied sector of the Nairobi Securities Exchange. The study used descriptive research design and a sample of 10 companies in the sector across the years 2007-2011. CSR was measured using content analysis and financial performance was measured using ROA. Regression analysis was used to establish the relationship between financial performance and CSR practice of firms listed in the Manufacturing, Construction and allied Sector of the NSE. They controlled for

manufacturing efficiency and capital intensity. The results of the study indicated an insignificant positive relationship between CSR practice and financial performance.

Cheruiyot (2010) carried out a research to establish the relationship between corporate social responsibility and financial performance of firms listed at the NSE. This was a cross sectional study of all the 47 listed companies in the NSE's main segment between years 2004-2008. He measured CSR through survey by administering questionnaires to the companies. Using regression analysis he sought to establish the relationship between the CSR index and financial performance measured by return on assets, return on equity and return on sales. His conclusion was that there was a statistically significant relationship between CSR and financial performance.

Osubiri (2006) set out to study CSR and portfolio performance at NSE .The study included all 46 companies quoted at NSE from 2001-2005. He measured CSR using the managerial perspective and content analysis. Through regression and correlation analysis, he sought to establish the relationship between CSR and portfolio performance measured using Sharpe ratio. He found out that there was a relationship between CSR and portfolio performance. All portfolios performed better than the market proxy.

Kipruto (2014) studied the effect of CSR on financial performance of commercial banks in Kenya. The study included a sample of 8 out of the 44 commercial banks in Kenya from 2009-2013. CSR was measured using expenses on social activities. He used descriptive research design and multiple regression models to analyze the effect of corporate social involvement on financial performance of the banks. He concluded that expenses on social course had a positive effect on the financial performance of commercial banks.

Ngatia (2014) investigated the effect of corporate social responsibility on financial performance of insurance companies in Kenya. A sample of 20 insurance firms across the years 2009-2013 was used.CSR was measured using expenses on social activities. Regression model was used to analyze the relationship between CSR and financial performance. The findings indicated a negative relationship between CSR and financial performance of insurance companies.

2.5 Summary of Literature Review

CSR is an important aspect concerned with integration of environmental, social, economic and ethical considerations into business practices. The question of how CSR affects financial performance of the firms is still being researched. Although there is evidence showing positive and negative relationship between CSR and financial performance, no definitive consensus exists. This study therefore sought to bridge the gap by investigating the effect of corporate social responsibility on the financial performance of socially screened out firms in the Kenyan context.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design adopted. It also describes the population of the study and data collection methods used. The chapter ends by describing the data analysis techniques used in analyzing the data and the models applied in data analysis to provide the required results.

3.2 Research Design

The study was based on descriptive research. Descriptive research determines the way things are or answers questions concerning the current status of subjects in a study (Mugenda & Mugenda, 2003).The design enables the researcher to generalize the findings to a larger population. The study used descriptive statistics.

3.3 Population of the Study

Cooper and Emory (1995) define population as the total collection of elements about which the researcher wishes to make inferences. They further define element as the subject on which the measurement is being taken and is the unit of study. The population of the study was 23 companies screened out by Iraya & Musyoki (2013) as indicated in Appendix A.

3.4 Data Collection

The study used secondary data from the NSE. The data was collected from audited financial reports for the period 2010-2014, publications by the companies and the respective websites of the companies. CSR scores were obtained from the company annual reports. Total assets, liabilities and sales were obtained from audited financial statements. Data that was used for screening was obtained from financial and policy

statements. Social screening was conducted by analyzing the nature of operations of companies. Companies involved in environment pollution and controversial business activities were screened out. Social screening was also carried out through content analysis of financial statements and policy statements to determine company commitment to community investing, employment equality and labour relations. Kenya National Bureau of Statistics also provided data on poor records on employment equality, labour and human rights law suits. Companies with no commitment to community investing, poor records on employment equality, poor labour relations records and human rights law suits were screened out.

3.5 Data Analysis

The data collected was subjected to editing, coding, and entry activities to ensure accuracy, consistency and completeness. CSR has various dimensions such as community involvement, human resources issues, environmental issues and customer concerns among others. Content analysis was used to analyze the various CSR activities. The method involved obtaining the total CSR score for the various dimensions of CSR. The score was based on the number of sentences dedicated to each dimension in the company's social or annual report. Regression analysis was used to determine the relationship between CSR and financial performance. CSR was the independent variable whereas financial performance was the dependent variable. Other control variables in the regression model included size, leverage and growth to observe the association of CSR and financial performance. The Statistical Package for Social Sciences (SPSS) version 21 was used to analyze and interpret the data collected.

