MANAGEMENT PERCEPTION OF THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON PERFORMANCE OF EQUITY BANK LIMITED

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DECLARATION

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

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

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ABSTRACT

Over the past decades, sustainability has emerged as one of the foremost issues faced by corporations across all sectors. This led to the plethora that organization "do well by doing good" through focusing to investors, customers and employees due to society consideration and the environment in going about their operations. This growing trend by organizations to practice corporate social responsibility illustrates the need of companies to give more back to the communities in which they operate and by doing so, they enhance and boost their performance. Due to the understanding of effect of corporate social responsibility to the organization, this study aimed to establish management perception of the influence of corporate social responsibility on performance of equity bank limited.

The main objective of this study was to establish management perception of the influence of corporate social responsibility on performance of Equity Bank Limited. To achieve this, the study was guided by the following research objectives, that is, to establish the impact of CSR activity on good governance as perceived by the management of Equity Bank Limited, to establish impact of CSR activity on employees' as perceived by the management of Equity Bank Limited and to determine the impact of CSR activity on good governance as perceived by the management of Equity Bank Limited.

The study employed a case study within Equity bank limited where primary data was collected using interview guides was administered on the research sample (managers). The interview guides was structure into two categories that is; general information of the respondent and specific objective of the study. A content analysis and descriptive analysis was employed. The information developed from the research data was then presented in prose-form.

Four (4) out of the 6 interviewees' targeted completed the interview guide making a response rate of 75%. The study concluded that management perceived that exercising CSR activity results to good governance which led to risk reduction to a very great extent. Further the study concluded that management set CSR practices that consider employees welfare so as to enhance attractiveness of potential employer and reduction of job turnover. Finally, the study concluded that the aim of the organization to engage in CSR activity was to influence customer base increment.

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ACRONYMS AND ABBREVIATION

C.E.O Chief Executive Officer

CBK Central Bank of Kenya

CSR Corporate Social Responsibility

EGF Equity Group Foundation

EBL Equity Bank Limited

IBE Institute of Business Ethics

SPSS Statistical Packages for Social Scientists

UNEP United Nations Environment Programme

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Over the past decades, sustainability has emerged as one of the foremost issues faced by corporations across all sectors. Conventional thinking had always been that environmental protection comes at an additional cost to firms which erode their profitability and overall competitiveness (Ambec & Lenoie, 2008). However, new evidence emerged from developed markets that sustainability and profitability are not necessarily mutually exclusive (Berns, Riel & Bruggen, 2009). There is a plethora of case study examples of organizations that "do well by doing good", indicating that investors, customers and employees may reward organizations that show due consideration to society and the environment in going about their operations (Heal, 2008).

Since realization of Corporate Social Responsibility (CSR), considerably attention has been emphasized by management in various sectors perceiving that CSR has a positive impact on the growth of the organization in financial performance, market share, expansion, creation of good image to the public, reducing job turnover, among others. This growing trend by organizations to practice corporate social responsibility illustrates that companies are expected to give more back to the communities in which they operate and by doing so, they are enhancing and boosting their performance. Companies have realized that they do not operate in isolation and that they have an impact on their stakeholders either negatively or positively, and the impact needs to be assessed. However, the main aim of organizations in engaging to CSR activities is to maximize the positive impact and reduce the negative ones (Porter & Kramer, 2006). Simple philanthropy and sponsorship is no longer enough and long term strategies such as corporate/community partnerships are seen as more engaged forms of corporate social responsibility.

Some commentators hope CSR will not become yet another “PR tool”, and in many cases the public relations function of an organization is responsible for guiding such activities/campaigns. Corporate organizations in Africa have for the past decade taken up CSR as a PR strategy of corporate image building to enable them to compete in different markets (Ondego, 2008). The world is transforming into a global village and this creates pressure on organizations to secure mutual trust with the public that leads to acceptance and co-operation. PR concerns the way in which institutions communicate with their publics and with the growth of the concept of CSR as a strategy to improve the public attitude towards the organization.

1.1.1 Corporate Social Responsibility

The definition of corporate social responsibility is not abstruse. According to Business for Social Responsibility (BSR), corporate social responsibility is defined as achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment. McWilliams and Siegel (2001) describe CSR as actions that appear to further some social good, beyond the interest of the firm and that which is required by law. CSR is viewed, then, as a comprehensive set of policies, practices, and programs that are integrated into business operations, supply chains, and decision-making processes throughout the company and usually include issues related to business ethics, community investment, environmental concerns, governance, human rights, the marketplace as well as the workplace.

CSR is thus considered by many to be going beyond profit making and integrating economic, social and environmental concerns in company values and activities (Vachon & Klassen, 2008). It is about companies making a contribution to the companies' stakeholders i.e. shareholders employees, customers, suppliers, government, society and other individuals and institutions which have an interest in the company's operations (Prieto, Lund & Bhusan, 2006). Each company differs in how it implements corporate social responsibility, if at all. The differences depend on such factors as the specific company's size, the particular industry involved, the firm's business culture, stakeholder demands, and how historically progressive the company is in engaging CSR.

In recent times, Corporate Social Responsibility (CSR) has become an ever-increasing topic of interest among researchers and practitioners. However, an exact definition of CSR is elusive and opinions vary. CSR has been defined as a function that transcends but includes making profits, creating jobs and producing goods and services (Oketch 2005). Some researchers claim that it has come to mean the positive actions that a company takes to help discharge its responsibilities to external stakeholders (Rushton & Dowling, 2002). Still other definitions include financial performance as an aspect of CSR. In line with this, a wide range of behaviors' are classified under CSR including cause-related marketing, sponsoring charitable events, offering employee volunteerism programs, making charitable donations, utilizing environmental initiatives and demonstrating a commitment to health and safety issues (Post & Carroll, 2003).

