FACTORS INFLUENCING THE PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY OF FINANCIAL INSTITUTIONS IN KENYA

BY: AUKA KENNEDY

A Management Research Project Report Submitted In Partial Fulfilment of the Requirements Of The Degree Of Master Of Business Administration, Department Of Business Administration, School Of Business, University Of Nairobi.

October 2006
DECLARATION

This research project is my original work and to the best of my knowledge has not been submitted for a degree course in this or any other University.

Signed ___________________________ Date ___________________________

AUKA KENNEDY
D61/P/7180/04

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

Signed ___________________________ Date ___________________________

DR. MARTIN OGUTU
Department of Business Administration, School Of Business
University Of Nairobi
DEDICATION

This project is dedicated to my father, who taught me that education is the greatest gift one can give his children for a better tomorrow in a world where the future is uncertain.

It is also dedicated to my mother, who taught me that even the greatest task can be accomplished if one is determined.

Finally to my family, who offered me unconditional love and support throughout the course of my studies and this project.
ACKNOWLEDGEMENTS

From the formative stages of this project, to the final draft, I owe an immense debt of gratitude to my supervisor, Dr. Martin Ogutu. His sound advice and careful guidance were invaluable as I attempted to examine the factors that influence the practice of corporate social responsibility of financial institutions in Kenya.

I would also like to thank those who agreed to be interviewed, for without your time and cooperation, this project would not have been possible.

For their sage advice, and patient a special thanks goes to all my lecturers at the Department of Business Administration, School of Business, University of Nairobi and in particular Jackson Maalu, and Mrs Ombok for their insightful criticisms and valuable feedback given to me during the presentation of my project proposal and during the lectures for course work.

Finally, I would be remiss without mentioning fellow MBA students, Pamela Mokaya, Irene Kizito, Purity and Richard Muchesia who helped me to distribute the questionnaire, and whose extreme generosity in time and encouragement will be remembered always.

To each of the above, I extend my deepest appreciation.
TABLE OF CONTENTS

Declaration ............................................................................................. i
Dedication ............................................................................................. ii
Acknowledgement .................................................................................. iii
List of Tables and Figures........................................................................ vi
Abstract ...................................................................................................vii

CHAPTER ONE: INTRODUCTION .......................................................... 1

1.1 Background ....................................................................................... 1
  1.1.1 Corporate Social Responsibility ................................................ 2
  1.1.2 The Kenyan Banking Sector ...................................................... 4
1.2 Statement of the Problem .................................................................. 6
1.3 Research Objectives ........................................................................... 6
1.4 Importance of the Study .................................................................... 7

CHAPTER TWO: LITERATURE REVIEW ................................................. 8

2.1 The Concept of Corporate Social Responsibility .............................. 8
2.2 Dimensions of Corporate Social Responsibility ............................... 11
2.3 The Case For and Against CSR ....................................................... 12
2.4 Factors That Influence Practice of CSR .......................................... 19
2.5 Benefits of Corporate Social Responsibility ..................................... 21

CHAPTER THREE: RESEARCH METHODOLOGY ................................. 27

3.1 Research Design .............................................................................. 27
3.2 Target Population ............................................................................. 27
3.3 Data Collection Procedure and Instrument ................................................. 27
3.4 Data Analysis and Presentation .................................................................... 28

CHAPTER FOUR: DATA ANALYSIS AND DESIGN ................................ 29

4.1 Introduction ........................................................................................... 29
4.2 General Information on Financial Institutions .......................................... 29
4.3 Factors Influencing the Involvement of Banks in CSR ........................ 31
4.4 Benefits of Practicing CSR ................................................................... 36

CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS ..... 39

5.1 Introduction ........................................................................................... 39
5.2 Summary, Discussions and Conclusions ............................................. 39
5.3 Limitations of the Study .......................................................................... 45
5.4 Suggestions for Further Research ....................................................... 46
5.5 Implications for Policy and Practice ...................................................... 46