3.5.1 Analytical model

The multiple linear regressions took the form:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$

Where:

Y = Financial performance (Return on Assets measured by Net profit/Total Assets)

α =Constant term

βi=Beta/Coefficients of independent variables

X_1= CSR score

X_2= Size of the company (log of total assets)

X_3=Leverage measured by (Total liabilities/Total assets)

X_4= Growth of company sales measured by (CAGR)

μ =Error term

3.5.2 Test of Significance

The coefficient of determination R^2 was used to determine the goodness of fit of the regression model. The overall significance of the model was tested. Significance level of individual regression coefficients was tested by the P value and carrying out a t-test at a 5% level of significance.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research objective and methodology. The study findings are presented on the effect of corporate social responsibility on financial performance of socially screened out companies quoted at Nairobi Securities Exchange. Data was obtained from secondary source which included the company annual reports and other publications.

4.2 Response Rate

The study targeted 23 socially screened out companies listed at NSE but only 15 companies provided complete required data for the study presenting a response rate of 65%. The rate is above Mugenda and Mugenda (2003) 50% minimum prescribed significant response rate for statistical analysis.

4.3: Descriptive Statistics

Table 4.1 below presents the descriptive analysis on the dependent and the independent variables in the study. The standard deviation, mean, highest and lowest statistics were calculated using SPSS so as to clearly understand the data.

Table 4.1: Descriptive Statistics

	N	Min	Max	Mean	Std. Dev
Financial performance (ROA)	75	-.19	1.75	.1033	.23267
CSR Score	75	5.00	119.00	32.6933	26.02388
Company size	75	13.66	19.34	16.4602	1.58837
Leverage	75	.01	6.76	.6376	.82465
Growth of sales	75	-.11	.17	.0161	.03763

Source: Research Data

Table 4.1 presents results of the descriptive statistics. From the findings, financial performance, as measured by ROA ranged from negative 0.19 to a maximum of 1.75 with a mean of 0.1033 and a standard deviation of 0.23267. For CSR as a score of the social activities carried out by the respective organizations, the minimum score was 5.00 with a maximum of 119, mean of 32.6933 and a standard deviation of 26.02388. Company size measured by natural logarithm of total assets had a minimum value of 13.66 while the maximum value was 19.34. The mean was 16.4602 with a standard deviation of 1.58837. Leverage recorded a lowest value of 0.01 while the highest value was 6.76. The mean was 0.6376 and the standard deviation was 0.82465. Growth of company sales had a minimum value of negative 0.11, maximum of 0.17, mean of 0.0161 and a standard deviation of 0.03763. The standard deviation indicates high variability in the variables.

4.4 Correlation Analysis

The Pearson product-moment correlation coefficient also denoted by r is a linear correlation used to find the degree of the association of two set of variables quantitatively. It indicates the magnitude and direction of the relationship between the two variables. The results are between -1 and +1. It attempts to draw a line of best fit through the data of two variables. The closer the value of r gets to zero, the greater the variation the data points are around the line of best fit. The results of Pearson product-moment correlation conducted are presented in table 4.2.

Table 4.2: Correlations Matrix

		ROA	CSR	Size	Leverage	Growth
ROA	Pearson Correlation	1	.063	-.305**	.323**	.217
	Sig. (2-tailed)		.592	.008	.005	.061
	N	75	75	75	75	75
CSR	Pearson Correlation	.063	1	.635**	.158	-.046
	Sig. (2-tailed)	.592		.000	.176	.692
	N	75	75	75	75	75
Size	Pearson Correlation	-.305**	.635**	1	.213	-.025
	Sig. (2-tailed)	.008	.000		.066	.834
	N	75	75	75	75	75
Leverage	Pearson Correlation	.323**	.158	.213	1	.081
	Sig. (2-tailed)	.005	.176	.066		.488
	N	75	75	75	75	75
Growth	Pearson Correlation	.217	-.046	-.025	.081	1
	Sig. (2-tailed)	.061	.692	.834	.488	
	N	75	75	75	75	75
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Research Data

Pearson Moment of correlation was conducted to determine the strength and direction of the relationship between CSR and financial performance of socially screened out companies. The results of correlation analysis indicated in table 4.2 above show that there is a weak positive relationship between financial performance of socially screened out companies listed at the NSE as measured by ROA and corporate social responsibility as indicated by the correlation coefficient of 0.063. However, the relationship is not significant as indicated by the p-value of 0.592.