1.1.2 Organization Performance

Organizations have traditionally measured success against a financial standard through the profits, the greater the success and other identical measures. In fact, noted economist Milton Friedman believed the only social responsibility of business was to increase profits and to serve as the instrument of the stockholders who owned the corporation and the community surrounding (clients) (Hoyt, 2003). Hartman (2005) summarizes Friedman’s view by stating that the difficulty of exercising social responsibility illustrates the great virtue of private competitive enterprise to it forces people to be responsible for their own actions and makes it difficult for them to “exploit” other people for either selfish or unselfish purposes. They can do well, but only at their own expense.

In addition to profit maximization to create value for shareholders, enterprises are devoted to CSR related activities, and strive to instill such concepts into corporate culture and business operations in order to create higher social value. In 2003, the Institute of Business Ethics (IBE) in London released a report, and pointed out that there was a general lack of trust between investors and corporate leadership. About 80% of interviewees suggested companies should take social responsibilities in order to improve their performance. Hence, commitment to CSR can enhance a company’s reputation, and thus, further For the CSR to be accepted by a business person, it should be framed in such a way that the entire range of business responsibilities is embraced. Carroll (1991) suggested that four kinds of social responsibilities constitute total CSR as economic, legal, ethical, and philanthropic.

Corporate social responsibility is voluntary commitment by company managers to integrate social and environmental considerations in their business operations

(Simpson, 2002). This commitment goes beyond normal compliance with the legal, regulatory, and contractual obligations, which companies are expected to meet with an aim of creating good corporate image. However, it is generally known that business expectations from the society has forced organizations to make contribution to the society beyond economic benefits, such as products and profits, business is increasingly engaging in non-economic activities to meet these expectations (Utting, 2003). These non-economic programs include social and environmental initiatives, and demonstrate a firm’s commitment to corporate social responsibility (CSR). CSR initiatives are increasingly being used to create the awareness of a firm’s corporate image, and, in turn, preference for its products and brands. CSR-based corporate image advertising, however, is problematic

1.1.3 Corporate Social Responsibility and Organization Performance

Corporate social responsibility (CSR) is an important construct in academia; concurrently, CSR is becoming a pressing item on corporate agendas as well (Waddock & Smith, 2000). The corporate social responsibility (CSR) concept has developed over the last four decades, and a considerable body of research has underlined the positive relationships between social responsibility and business opportunities in terms of market opportunities, productivity, human competence and improvement of the competitive context (Porter & Kramer, 2002).

Flavián and Guinalíu (2004) every business purpose lies outside itself, in the society since business enterprises is an organ of the society and can justify its activities by satisfying customer. Traditional marketing concept emphasized selling to make profits without considering the welfare of the society. The ultimate measure of success was how much a company could sell the competitors. Traditional marketing concept must therefore be replaced by a marketing concept that balances that needs of the society with those of the organization. Institutions should ensure that quality of life is compatible with their operations (Waddock & Graves, 1997).

According to a white paper published by Business for Social Responsibility, it claims that higher levels of corporate reputation improves financial performance, reduces operating costs, enhances brand image and reputation, increases sales and customer loyalty, productivity and quality, ability to attract and retain employees, reduces regulatory oversight and facilitates access to capital. Simpson and Kohers (2002) showed that companies that improved their corporate social performance also performed better than their competitors in respect to certain financial performance measures such as growth in sales, and later on return on equity and growth within three years.

McWilliams and Siegel (2001) there is direct correlation between socially responsible business practices and positive financial performance. Firms have access to capital that would not otherwise be available. Firms have gained competitive advantage as well as being viewed as responsible firms in the current business world where stakeholders have come to have very high expectations for the corporations. There is enhanced company image and reputation, increased ability to attract and retain employees. Company dedicated to social responsibility help attract and retain employees because people want to work for a company that is in accordance with their own values and beliefs.

Organizations that have engaged in CSR accounting minimize the possibility of government intervention, as there is reduced regulatory oversight, preferential treatment and lenience by regulatory bodies. Organization social involvement will reduce business risk and increased risk management, as commitment to CSR firms there is less exposure to business risks (McWilliams & Siegel 2001). Social disclosure is a marketing tool as firms have opportunity to showcase their products and services.

1.1.4 Banking Industry in Kenya

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. In Kenya the banking sector is comprised of Commercial Banks, Non-Bank Financial Institutions, Forex Bureaus and Deposit Taking Microfinance Institutions as the regulated entities. As at 31st December 2009, the banking sector was composed of 46 institutions, 44 of which were commercial banks and 2 mortgage finance companies. In addition, there was 1 licensed deposit taking microfinance institution and 130 foreign exchange bureaus. However, the commercial banking sector was dominated by seven banks which control 70 percent of deposits. The remaining banks are small and have limited outreach (CBK, 2009).

In today's globally competitive and highly regulated environment, managing risk effectively while satisfying an array of divergent stakeholders is a key goal of banks. However, Banks consider how to fairly balance the risk and interests of the various participating parties, including protecting the interest of those who are directly and indirectly affected - specifically the local community that reside within or close to the area impacted by the project (Kamau & Anami, 2010). It is recommended that banks recognize their responsibility to prevent or limit social and environmental harm that may have been caused by activities financed by them; they need to adopt appropriate analysis and verification procedures.

According to Mutuku (2005), many firms in financial services, particularly, banks industries in Kenya have increasingly been engaged in CSR activities yet it has never been established that this has improved or decreased their profitability. The issue of CSR and its effect on firms' profitability is important to the managers of companies in Kenya today, especially in these times of intense competition and changing customer expectations. Company Managers have to find innovative ways to attract customers and remain in business and one of the ways is to be good to the stakeholders so that they do well. Kamau and Anami (2010) most organizations consider it as the major determinant of market volume that more priority needs to be given to improve on it.