REFERENCES ........................................................................................... 47

APPENDICES ...............................................................................................49

Appendix 1: List of Financial Institutions................................................... 49
Appendix 2: Letter of Reference................................................................ 51
Appendix 3: Questionnaire ........................................................................ 52
LIST OF FIGURES

1  Factors influencing the practice of CSR................................. 32
2  Benefits of CSR........................................................................ 36

LIST OF TABLES

4.1 (a) Bank profile by ownership.................................................. 29
4.1 (b) Bank profile by length of service........................................ 30
4.1 (c) Bank profile by CSR policy ................................................. 30
4.2 Factors influencing CSR.......................................................... 33
4.3 Benefits of CSR and their Importance...................................... 37
ABSTRACT

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 commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking. According to the Financial Institution Inspection Department report of the Central Bank of Kenya (FISD Annual Report, 2004) the structure of the banking sector is comprised of 51 financial institutions with 44 commercial banks 2 non-bank financial institutions, 2 mortgage finance companies and 3 building societies with a total of 532 branches across the country.

It is generally observed that many banks are getting involved in the practice of Corporate Social Responsibility (CSR).

The research objective of this study is to determine the factors that influence the financial institutions in Kenya to practice corporate social responsibility.

The design that was used in this research was a descriptive survey design. The population consisted of 48 financial institutions in Kenya as per the Central Bank of Kenya report (December 2005). The study was a census survey of all the 48 financial institutions in Kenya since the population of all the financial institutions was small and the institutions are quite different from each other in terms of ownership, size, period they have been in existence, management setups and geographical areas of operations.

The study was conducted by administering questionnaires to bank managers in charge of corporate affairs. These questionnaires sought to find out general
information of each banks, how they rated the various factors that influence the practice of corporate social responsibility and the perceived benefits to banks that come as a result of them engaging in social activities.

The data was analysed using descriptive statistics and these were the mean scores, percentages, frequencies and standard deviations. The findings were presented using tables, graphs and pie charts.

From the findings, it was evident that all the banks that responded to the questionnaire practised corporate social responsibility through engaging in social activities which varied from bank to bank. Some of the social activities include the provision of HIV/AIDS support, Pre-university educational scholarships, security, poverty eradication, sports, street children rehabilitation, supporting the physically disabled and cooperative movement. Others supported children’s homes, contributing to the famine relief fund, health support through medical camps, provision of clean water and sanitation through construction of safe and sustainable water management resources, reforestation of depleted government forests and promotion of entrepreneurship and business ethics among university students.

Further the study shows that the factors that have great influence on the extent of the practice of Corporate Social Responsibility (CSR) in the financial institutions is corporate image, moral obligations and solving societal problems. Other factors that moderately influenced the practice of CSR are company policies, publicity and long term profitability. Pressure from society and regulation compliance factors were found to have little extent in influencing the practice of CSR.

The study also found out that the important benefits of CSR to financial institutions is improved corporate image. Other benefits that were of moderate importance included increased sales and customer loyalty, keeping up with
competition and increased productivity and quality. Benefits like Increased ability to attract and retain employees, access to capital, reduced risk and minimizing unnecessary regulations were found to be of little importance. The research concludes that corporate image, moral obligations and solving society problems have great influence on the extent of the practice of CSR in the financial sector.
CHAPTER ONE
INTRODUCTION

1.1 Background

Every organisation operates within an environment and it depends on that environment for its inputs and outputs. Hence all organisations are environmental dependant or environmental serving. Banerjee (1999) refers to organisations as open systems because of their relationship with the environment. The success of an organisation depends on how the organisation relates with its environment (Scholes 1999).

Achieving a good working relationship with the environment is a big challenge to many organisations, however to succeed each organisation must win and not lose its battle with the environment. The position taken represents the organisation strategy. Banerjee (1999) says organisation strategist have a great influence over what is right or wrong because they normally establish policies, develop the company’s mission statement and so forth.