For leverage, there was a weak positive relationship between financial performance of socially screened out companies at the NSE as explained by the coefficient correlation of 0.323 with a p-value of 0.005 indicating that leverage is significant in explaining financial performance of the companies.

A weak positive relationship existed between financial performance of socially screened out companies at the NSE and growth in company sales as indicated by the correlation coefficient of 0.217. The significance value of 0.06 indicates that growth of company sales was insignificant in explaining financial performance of socially screened out companies.

The relationship between financial performance and size of the company measured by natural logarithm of total assets revealed a negative and moderate relationship between the two variables as depicted by the correlation coefficient of -0.305. Company size was significant in explaining the variation in financial performance of socially screened out companies as indicated by a significance value of 0.008.

4.4.1 Test of multi-collinearity

The correlation matrix presented in table 4.2 was used to test for presence of multi-collinearity. Multi-collinearity occurs when two or more predictors in the model are strongly correlated and do not provide significant information about the response. If two predictor variables have correlation coefficients greater than 0.75 then there is a greater probability that multi-collinearity may arise and one may be removed from the model. Table 4.2 indicates that no case of multi-collinearity among the independent variables existed. Thus the model in this study could be used to forecast financial performance of socially screened out companies listed at Nairobi Securities Exchange.

4.5 Regression Analysis

A multiple regression was further conducted on the socially screened out companies listed at NSE. The regression results for financial performance as the dependent variable and the various independent variables are presented.

Table 4.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.724[a]	.524	.518	.18693

a. Predictors: (Constant), growth, total assets, leverage, csr

Source: Research Data

4.5.1 Goodness of Fit Test

Table 4.3 above shows a model summary of regression analysis between four independent variables which include; CSR, size of company, leverage, growth of sales and a dependent variable namely return on assets. The correlation coefficient value of 0.724 indicates a strong positive correlation between the dependent and independent variables. The coefficient of determination R square of 0. 524 and adjusted R square of 0.518 indicate that 51.8% of changes in the financial performance (ROA) were attributed to CSR, size of the company, leverage and growth in sales. Significance of all the values in the model summary indicates that the study model can be used to forecast financial performance.

Table 4.4: Analysis of Variance (ANOVA)[a]

	Sum of Squares	Df	Mean Square	F	Sig. (p-value)
Regression	1.560	4	.390	11.161	.000[b]
Residual	2.446	70	.035		
Total	4.006	74			

a. Dependent Variable: ROA
b. Predictors: (Constant), Growth, Total Assets, Leverage, CSR

Source: Research Data

ANOVA compares differences of means by looking at the amount of variation between groups with the amount within groups of variables. It provides a basis for testing significance and hypothesis. Table 4.4 above presents ANOVA statistics of the processed data at 5% level of significance. The value of calculated F is 11.161 whereas the value of F critical at 5% level of significance with numerator degrees of freedom 4 and denominator degrees of freedom 74 is 2.495. The calculated value is

greater than the critical value (11.161>2.495) indicating that CSR, size of the company, leverage and growth of sales significantly explained the changes in financial performance. The P-value (0.000<0.05) in table 4.4 indicates that there is a significant relationship between the response and predictor variables. The null hypothesis that states there is no significant relationship between the response and predictor variables was therefore rejected and the alternate one was accepted meaning that there is a statistically significant relationship between financial performance of socially screened out companies and selected predictor variables namely CSR, size of the company and leverage.

Table 4.5: Regression Coefficients[a]

	Unstandardized Coefficients		**Standardized Coefficients**	**T**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	1.462	.273		5.360	.000
CSR	.004	.001	.425	4.000	.001
Log Assets	-.095	.018	-.651	-5.331	.000
Leverage	.107	.027	.379	3.947	.000
Growth	1.176	.580	.190	2.026	.057

a. Dependent Variable: ROA

Source: Research Data

The analytical model which was:

$(Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4)$

From the Table 4.5 above, substituting the coefficients the model is therefore specified as:

$ROA=1.462+0.004X_1-0.095X_2+0.107X_3+1.176X_4$

Where; Y is financial performance (ROA), β is a constant, X_1 is CSR score, X_2 is size of the company, X_3 is Leverage and X_4 is growth of sales.