1.1.5 Equity Bank Limited

Kenya banking industry constitutes of 42 commercial banks. However, as a strategy to maintain and reach more customers, banks are adopting CSR as a competitive strategy. Some banks have succeeded while others are struggling to implement same strategies benchmarking equity bank strategy due to its recognized impact on CSR activities. Since listing in 2006, Equity Bank's shareholder value has grown 900% creating immense wealth for shareholders. From a customer base of 27,000 in 1993, to nearly 8 million accounts accounting for over 57% of all bank accounts in Kenya, and is the largest bank by customer base in Africa with a focus at the base of the pyramid (Equity Bank, 2012). The bank C.E.O has led Equity Bank to constantly balance social good and economic good through exemplary performance.

The history of Equity Bank dates back from 1984 during its commencing in business. It has evolved from a Building Society, a Microfinance Institution, to now the all inclusive Nairobi Stock Exchange and Uganda Securities Exchange public listed Commercial Bank (Equity Bank, 2008). Equity Bank’s brand is well known not only in the financial circles of East Africa, but across the continent and the world over as an indigenous grown institution that is continually growing in leaps and bounds in terms of customer numbers, capitalization and regional expansion. Indeed, awards continue to flow to this institution such as Euro-money 2008 Awards for Excellence, where the institution was feted as the Best Bank in Kenya for the second year running. Most recently, Equity Bank CEO was awarded the 2012 Ernst & Young World Entrepreneur of the Year (Equity Bank, 2012). This was attributed by continues growth of Entrepreneurs in Kenya and offering them free Financial Literacy through its foundation.

CSR Africa had a strong listing of education related CSR undertakings by various institutions in the East African region, but the story of Equity bank’s university sponsorship to over 400 students won the day. The bank has managed to penetrate the market using its unique model by spending much of its time on its CSR activities. These activities are largely on the education and entrepreneurship pillar that is championed by its Group Foundation known as Equity Group Foundation, EGF (Equity Bank, 2008). One of Equity bank’s critical success factors is value maximization for stakeholders such as CSR is part and parcel of its social aspirations. The institution has always had a policy of managing and balancing stakeholder's relationships and interests while adding value to produce a positive and sustainable impact for the business and society ranging from individual need to society needs.

Equity bank spends about 10 billion scholarship fund targeting 10,000 academically gifted children from financially challenged backgrounds with a comprehensive secondary school scholarship and leadership program. Furthermore, Equity Bank takes Corporate Social Responsibility very seriously and is involved in a variety of community projects. In education, the bank provides university scholarships for top students in all the districts where the bank operates. In Health, Equity bank has invested in a program aimed at reducing the spread of HIV/AIDS, drugs and substance abuse (Equity Bank, 2012). Equity Bank is also a key sponsor of the schools and colleges music and drama festivals. This is one of the bank's contributions towards the realization of a strong cultural identity for the nation, an important pre-requisite for economic development.

1.2 Research Problem

For many organizations, corporate social responsibility (CSR) is once a purely philanthropic activity to arouse public goodwill with no consequence on profitability. However, management perception has changed with CSR programmes ranking high on the corporate plans of most organizations (Kamau & Anami, 2010). At the core of corporate social responsibility (CSR) is the need for corporations to go beyond their economic and legal obligations and act responsibly towards multiple stakeholders including the society at large. In the new millennium, failure to do so will threaten their very legitimacy to operate (Wood, 1991).

Equity bank seeks to make positive contributions to communities in Kenya in direct ways, both through financial and technical support. Equity bank CSR activities revolve around doing things that would impact on strengthening the social fabric of communities and contributing towards changing lives in a sustainable way. Equity

Group Foundation which is the key body responsible of CSR activities spent millions in various projects ranging from matters of education, medical, environment and capacity building. Through Equity Group Foundation, EGF, the Bank implements high impact social programs which are sustainable, scalable and have the ability to address social needs with commercial solutions (Equity Bank, 2012). By leveraging on the Equity Bank infrastructure, EGF ensures a high return on social investments in key thematic areas which include education, financial education, entrepreneurship, agriculture, innovation, health as well as environmental management.

In Kenya, several studies have been done on CSR. Gikemi (2010) studied the role that PR plays in shaping organizations' CSR strategies and found that CSR company's image in terms of enhancing and adding value for the organizations' product and/or services, Ngurimu (2010) conducted a study on corporate social responsibility practices by micro finance institutions in Kenya and concluded that MFIs engaged in various CSR activities ranging from individual to society needs while Ondieki (2011) did a study on factors that influenced CSR among companies in Kenya; he found that good image and the need to have a diverse market share were the main factors. However, these studies were generally on CSR with none focusing on Equity Bank despite being one of the big spending companies in Kenya. Besides, none has focused on how CSR relates with the organizations' performance. Therefore, this study sought to fill-in this knowledge gap by establishing management perception on the influence of CSR activity on the organization's performance with specific focus to Equity Bank. The proposed research sought to answer the following research question: how does management perceive CSR activity influences performance at Equity Bank?

1.3 Research Objective

The objective of this study was to establish management's perception of the influence of corporate social responsibility on performance of Equity Bank Limited.

1.4 Value of the Study

The study will help other organizations in appreciating CSR and its contribution to a corporate image, thus, implications of CSR on the marketability of a firm's products. Explanations of CSR activities in Equity Bank Ltd and how it has impacted in its performance will guide those companies on how it can realign their CSR activities for a good financial performance.

This study will be invaluable to the Equity Bank Ltd's management and company as a whole as its findings would appraise it's CSR activities and link the same to the corporate performance. The study will offer an opportunity for review of CSR practices as it will try to unearth how it has been an effective lead to effective performance.

The study will benefit both academicians and future researchers in Kenya and beyond. Academicians and researchers are always searching for new information and references. They can benefit from this study as it will add to the wealth of already existing knowledge on CSR and link the same with organization's performance. The study will, thus, broaden the knowledge on CSR and provide a basis for future research on CSR.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter looks at the past studies on management perception on the influence of CSR activity and organization performance and the link between the two. The chapter also presents literature and previous studies that have been conducted on the link between CSR and organization performance.