As part of the strategic planning process, external analysis of the organisation forms an important part of the process where information about the external environment is generated. Environmental scanning is an assessment of the macro-environmental factors that affect the organization. Organisations can only adapt to changes in the macroeconomic environment they can neither stop nor change it. The Macroeconomic factors consist of social, legal, economic, political and technological factors that every firm deals with. (Kibera 1996)

It is in the dealing with social and cultural macroeconomic factors that the concept of corporate social responsibility comes into play. Every business operates in a society, business would be non-existent without the society since it
is the society that creates and sustains business. The relationship between the
two therefore is of fundamental interest to business managers.

Business takes from society such things as laws, regulations, norms values,
rules, prices, techniques, raw materials and labour; society on the hand takes
from business such things as products (goods and services), employment,
environment condition and economic welfare. For either party, what it gives to or
takes from the other may be advantageous or disadvantageous.

Since the existence of business depends on society business has the burden of
managing the business society relationship to ensure it is as good as favourable
as possible. This requires the business to perpetually analyse its environment
and adjust to it accordingly.

Banerjee (1999) says that in a sense every organisation enters into a social
contract. This social contract is the set of written or unwritten rules and
assumptions about behaviour patterns among various elements of society. The
social contract subsumes obligations to individuals, other organisation,
government and society.

1.1.1 Corporate Social Responsibility

Scholes (1999) defines corporate social responsibility as the detailed issues on
which an organisation exceeds its minimum required obligation to stakeholders.
Kreitner (1986) sees it as the notion that corporations have an obligation to
constituents groups in society other than stakeholder and beyond that prescribed
by law or union contract.

Kibera (1996) says the concept of social responsibility of business is concerned
with the obligation that business has in helping to promote the welfare of the
society. He says that business has been experiencing pressure from the society
to be socially responsible. He gives two reasons for the increased pressure as:
firstly the society has become more enlightened and more educated thus more
aware of its problems, rights, and the role business can play in social welfare. Secondly the society's problems have become more alarming to the level where the society is impatient and feels that something must be done. Therefore, more than ever than before businesses are expected to play a role in combating these problems.

Corporate social responsibility debate dates back to early twentieth century with some groups being in favour of it while others opposing it. Proponents of CSR have raised support for because of the following reasons: Firstly there have been changing public needs and expectations. The public needs have led to the changing expectations of business, therefore increased business response is necessary to narrow the gap between expectations and actual response in order for business to keep in tune with society. Secondly some have said CSR is ethical therefore business is deemed ethical by being socially responsible. Banerjee (1999) says that when corporation behaves as if it has a conscious it is said to be socially responsible. Thirdly a business must act responsibly to conserve resources. Fourthly with increased societal problems a business can help in creating better quality of life by helping solve difficult social problems. More so, business contributes to many of society's problems thus it is important for them to correct some of the problems.

Other reasons for CRS include need for an organisation to secure long run profits. A more socially responsible business tends to have more secured long run profits (Otoole 1991). Finally Business social response may improve the public image of business. Formbrun (1990) says the reason for CSR is the publicity potential i.e. CSR is a good way to draw attention to anew brand before advertisement is done.

Scholes (1999) analyses the issues dealt with in CSR as either internal or external. The internal issues include employee welfare (Medical cover, assistance with mortgages, extended sick leave among others), working
conditions, enhancing working surroundings, social activates, sporting clubs above minimum standards, job design- designing jobs to the increased satisfaction rather than economic efficiency. The external aspects as analysed by Scholes (1999) include green issues, pollution control, products effects to customers, ethics in marketing of products, employment (equal employment opportunities and discrimination in favour of minority groups), fair terms of trade with suppliers and participation in community activities including sponsoring local events and supporting local projects.

Many organizations limit their involvement to a relatively narrow range of issues, on the overall social responsibility considerations are not pursued as keenly as commercial activities. However lately many organizations are setting a side resources to carter for social responsibility activities. Kenyan commercial banks have been on the forefront for this.

1.1.2 The Kenyan Banking Sector
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’s docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya’s commercial banks and non-banking financial institutions, interest rates and other publications and guidelines.