CSR, leverage and growth of company sales had a direct relationship with financial performance whereas size of the company was inversely related with financial performance of the companies.

From the above regression equation it was revealed that holding corporate social responsibility, company size, leverage and growth of sales to a constant at zero financial performance of socially screened out companies would be 1.462. However, a unit increase in CSR will lead to an increase in financial performance of socially screened out companies by 0.004 units. A unit increase in total assets will decrease the financial performance by -0.095 units. A unit increase in leverage will increase financial performance by 0.107 and finally, a unit increase in company sales will increase financial performance of socially screened out companies by 1.176.

At 95% level of confidence, size measured by log of total assets has a significance of 0.000, CSR had a significance of 0.001, leverage had a significance of 0.000 and growth had a significance of 0.057. The findings indicate that the significant predictors of financial performance were size of the company ($\beta= -0.095$, $p<0.05$), CSR ($\beta=0.004$, $p<0.05$) and leverage ($\beta=0.107$, $p<0.05$). Financial performance was not significantly predicted by growth of company sales ($\beta=1.176$, $p>0.05$).

4.6 Discussion of Research Findings

The study established that CSR is a significant factor in determining financial performance of socially screened out companies listed at NSE. The results imply that investment in CSR would improve financial performance. The study findings indicated by the correlation coefficients in the regression model indicate that when CSR, size of the company, leverage and growth of sales are held constant financial performance would equal to 1.462. The positive correlation coefficients $\beta=0.04$,

β=0.107 and β=1.176 show that CSR, leverage and growth in sales had a positive effect on financial performance of socially screened out companies. Size of the company β= -0.095 had an inverse relationship with financial performance. The model illustrates that, for every unit increase in CSR company financial performance would increase by 0.004 units. Every unit increase in leverage would increase financial performance by 0.107 units. Similarly, an increase in company sales would increase financial performance by 1.176 units. A unit increase in total assets would decrease financial performance by -0.095 units. A model of four predictor variables (CSR, size, leverage and growth) could be used to forecast financial performance of socially screened out companies listed at NSE for the period 2010-2014. The multiple regression model with the adjusted R^2= 0.518, F (4, 70) =11.16 and a standard error of 0.1869 is statistically significant and a fair estimate of the relationship in that it would explain how the predictor variables affect financial performance as a response variable.

The relationship between financial performance and corporate social responsibility was positive and significant. It was also in accordance with the theoretically expected relationship. The results of the study were also similar to those of Choi, Kwak and Choe (2010) study on Korean companies for the period 2002-2008. The findings of the study were also consistent with those of Waddock and Graves (1997) who found that corporate social performance was positively associated with financial performance. Waddock and Graves (1997) also controlled for size and established that it significantly influenced financial performance. Similarly, Tsoutsoura (2004) established a positive linkage between corporate social performance and financial performance. The findings further indicated that both size and debt included as control variables had an inverse but significant relationship ($p<0.001$) with financial

performance. The results of this study corroborate those of Cheruiyot (2010) who found that there was a statistically significant relationship between CSR and financial performance of firms listed at NSE. Lopez, Garcia and Rodriguez (2007) found that an analysis of ROA as a measure of financial performance indicated a relationship between CSR and financial performance. However, in contrast to the findings of this study, that relationship was deemed to be negative. The findings of this study indicate that leverage significantly explained the changes in financial performance measured by ROA. Fauzi (2009) found that leverage as a control variable moderated the relationship between CSR and financial performance. The study also found that even though growth of company sales had a positive relationship it was not significant. The findings contradict those of Ofori, Nyuur and S-Darko (2014) who established that growth of company sales was a significant contributing factor to financial performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter, based on the results from data analysis conducted presents the conclusion, recommendations for policy as well as the limitations of the study. The final section highlights areas for further research.

5.2 Summary of findings

The study used descriptive research design and covered the period 2010-2014. Financial performance was measured by net profits to total assets whereas CSR was measured by a score obtained from counting the number of sentences dedicated to CSR in the company annual reports, websites and other publications. Regression analysis was used to establish the relationship between CSR and financial performance of socially screened out companies listed at NSE. Company size, leverage and growth of company sales were also included as control variables in the model. The correlation coefficient of 0.724 revealed that there was a strong relationship between the independent variables (CSR, size of the company, leverage and growth of company sales) and dependent variable (ROA). CSR and leverage had a significant positive relationship with financial performance. Company size had an inverse linear relationship with financial performance that was significant. Growth of company sales had a positive relationship with financial performance that was not significant.