2.2 Concept of Corporate Social Responsibility

The modern era of corporate social responsibility (CSR) started from 1953 with Bowen‘s publication (Aupperle, Carroll & Hatfield, 1985).The notion of CSR was initially advocated by Griffin and Mahon (1997) while stating that corporations should do social activities for the welfare of the community and feel sense of self-ombudsmanship. It was argued that corporations are earning huge amount of profits from the community and depleting the natural resources, therefore they should contribute for the sustainability of the environment and other natural resources and work for the uplifting of the society. Freeman (2002) opposed the idea of CSR by stating that corporations are neither meant for social activities nor do they have expertise in this regime, therefore it is better that they produce quality products for consumers, obey legal rules and regulations and contribute in the economic development of country.

Corporate social responsibility (CSR) in all its shades is a fast growing concept with little attention paid to its linguistic undertone. It is not uncommon in the literature, and in practice, for CSR discourses to be overly constructed along such moral ends as philanthropy (Carroll, 2004). Despite the need for business to be morally conducted, one of the primary concerns in CSR debates is whether organizations pursue it for economic reasons or simply because doing so has intrinsic merit. Unfortunately there have been few or no empirical tests in support of the intrinsic merit motive, which makes CSR practice susceptible to the popular accusation of being a gimmick for profitable public relations and marketing strategies.

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (Charles & Stephane, 2002). CSR is about capacity building for sustainable livelihoods. It is operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of the business.

The emergence of 'strategic' CSR (Lantos, 2001) or 'strategic' philanthropy (Porter & Kramer, 2002) as a comfortable cover for firms to further their natural quests for profit and self interest is thought not to be only self defeating, but provides anti-corporatists with readymade tools to quickly uncover the activities of these firms and eagerly shame them as 'hypocrites'. Moreover, as CSR continues to make in-road into the business arena, the harder its proponents are pressed to provide business exemplars justifying its continued legitimacy as a business practice. The CSR sceptics go down this 'business-case' route because of their seeming belief that the quest for 'strategic' CSR will inevitably evoke the old dilemma of possible tradeoffs between material profit and normative morality being good for goodness sake. Notably, in such instances, when commercial interests and broader social welfare collide profit comes first (Hull & Rothenberg, 2008).

Most of the attempts to promote CSR, nowadays, are efforts to reconcile these dual and often hostile logics; as such, they have continued to meet overt and sublime oppositions and reconstructions. Surprisingly, these logics have continued to be treated as a unified logic despite the fact that they are dialectically opposed to each other (Kimmel, Carlon, Mladenovic & Weygandt, 2003). Therefore, the continuous tension between the normative and instrumental perspectives to CSR tends to suggest that either the current capitalist system is unfit for normative CSR as it is propagated or CSR needs to be reconstructed in a practicable way to be meaningful to managers in their day-to-day pursuits of organizational goals and objectives.

2.3 Corporate Social Responsibility Strategies

Research into CSR, the charitable donation of company resources, has shown corporate social responsibility can take four strategic continuums. Wilson (1974), provided conceptual schemes that describe the responsiveness continuum in CSR strategy, reaction, defence, accommodation, and pro-active. Similarly, War tick and Cochran (1985) described four corresponding dimensions of corporate responsiveness: reactive, defensive, accommodative and proactive.

The reaction strategy is whereby a business follows a reactive strategy; it will deny responsibility while striving to maintain the status quo (Zadek, 2004). That is, a firm responds to the society's needs only after these needs have challenged its goals. An organization that assumes a reaction stance simply fails to act in a socially responsible manner (Gellerman, 1986). According to Jawahar and McLaughlin (2001) a reaction strategy consists of resistance or opposition from the corporate side, which either combats a stakeholder's interests or completely withdraws from and ignores that stakeholder.

According to Wilson (1974) organizations that pursue a defence strategy responds to social challenges only when it is necessary to defend their current position. The defence strategy is one which uses legal planning and/or public relations campaigns to keep them from having to assume additional responsibilities (Carroll, 1991). Organizations therefore act to wade off challenges (Munilla & Miles, 2005). Corporations with an accommodation strategy of corporate social responsibility readily adapt their behaviours to comply with public policy and regulation where necessary and, more importantly, attempt to be responsive to public expectations (Vyakarnam, 1992). By following the accommodation strategy, the firm assumes additional responsibilities. Some sort of outside motivation such as pressure from a special-interest group or threatened government action is normally required to trigger an accommodation strategy.

Organizations that assume a proactive strategy with regard to CSR subscribe to the notion of social responsiveness (Munilla & Miles, 2005). They do not operate solely in terms of profit; nor do they consider compliance with public policy, regardless of how it is defined, to be sufficient (Bihler, 1992). These organizations proactively seek to improve the welfare of society. Proactive strategy aggressively formulates a CSR program that serves as a model for the industry; taking the initiative. Jawahar and McLaughlin (2001) state that pro-activity involves doing a great deal to address a stakeholder's issues, including anticipating and actively addressing specific concerns or leading an industry effort. A proactive organization thus moves to deal with potential societal expectations constructively and resolve latent problems or protect against unethical behaviour.

2.4 Organization Performance

Organization performance can be classified into financial performance and non-financial performance (Mahoney & Roberts, 2007). The financial performance approach examines indicators such as sales growth, profit rate, return on investment, return on sales, return on equity, and earnings per share, whereas the non-financial performance approach focuses on market share, new product introduction, product quality, marketing effectiveness, and technological efficiency.