The study further identified the various CSR initiatives conducted by the companies. These include; Environment contribution, community involvement, human resources, product contribution and customer relation among others. Companies screened out as

a result of poor labour relations and employment inequality dedicated on average 20% of their social investments to the staff as indicated in Appendix E. These companies did not actively engage in CSR as shown by their low scores. All companies dedicated a portion of their social investments to the environment. However, none of the companies screened out as a result of environment pollution allocated more than 40% of their CSR investments towards environment conservation as illustrated by the scores in Appendix E. Most of the socially screened out companies dedicated their social investments towards the community, mostly through education projects. This is indicated by the highest score of 1148 under community involvement followed closely by human resources, for the period 2010-2014. Product contribution and customer relation was the least CSR activity.

5.3 Conclusion

The main objective of the study was to determine the effect of corporate social responsibility on financial performance of socially screened out companies listed at NSE. The study used a multiple regression model and established that CSR had a positive and significant effect on financial performance (ROA) for the socially screened out companies. The study concludes that CSR had a positive and significant effect on financial performance. Therefore, CSR practices should be encouraged since they improve financial performance. Growth of sales had a positive relationship. However, it did not significantly explain variability in financial performance measured by return on assets. The study also concludes that there is a positive relationship between leverage and financial performance. Companies should obtain debt from concerned stakeholders since there is a relationship between the two variables but ensure that they do not do so excessively such that in fulfilling their

obligation to the creditors, they do not meet the interests of other stakeholders such as shareholders and the community.

The study further concludes that company size, represented by total assets had an inverse but significant relationship with financial performance. This implies that companies should not only increase their assets, but efficiently utilize the assets and other resources provided by the stakeholders so as to realize good financial returns. The positive relationship exhibited in this study confirms that CSR is good and firms should fairly increase their investments in all CSR dimensions, not a particular CSR dimension.

5.4 Recommendations

The findings indicate that CSR is good for financial performance of companies. The researcher recommends the government to partner with the companies in provision of public goods as a way of encouraging CSR. Some public goods may be effectively outsourced to these companies according to their circumstances and nature of their operations so that firms, use the resources allocated for social investments and their expertise coupled with government assistance to provide public goods with much greater level of efficiency and responsibility. This would ensure that companies do not carry out only a few selected CSR activities. The companies as well as the society need to ultimately benefit from CSR activities.

The implication of the results to practice is that managers of the various socially screened out companies listed at NSE should attempt to increase their allocations to CSR activities. Since CSR improves financial performance, management of the various companies should initiate CSR projects based on the nature of their operations. Companies that pollute the environment for example, should dedicate 50%

or more of their allocations for social investments towards environment conservation. Similarly, companies that manufacture products that are harmful if consumed excessively should channel significant amounts of their social funds towards health projects. By doing so, organizations can defend, bolster and rationalize aspects of their status quo in a much acceptable way. The management should further consider implicit costs such as CSR other than explicit costs that may result if the company acted in an irresponsible way. A good management team as explained by the good management theory, that is capable of managing the resources of the firm in a way that stakeholder interests including those of employees are satisfied and good relations maintained will also make the company perform well in social dimensions. Therefore, the management of the socially screened out companies needs to improve their relations with employees and satisfy their needs before considering the society as doing so would increase their productivity and hence improve financial performance.

Disclosure of CSR information in Kenya is voluntary. The relevant authorities should ensure that it's mandatory for companies to disclose and report all details of their social and environmental activities. This would help ensure that firms present more consistent and comparable annual reports which would benefit the stakeholders. Companies should also have a uniform way of reporting their corporate social activities. Regulators should agree on a CSR reporting standard so that companies can use it to prepare their CSR reports.

5.5 Limitations of the study

A number of important limitations need to be considered. Firstly, this study examined company annual reports only based on five year period 2010-2014 and generalization of findings was limited to screened out companies listed at NSE. Secondly, the study was limited to the measurement of CSR as it only used content analysis which

assigned scores to the companies based on a pre determined set of CSR activities. The method did not indicate the extent of quality of CSR activities performed.

If another measure such as the actual amount of money spent on the various social activities was considered, possibly different results could be obtained. The study was also limited to one financial performance indicator, ROA to determine firm financial performance and the effects of some control variables such as company size, leverage and growth of company sales.

5.6 Suggestions for further research

From the findings of this study, it is suggested that further research be carried out using more years or a longer period and a larger sample size such as other screened out organizations in the country that engage in corporate social responsibility in order to establish its effect on financial performance.

Further studies could include other control variables such industry and more accounting or market based measures of financial performance such as return on equity, return on sales or even Tobin's Q to establish a more comprehensive conclusion on the relationship between CSR and financial performance.

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APPENDICES

Appendix A: Socially Screened Out Companies

	Company	Reason for failing screening criteria
1.	Sasini	Poor labor relations and unequal employment opportunity
2.	Eaagards Ltd	Poor labor relations and unequal employment opportunity
3.	Kakuzi Ord.	Poor labor relations and unequal employment opportunity
4.	Kapchorua Tea	Poor labor relations and unequal employment opportunity
5.	Limuru Tea co	Poor labor relations and unequal employment opportunity
6.	Williamson Tea	Poor labor relations and unequal employment opportunity
7.	Hutchings Biemer Ltd	Environment pollution
8.	Kenya Airways Ltd	Environment pollution
9.	B.O.C Kenya Ltd	Environment pollution
10.	British American Tobacco	Produces tobacco products
11.	Carbacid Investments Ltd	Environment pollution
12.	East African Breweries Ltd	Produces alcoholic beverages
13.	Eveready East Africa Ltd	Environment pollution
14.	Car and Gen Ltd	Environment pollution
15.	Sameer Africa Ltd	Environment pollution
16.	Marshalls E.A	Environment pollution
17.	KenGen Ltd	Environment pollution
18.	Kenol Kobil	Environment pollution
19.	Kenya Power	Environment pollution
20.	Total Kenya	Environment pollution
21.	ARM Cement	Environment pollution
22.	Bamburi Cement	Environment pollution
23.	E.A Portland Cement	Environment pollution

Source: Performance of socially screened portfolio at Nairobi Securities Exchange by C. Iraya and L. Musyoki, 2013, International Journal of Business, Humanities and Technology, 3(6), 73-83

Appendix B: CSR Data Entry Form

Company	Environment Contribution	Community Involvement	Human Resources	Product & Customer Relation	Others	Total score

*A score is a sentence on each dimension of CSR

Appendix C: Total CSR Score

	Company	2010	2011	2012	2013	2014	Average
1	**Sasini**	10	9	20	14	14	13
2	**Kapchorua Tea**	9	9	13	9	9	10
3	**Williamson Tea**	9	9	20	9	9	11
4	**Kenya Airways**	69	61	56	46	42	55
5	**B.O.C Ltd**	7	11	7	7	7	8
6	**Carbacid Investments**	7	9	6	7	7	7
7	**EABL**	53	60	59	65	54	58
8	**Car & General**	5	7	7	7	7	7
9	**Sameer Africa**	44	48	35	58	36	44
10	**KenGen**	48	39	73	59	87	61
11	**Kenol Kobil**	15	16	13	10	12	13
12	**Kenya Power**	47	63	49	51	54	53
13	**ARM cement**	20	18	21	45	32	27
14	**Bamburi Cement**	82	73	54	80	119	82
15	**E.A Portland cement**	37	41	41	63	54	47

Source: Research Data

Appendix D: Total CSR Activities per Dimension (2010-2014)

Company	Environment contribution	Community Involvement	Human Resources	Product Contribution & Customer Relation	Others
Sasini	10	22	10	10	15
Kapchorua Tea	1	32	10	1	5
Williamson Tea	2	38	10	1	5
Kenya Airways	22	113	110	10	19
B.O.C Ltd	5	11	15	1	7
Carbacid Investments	4	13	5	9	6
EABL	24	144	77	21	25
Car & General	3	19	2	4	5
Sameer Africa	34	83	72	21	11
KenGen	44	145	90	8	15
Kenol Kobil	2	56	2	1	7
Kenya Power	42	100	46	32	33
ARM Cement	32	78	15	3	8
Bamburi Cement	70	170	117	8	43
E.A Portland	53	124	20	5	34
TOTAL	348	1148	601	135	238