In the post-Enron era, the number of companies reporting their social and environmental impact on society has increased immeasurably. Indeed, to its many advocates, the emergence of corporate social responsibility (CSR) is not only a blueprint for the future, but a new highway to follow for conducting business in an uncertain world that has witnessed the evisceration of many long-accepted norms of conduct. According to McWilliams and Siegel (2001) CSR has gained momentum recognition by publicly held companies that they need to address and heed not only shareholders, but all the multiple stakeholders impacted by the company's behaviour. These include employees, customers, suppliers, governments, and nongovernmental organizations. In the new paradigm of social responsibility, stakeholders also could include socially responsible investor organizations, consisting of investors who make investment decisions using various social and ethical screens.

Carroll (1991) designed a four-part conceptualization of CSR that included economic, legal, ethical and philanthropic elements. According to this model, all business responsibilities rely upon the economic responsibility, which includes maximizing profitability and maintaining a strong competitive position. Legal responsibilities include complying with laws and regulations. Ethical responsibilities reflect societal standards, expectations and norms that have not been specifically legislated. Finally, philanthropic responsibilities encompass actions that are in response to society's expectation that businesses be good corporate citizens. These are distinguished from ethical responsibilities in that they are of a charitable nature and, as such, a company is not considered unethical if it does not provide them (Carroll 1991).

Previous research has hypothesis CSR and organizational performance to be positively related to each other such as Ruf, Phillips, Freeman and Wicks (2001) find that change in CSR is positively associated with growth in sales and that returns on sales are positively associated with CSR for three financial periods. Simpson and Kohers (2002) document a positive link between social and financial performance on a sample of banking firms. Kramer and Kuntz (2006) examined CSR from a resource-based view of the firm‘s perspective. They argued that CSR can constitute a source of competitive advantage, especially in high-growth industries. McWilliams and Siegel (2001) indicated that CSR can be viewed as a differentiation strategy. Product or service differentiation is used to create new demand or to command a premium price for an existing product or service (Barnett, 2007).

2.5 Corporate Social Responsibility and Organization Performance

Corporate sustainability is one parallel concept to CSR that has led to a lot of useful work on quantifying the issue of sustainability. This latter concept arose out of concerns for the environment, but has been expanded in recent years to encompass both social and economic aspects of corporations. Some may quibble with the notion of starting from an environmental basis to expand into CSR issues. But, using the imaginative title of Buried treasure, the United Nations Environment Programme (UNEP) and the consulting firm sustainability have produced an original piece of work that matches the traditional indicators of business performance against sustainable development performance of the organization (Quinn, 2008). Ten measures of business performance are used (the dependent or endogenous variables), namely: shareholder value, revenue, operational efficiency, access to capital, customer attraction, brand value and reputation, human and intellectual capital, risk profile, innovation and license to operate.

2.5.1 Good Governance

Good governance entails responsibility and due regard to the needs and requests of all critical stakeholders, while ensuring companies are answerable to all stakeholders (Dunlop, 1998). The adoption of CSR practices can be beneficial in managing the relationship with financial community. Companies in fact adhere to CSR practices to manage and ideally eliminate risks associated with misconduct, carelessness or insensitivity. CSR can reduce risks at different levels: From the easily identifiable (environmental risk, the risk of customer dissatisfaction, insurance or legal expenses and so on) to the hidden risks such as decreased productivity, damages to corporate image, deterioration of the relationships with company stakeholders and so on. Studies in this context shows positive benefits associated with the fact that potential investors and lenders would perceive firms engaged in CSR as less risky than the others. More than in other CSR-related areas, the ability to benefit from positive financial markets outcome is strictly related to the ability of firms to disclose social and environmental information.

Disclosure plays a fundamental role in this process: With the visibility gained through disclosure, shareholders and financial partners at large can interpret CSR activities as signal of a firm's successful attempts at satisfying stakeholder groups (Orlitzky &

Benjamin, 2001). The positive impact of CSR on the financial community and on the different constituencies can be exerted via the development of a better ability to govern the firm (Bowie, 2006). Increasingly, under the umbrella of corporate governance, companies are encouraged to promote ethics, fairness and transparency (Jamali, Safieddine, & Rabbath, 2008) in all their dealings, pursuing the highest standards of governance internally.

Literature on the systems by which firms are controlled and directed increasingly tends to share a focus on the notions of compliance, transparency and accountability as driving company growth and value creation (MacMillan, Money, Downing, & Hillenbrad, 2004). Such conception clearly points out the relevance of CSR, with specific reference to stakeholder management approaches (Elkington, 2006). Accordingly, companies who put in place effective corporate governance systems are shown to implement solid and integrated CSR approaches more easily than others (Rosam & Peddle, 2004). In this sense, companies who share more democratic ownership structures, more balanced and broader governance systems, and a more comprehensive view of organizational goals and performance have also better chances to increase shareholders' loyalty and voice, reduce exits, encourage relationship investing and empowering other groups (employees, suppliers, and so on) to have long-term relationships with the firm (Tencati & Zsolnai, 2009)

2.5.2 Employees' Performance

Along with the growing importance of intangibles for company success, especially in terms of the ability of firms to create, manage and transfer knowledge, the quality of the workforce has become a critical source of competitiveness for companies. As a result, a number of studies have addressed the impact of CSR values, beliefs and activities on internal organization. Firms are increasingly relying on values and specific projects to affect employee's behaviour and the integration of CSR and related issues into the organization. In more detail, CSR-oriented organizational values, more or less integrated into specific organizational arrangements (codes, rules or procedures), have been recognized as the antecedents of the creation of an ethical climate and organizational ethics profile. Additionally, values and beliefs have been linked to the development of an organizational attitude toward CSR (Hemingway & Maclagan, 2004).

On a partly related side, engagement into ethics-oriented practices as perceived by management has been frequently associated with positive organizational outcome (Tencati & Zsolnai, 2009). Jones (1995) drew on the frameworks of agency theory, transaction cost economics and team production to argue that an organization whose managers were perceived as acting with integrity and honouring their commitments would be efficient contractors and would incur in beneficial effects like lower agency costs, transaction costs, and costs associated with team production. Similarly, Pfeffer (1994) argued that firms whose relationships with their employees were trusting and cooperative in nature would outperform those that are not. On this basis, empirical analysis (Prottas, 2008) found a positive impact of acting ethically and with integrity on employee attitudes (job satisfaction and life satisfaction), well-being (stress and health) and behaviour (lower absenteeism).

Both perceived and actual CSR have shown great impact on organizational commitment, that is, employees' identification with the objectives and goals of their organization and willingness to remain with their organization. Through the implementation of CSR-related activities such as prevention of non-discriminatory behaviour or practices of diversity management firms may gain in attractiveness as a potential employer (Greening & Turban, 2000). Achieving a reputation as a good place to work is explicitly associated to positive labour market outcomes and also to superior competitive positioning and financial gains organizational return to CSR shows how pro-social and ethical values and beliefs, translated into specific projects and programs (initiatives to manage occupational health and safety risks, training and learning projects, programs on work-life balance among others), may have an impact on employees' attitude and behaviour, strengthening their commitment to the organization, their job satisfaction and work motivation. Such organizational gains turn into operational benefits such as increased productivity, stronger brand value and attractiveness and efficiency through reduced costs due to absenteeism or turnover (Paine, 2003).

2.5.3 Customer Reaction

Paralleling the growth of the consumerism movement, and the increasing demand for more than a quality product at a low price, CSR practices and related information have become quality indicators, strengthening company and brand positioning (Singh, del Mar Garcia de los Salmones Sanchez & del Bosque, 2008). In this context, CSR practices such as the reliance on social and environmental labels, transparency and reliability in communication, and product diversification strategies, represent useful heuristics on which individuals can focus when evaluating a firm (Jones & Murrel, 2001).

Engaging in CSR may allow firms to understand their customer needs better through open dialogue and transparent interaction, and thus improve customer-specific knowledge (Bhattacharya & Sen, 2001). Together with identification, better consumer knowledge leads to improved customer satisfaction and long-lasting customer relations (Marin et al., 2009). Focusing on the impact of CSR initiatives on consumer markets, mediates the role of corporate reputation (Greening & Turban, 2000), which in turn affects the accumulation of intangibles in terms of trust and market reciprocity (Smith, 2003).

Firms that integrate CSR in their relationship with customers have better chances to enhance their reputation as reliable, open, able to innovate and trustworthy exchange partners (Castaldo, Perrini, Misani, & Tencati, 2009). If so, socially oriented firms can successfully leverage their reputation in those business areas where trust is crucial in determining consumer choices, thus gaining consumer loyalty (Frank, 2004).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the approach that was used to conduct the research. It encompasses the research design, data collection and analysis.

3.2 Research Design

Dooley (2007) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. This research was conducted through a case study since it was a research on one organization. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). The study method gave in-depth information on management perception of the CSR on performance within Equity Bank Limited.

In this study, the researcher narrowed down on corporate social responsibility within Equity Bank but comprehensively enough to give representative information in the same environment. This research was therefore free from any material bias and enabled the researcher to study intensively a particular unit.

3.3 Data Collection

The study was based both on primary and secondary data. However, the study relied mostly on Primary data that was collected using interview guides that were administered on the research sample. An Interview guide was administered among senior managers in the departments of public relations, corporate affairs and in EFG (Equity Foundation Group) at Equity Bank Limited to collect the primary data. The respondents (managers) were targeted since they were in a good state of providing the most reliable information owing to the scope of responsibility accorded to the managers and being that they were involved in CSR activities while the study area was chosen due to its reputable performance results from involvement in CSR activity.

The interview guide was structure into two categories, that is; general information of the respondent and specific objective of the study (good governance, employees' trust, customer retention) where it consisted of open-ended questions. The use of an open-interview strategy enabled better exposure of the interviewees' personal perspectives, their deeper thoughts, emotions and ambitions (Paton, 1990). This less structured approach allowed the interviews to be much more like conversations than formal events with predetermined response categories, permitting the respondents' views to unfold, rather than the predisposition of the researcher (Marshall & Rossman, 1997).

3.4 Data Analysis

Before processing the responses, the completed interview guides were edited for completeness and consistency. A content analysis and descriptive analysis was employed. The content analysis was used to analyze the respondents' views on management perception of the CSR on performance within Equity Bank Limited. Content analysis is a method of studying content of communication. It is an in-depth analysis using quantitative or qualitative techniques of messages using a scientific method including attention to objectivity-intersubjectivity, generalizability and replicability (Neuendorf, 2002). Content analysis looks into who says what, to whom, why, to what extent and with what effect of any technique for making inferences by objectively and systematically identifying specified characteristics of messages. The information developed from the research data was then presented in prose-form.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis of the data on management perception of the influence of corporate social responsibility on performance of Equity Bank Limited. This chapter presents the findings of the study and discussions on the findings. The finding was intended on answering the study's research question. Data collected was collated and reports were produced in form of figures and qualitative analysis done in prose-form.

4.2 Response Rate

The researcher targeted 6 interviewees (managers); however, only 4 out of the 6 interviewees targeted completed the interview guide making a response rate of 67%. This complied with Mugenda and Mugenda (2003) who suggested that for generalization, a response rate of 50% is adequate for analysis and reporting, 60% is good and a response rate of 70% and over is excellent. This commendable response rate was actualized after the researcher made personalized calls to explain the importance of participating in the study and visited interviewees to fill in the interview guide.

4.3 Demographic Characterization of the Respondents

The study found it crucial to ascertain the broad information of the respondents since it structures the charity under which the study can fairly access the pertinent information. The analysis relied on this information of the respondents so as to classify the different results according to their knowledge and responses. On the duration that the interviewees had worked in the organization, the study found that most of the interviewees had worked in the organization for a period of 1-10 years as per each case while few had worked for 11-15 years.