Source: Research Data

Appendix E: CSR per social screen employed

A: Human Resources															
	2010			2011			2012			2013			2014		
Company	**HR**	**CSR**	**%**	**HR**	**CSR**	**%**	**HR**	**CSR**	**%**	**HR**	**CSR**	**%**	**HR**	**CSR**	**%**
Sasini	2	10	**20**	2	9	**22**	2	20	**10**	2	14	**14**	2	14	**14**
Kapchorua	2	9	**22**	2	9	**22**	2	13	**15**	2	9	**22**	2	9	**22**
Williamson	2	9	**22**	2	9	**22**	2	20	**10**	2	9	**22**	2	9	**22**
B:Environment	**EV**	**CSR**	**%**	**EV**	**CSR**	**%**	**EV**	**CSR**	**%**	**EV**	**CSR**	**%**	**EV**	**CSR**	**%**
Kenya Airways	2	69	**3**	10	61	**16**	1	56	**2**	6	46	**13**	3	42	**7**
B.O.C	1	7	**14**	1	11	**9**	1	7	**14**	1	7	**14**	1	7	**14**
Carbacid	1	7	**14**	1	9	**11**	1	6	**17**	0	7	**0**	1	7	**14**
Car & General	0	5	**0**	0	7	**0**	1	7	**14**	1	7	**14**	1	7	**14**
Sameer Africa	4	44	**9**	5	48	**10**	3	35	**9**	15	58	**26**	7	36	**19**
KenGen	13	48	**27**	2	39	**5**	4	73	**6**	4	59	**7**	21	87	**24**
Kenol Kobil	0	15	**0**	0	16	**0**	1	13	**8**	1	10	**10**	0	12	**0**
Kenya Power	8	47	**17**	8	63	**13**	10	49	**20**	10	51	**20**	6	54	**11**
ARM cement	3	20	**15**	5	18	**28**	3	21	**14**	10	45	**22**	11	32	**34**
Bamburi cement	5	82	**6**	12	73	**16**	9	54	**17**	16	80	**20**	28	119	**24**
E.A Portland	7	37	**19**	7	41	**17**	9	41	**22**	17	63	**27**	13	54	**24**
C: Product	**PR**	**CSR**	**%**	**PR**	**CSR**	**%**	**PR**	**CSR**	**%**	**PR**	**CSR**	**%**	**PR**	**CSR**	**%**
EABL	1	53	**2**	1	60	**2**	8	59	**14**	4	65	**6**	7	54	**13**

Source: Research Data

HR - Human Resources score for companies screened out as a result of poor labour relations and employment inequality.

EV - Environment contribution score for companies screened out as a result of environment pollution.

PR- Product score for a company screened out as a result of production of alcoholic beverages.

CSR-Total CSR score

Appendix F: Data schedule

Year	Company	Log Assets	Leverage	ROA	CAGR
2010	**Sasini**	16.0193	0.2836	0.1096	0.0103
2011	Sasini	16.0628	0.2853	0.04760	0.0301
2012	**Sasini**	16.0041	0.2797	-0.01391	0.0113
2013	**Sasini**	16.0187	0.2950	0.01012	-0.0002
2014	**Sasini**	16.5188	0.1881	0.00304	-0.0038
2010	**Kapchorua**	14.2202	0.4537	0.09290	0.0874
2011	**Kapchorua**	14.2202	0.3781	0.1190	0.0198
2012	**Kapchorua**	14.4899	0.4224	0.0397	0.0244
2013	**Kapchorua**	14.5471	0.3822	0.0864	-0.0077
2014	**Kapchorua**	14.4726	0.2843	0.06553	-0.0249
2010	**Williamson**	14.2202	1.2397	0.5844	0.1281
2011	**Williamson**	15.6127	0.2919	0.1465	0.0382
2012	**Williamson**	15.7955	0.3172	0.1180	0.0189
2013	**Williamson**	15.8979	0.0103	0.1066	-0.0065
2014	**Williamson**	13.6588	2.3029	0.8663	0.0012
2010	**Kenya Airways**	18.1095	0.7273	0.02777	-0.0030
2011	**Kenya Airways**	18.1813	0.7059	0.0449	0.0394
2012	**Kenya Airways**	18.1649	0.7026	0.0214	0.0468
2013	**Kenya Airways**	18.6252	0.7456	-0.0640	-0.0173
2014	**Kenya Airways**	18.8171	0.8101	-0.0227	0.0140
2010	**B.O.C Ltd**	14.5185	0.2467	0.0392	-0.0211
2011	**B.O.C Ltd**	14.4225	0.2687	0.0828	0.0085