To the level of academic qualification of the interviewees the study found that majority were undergraduate (3) while few (1) were post graduate. Further, the study established that all targeted department of the study took part (Equity Foundation Group, Public Relation and Corporate Affairs Departments) and majority of the interviewees were senior managers, while few were assistant managers and departmental heads. On whether the organization had recognized CSR as a tool for improving its performance, all interviewees' indicated that Equity Bank regards CSR as a tool for boosting its performance.

4.4. Good Governance

According to Dunlop (2008) good governance entails responsibility and due regard to the needs and requests of all critical stakeholders, while ensuring companies are answerable to all stakeholders. This facilitated the need of the study to investigate whether Equity Bank Limited exercises CSR activity in order to enhance good governance within its area of operation.

The researcher inquired from the interviewees whether engagement in CSR activity enhances good relationship between organization and the surrounding community. Most of the interviewees perceived that CSR enhances good relationship between the organization and the targeted potential clients (surrounding community) hence improved performance particularly high penetration rate in rural areas.

Further, the study aimed to investigate impacts of CSR practices of the risk mitigation since adoption of the CSR activity. From the findings, interviewees alleged that insensitivity, carelessness and misconduct had been mitigated. This simply implies that CSR adoption reduces risk related aspects that can result to poor performance of the organization.

To the aspects to which adoption of CSR had reduced organization risk, interviewees gave different options pointing the following as the main aspects to which have been totally affected by application of CSR, that is, CSR reduces damages of corporate image, risk of customer dissatisfaction had been reduced, CSR reduces deterioration of the relationships with company stakeholders, increased levels of productivity due to reduced environmental risk. Few of the interviewees pointed that insurance and legal expenses had also been reduced.

On the perception of management and reality of application of CSR activity within the organization, most of the interviewees pointed that adoption of CSR had an influence on good governance. Interviewees also alleged that shareholders and financial partners at large can interpret CSR activities as a signal of their successful attempts at satisfying stakeholder groups and that under the umbrella of corporate governance their organization is encouraged to promote ethics, fairness and transparency. Additionally interviewees revealed that their bank shares more democratic ownership structures, more balanced and broader governance systems and a more comprehensive view of organizational goals and performance which have offered better chances to increase shareholders. Further the study established that Equity Bank had placed effective corporate governance systems that intended to implement solid and integrated CSR approaches more easily than others. Few interviewees stated that impact of CSR on the financial community and on the different constituencies exerted via the development of a better ability to govern the firm.

To the extent to which interviewees perceived CSR influences good governance, majority of the interviewees' affirmed that CSR influences good governance to a great extent while others perceived CSR influences good governance to a moderated and great extent.

4.5 Employees Retention

Along with the growing importance of intangibles for company success, especially in terms of the ability of firms to create, manage and transfer knowledge, the quality of the workforce has become a critical source of competitiveness for companies (Clark, 2001). These led firms to increasingly relying on values and specific projects to affect employee's behaviour and the integration of CSR and related issues into the organization. Due to this realization the study opt to investigate whether Equity Bank Limited exercises CSR with specific focus to retain employees'.

The study aimed to investigate whether there was set CSR activities aimed to improve employees' welfares. Majority of the interviewees were of the opinion that there were set CSR activities intended to improve employees' welfare creating good relationships that develop trust among clientele hence their retention. Few of the interviewees were of negative opinion to that of majority alleging that there were no clear or specific activities that were outlined to enhance customer loyalty.

On the perception of interviewees on the influence of CSR on employees' retention, most of the interviewees revealed that through implementation of CSR-related activities there is attractiveness of potential employer and job turnover is reduced and that their organization engages in ethics-oriented practices as perceived by management which have been frequently associated with positive organizational values. Interviewees' also pointed that their organization has positive relationships with its employees and creating trust and cooperation among employees hence outperform those that are not CSR-oriented organizational values. On the same the interviewees affirmed that they are more or less integrated into specific organizational arrangements, have been recognized as the antecedents of the creation of an ethical climate and organizational-ethics profile. Few of the interviewees stated that their firm increasingly relies on values and specific projects that affect employee's behaviour and the integration of CSR and related issues into the organization.

To the effect of CSR on employee performance, most of the interviewees' were of the opinion that CSR activity adds brand value and attractiveness and increased productivity had been experienced in the firm while few indicated that efficiency through reduced costs has also been noted.

On the Extent that CSR Influences Employees' Performance, half of the respondents pointed out that CSR influences employees' performance due to conducive working environment and pleasing employee welfare. Other interviewees were of the opinion that CSR influences employees' performance to a very great extent.

4.6 Customer Increment

Bhattacharya and Sen (2001) pointed out that engaging in CSR allows firms to understand their customer needs better through open dialogue and transparent interaction, and thus improve customer-specific knowledge. This raised the need of the study to investigate the focus of EBL on practicing CSR related to customers and its impact to the organization.

On whether adoption of CSR activity results to customer increment, interviewees indicated that there was increased customer base due to good image and reputation that the organization gained due to engaging in CSR activity which resulted to identification of new market opportunity.

On the effect of CSR activities on customer base, the interviewees perceived that CSR activity influences customer base increment. Interviewees also revealed that CSR practices and related information have become quality indicators strengthening company and brand positioning and firms had better chances to enhance its reputation as reliable, open, able to innovate and trustworthy exchange partners. Further interviewees perceived that better consumer knowledge had led to improved customer satisfaction and long-lasting customer relations and that CSR initiatives on consumer markets has mediated the role of corporate reputation which in turn affects the accumulation of intangibles in terms of trust and market. Finally, interviewees alleged that CSR practices such as the transparency represent useful heuristics on which individuals focus when evaluating a firm and that through engaging in CSR has allowed them to understand their customers' needs better.

To the extent to which CSR activities influences customer base increment, majority of the interviewees argued that CSR activities influences customer base increment to a great extent as it creates loyalty to the customer through offering of scholarship to the students, empowerment, development of entrepreneurial skills and talent developments such as conducting sports and preservation of culture.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the data findings on management perception of the influence of corporate social responsibility on performance of Equity Bank Limited, the conclusion and recommendations are drawn there to. The chapter is therefore structured into summary of findings, conclusion, recommendations and area for further research.