2012	**B.O.C Ltd**	14.5060	0.2707	0.0989	0.01437
2013	**B.O.C Ltd**	14.7836	0.2115	0.0769	-0.0081
2014	**B.O.C Ltd**	14.6485	0.2404	0.0998	0.0085
2010	**Carbacid**	14.2290	0.1144	0.2032	0.0232
2011	**Carbacid**	14.3693	0.1566	0.1736	-0.0146
2012	**Carbacid**	14.5150	0.1788	0.1934	0.0985
2013	**Carbacid**	14.6059	0.12700	0.2157	0.0066
2014	**Carbacid**	14.7449	0.1448	0.1936	-0.0280
2010	**EABL**	17.4641	0.3765	0.2300	0.0236
2011	**EABL**	17.7217	0.4591	0.1815	0.0302
2012	**EABL**	17.8152	0.8402	0.2049	0.0434
2013	**EABL**	17.8711	0.8683	0.1129	0.0124
2014	**EABL**	17.9565	0.8552	0.1090	0.0074
2010	**Car & General**	15.1713	0.5989	0.0614	0.0190
2011	**Car & General**	15.5315	0.6547	0.0519	0.0495
2012	**Car & General**	15.5569	0.6243	0.0467	-0.0126
2013	**Car & General**	15.7472	0.6371	0.0457	0.0431
2014	**Car & General**	15.9138	0.6525	0.0341	0.0397
2010	**Sameer Africa**	14.8611	0.2379	0.0201	0.0082
2011	**Sameer Africa**	14.9549	0.2800	0.0310	0.01921
2012	**Sameer Africa**	15.0391	0.3155	0.0554	0.01680
2013	**Sameer Africa**	15.1152	0.2695	0.1093	-0.0026
2014	**Sameer Africa**	15.1655	0.3424	-0.0173	-0.0128
2010	**KenGen**	18.7328	0.5876	0.0240	-0.0385

2011	**KenGen**	18.8968	0.5688	0.0129	0.0524
2012	**KenGen**	18.9101	0.5698	0.0173	0.0198
2013	**KenGen**	19.0555	0.6071	0.0278	0.0071
2014	**KenGen**	19.3377	0.6934	0.0112	0.0115
2010	**Kenol Kobil**	17.2879	0.6056	0.0551	0.0102
2011	**Kenol Kobil**	17.6435	0.7465	0.0712	0.1693
2012	**Kenol Kobil**	17.3024	0.8027	-0.1922	-0.0284
2013	**Kenol Kobil**	17.1520	0.7629	0.0189	-0.1064
2014	**Kenol Kobil**	16.9900	0.6934	0.0456	-0.036
2010	**Kenya Power**	18.2002	0.6416	0.0463	0.0141
2011	**Kenya Power**	18.6019	0.6684	0.0351	0.0167
2012	**Kenya Power**	18.7143	6.7560	0.0344	0.0116
2013	**Kenya Power**	18.9925	0.7324	0.0194	0.0126
2014	**Kenya Power**	19.2096	0.7537	0.0293	0.0549
2010	**ARM Cement**	16.6228	0.7196	0.0649	0.0300
2011	**ARM Cement**	16.8367	0.7025	0.0560	0.0652
2012	**ARM Cement**	17.1096	0.7358	0.0462	0.0686
2013	**ARM Cement**	17.2068	0.7231	0.0454	0.0445
2014	**ARM Cement**	17.4240	0.7447	0.0404	-0.0062
2010	**Bamburi**	17.3212	0.3506	0.1591	-0.01314
2011	**Bamburi**	15.0245	2.7843	1.7488	0.0503
2012	**Bamburi**	17.5775	0.2829	0.1134	0.0088
2013	**Bamburi**	17.5770	0.2674	0.0853	-0.0197
2014	**Bamburi**	17.5288	0.2892	0.0952	0.0120

2010	**E.A Portland**	16.3035	0.5263	-0.0281	0.0303
2011	**E.A Portland**	16.4140	0.5822	0.001	0.0157
2012	**E.A Portland**	16.4529	0.6707	-0.0695	-0.0351
2013	**E.A Portland**	16.5964	0.5605	0.1100	0.0160
2014	**E.A Portland**	16.5702	0.5734	-0.0242	-0.0033