5.2 Summary of the Findings

The objective of this study was to establish the impact of CSR activity on permance of the organization in terms of good governance as perceived by the management of Equity Bank Limited, to establish impact of CSR activity on employees' as perceived by the management of Equity Bank Limited and to determine the impact of CSR activity on good governance as perceived by the management of Equity Bank Limited.

From the study findings it was clear that organization adopts CSR activity aiming that it will enhance relationship management between organization and the surrounding community. The study also noted that insensitivity had been fully mitigated while damages of corporate image had been reduced to a very great extent. Set CSR activities should be clear to shareholders and financial partners at large such that they can interpret it as a signal of success attempting at satisfying stakeholder groups. The study revealed that CSR influences good governance to a very great extent.

To the objective of CSR impact to employees' performance, the study found that there was set CSR activities intended to improve employees' welfare which has resulted to attractiveness of potential employer and reduction of job turnover. Additional, the study revealed that CSR activity had added brand value and attractiveness, to a great extent.

As well as increasing productivity to a moderate extent. However, CSR activity had influenced employees' performance to a great extent.

On the influence of CSR activity to customers, the study noted that the organization perceived that CSR leads to increase of customer base where CSR practices and related information have become quality indicators strengthening company and brand positioning. Likewise, the study established that CSR activities influences customer base increment to a great extent through identification of new market opportunity and need for customers to access the service that the organization offers, resulting from exercising CSR.

5.3 Conclusion

The study sought to find out management perception of the influence of corporate social responsibility on performance of Equity Bank Limited. Based on the findings in relation to the specific objective, the study concluded that management perceived that exercising CSR activities results to good governance which led to risk reduction to a very great extent.

The study concluded that management set CSR practices that consider employees' welfare so as to enhance attractiveness of being a potential employer and reduction of job turnover. Additionally, need to add value to the brand and attractiveness facilitates practicing of CSR which influences employees' performance to a great extent.

On the influence of CSR activity to customers, the study concluded that CSR leads to increase in customer base where CSR practices and related information have become quality indicators strengthening company and brand positioning. Further, CSR activities had influenced customer base increment to a great extent.

5.4 Recommendations

The study recommended that for CSR activity to enhance good governance, management and staffs in the entire organization should be involved either in implementation or formulation of CSR policies so that they can understand them well and act in a manner that portrays caring social aspects both within the organization's premises and surrounding community. On the same the study recommended that good governance can only be achieved when all staffs admit accountability of the organization involvement to its operation hence the need to be accountable of risk mitigation which can lead to good reputation of an effective management team.

On employees', the study recommended that CSR policies set for employees' welfare need to be clear so that employees can feel celebrated working in an organization that considers their welfare hence reducing job turnover. Inclusively, the study recommended that employees should be involved in other additional activities such as empowerment through talents, games, training to improve their performance due to being exposed to broad skills that can be adopted in other activities and apply to their line of working.

On customer base, the study recommended that as the community surrounding any organization are usually targeted clients, the organization should put more emphasis on improving the environment in which it exist through reducing waste product as well as preserving community culture by appreciating it. Additionally, the study recommended that for the organization to win large market share it should invest more to the customer/community surrounding so that it can create good image to the public hence immense performance.

5.5 Areas of Further study

The study suggests that further research to be done on the factors hindering effective practices of CSR activities within organization in order to give both negative and positive sides that can be reliable. The study also suggested further research to be done on the impact of CSR activities by focusing on other sectors rather than the Kenyan Banking industry in order to depict reliable information that illustrates real situation in all sectors of the economy.

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APPENDICES

Appendix I: Introduction Letter

Dear Sir/Madam,

REF: REQUEST TO CARRY OUT DATA COLLECTION.

I am a student at UON pursuing a Masters degree in Business Administration. As a requirement in fulfillment of this degree, am carrying out a study on the '**MANAGEMENT PERCEPTION OF THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON PERFORMANCE OF EQUITY BANK LIMITED**'.

You have been chosen as you are well positioned to provide reliable information that will enable the study achieve its objectives. I intend to research the above though the use of the interview guide.

Any assistance accorded to me in my noble cause and information given shall be treated as confidential and will be used purely for the purpose of this research and a final copy of the document shall be availed to you upon request. Your cooperation will be highly appreciated and thank you in anticipation.

Yours Faithfully,

MICHAEL NYAGA WANDATE

Appendix II: Interview Guide

SECTION A: GENERAL INFORMATION

1. How long have you worked in this organization?
2. What is your highest level of education?
3. Kindly, indicate the department you are working in.
4. Indicate position that you hold in the department.
5. Does Equity Bank recognize CSR as a strategy to increase organization performance?

SECTION B: Good Governance

1. Does your organization engage in CSR in managing the relationship with the financial community?

2. What are the impacts of the CSR activities in the risk associated aspects and eliminated since adoption of CSR activities?

3. In your own opinion what are some of the aspects that CSR had reduced in organization risk?

4. What are some of the aspects you regard had been achieved as a result of adopting CSR activities in your organization?

5. To what extent do you believe CSR influences need for good governance?

SECTION C: Employees Retention

1. Does your organization have specific CSR activities aimed for employees
2. What CSR activities do you perceive have facilitated to the employee retention in your organization
3. What are some of the impacts of the CSR activities on employee’s retention?

4. In your own opinion, indicate the extent to which CSR affects employee performance?

SECTION D: CUSTOMER

1. Are there increments in customer base since adoption of CSR activities by your organization?
2. What are some of the impact of the CSR activity in your organization?
3. What are some of the implication of CSR activity on customer base increment in your organization
4. To what extent do you perceive CSR activity influences customer base increment?

THANK YOU FOR YOUR TIME