The banks have come together under the Kenya Bankers Association (KBA) which serves as a lobby for the banks’ interests and also addresses issues affecting member institutions. The commercial banks and non-banking financial
institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking.

According to the Financial Institution Inspection Department report of the Central Bank of Kenya (FISD Annual Report, 2004) the structure of the banking sector is comprised of 51 financial institutions with 44 commercial banks 2 non-bank financial institutions, 2 mortgage finance companies and 3 building societies with a total of 532 branches across the country.

In Kenya commercial banks have been on the forefront in carrying out CSR activities. According to CBK Report 2005 there are currently 43 commercial banks in Kenya. The Banking sector is one sector that has experience tremendous growth in the last 5 years (from 2001). In the early 90s the sector had been in turmoil. The spectre of massive nonperforming loans loomed large and several banks collapsed. According to MI Banking Survey (2006) it has been revealed that the sector is now realising robust growth with profits before tax amounting to Ksh. 19.5 billion compared to 8.9 billion 5 years ago (2005) which is a growth of 119%.

Banks continue to receive much more deposits from their customers, which have grown from Ksh. 483 billion compared to Ksh. 319 billion in 2001. Evidently there has been a growth in the sector.

The growth has been attributed to improved regulatory environment for example banks are now required by law to publish their financial statements, which allow public scrutiny. As banks continue to record higher profits the society is increasing its expectation as far as CSR is concerned. As a result we have seen many banks getting involved in CSR in the past few years and it becomes important to establish why the trend is this way.
1.2 Statement Of The Problem

It is generally observed that many banks are getting involved in corporate social responsibility. There is evidence in the media both electronic and print media of various banks getting involved in social activities such as famine relief, sponsoring sports, supporting children's homes supporting the disabled, providing scholarships to bright students, provision of posho mills, digging bore hole to local communities and other charitable activities. However not all banks are equally involved in CSR. Some in fact do very little, if any. It is important to understand what drives commercial banks in Kenya to engage is CSR. As stated earlier there are many reasons which could drive a firm to be involved in CSR which include public pressure, moral obligation, need to improve social environment, limitation of government regulation, public image and or contribution to solving societal problems. This research will seek to determine which of these factors influence banks to get involved in corporate social responsibility.

There are other related studies already carried out on this subject however no study has been conducted in particular to determine the factors that influence Banks be involved in social activities commonly referred to as CSR. Okeyo (2004) carried out a survey on the rationale and determinants of levels of corporate social responsibility among firms in Kenya. This was a general study and it did not focus on Banks. Kweyu (1993) studied managerial attitudes towards CSR among Banks and found profitability to be the most dominant objective in implementing CSR in banks however a lot of environmental changes have taken place and thus there is need to carry out a more detailed study taking the changes into consideration. Kiarie (1997) carried out a survey on the awareness of CSR among executives of medium scale manufacturing firms in Nairobi however this study did not address the Banking sectors. This study therefore is ideal as it will seek to exclusively address issues relating to CSR as practised in the banking industry in a more detailed manner. What then are these
factors that influence the practice of corporate social responsibility in financial institutions in Kenya?

1.4 Research Objectives

I. To determine what factors influence the involvement of banks in corporate social activities.

II. To determine whether there are any perceived benefits gained by the banks as a result of practising corporate social responsibility.

1.5 Importance Of The Study

I. The findings of this study may aid the corporate managers when making decisions on corporate social responsibility.

II. To strategic management students this study may add to the body of knowledge in the subject of Strategic Management.

III. To the government the findings of this study may be useful in establishing government policies on corporate social responsibility.

IV. To other researchers this study may provide reference material for those who may want to study other aspects of corporate social responsibility.
CHAPTER TWO
LITERATURE REVIEW

2.1 The Concept Of Corporate Social Responsibility

Kreitner (1986) describes corporate social responsibility as “the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that pre-described by law or union contract.” Schwartz (1984) defines it as “the responsibility of an organization to promote or at least not to damage the general welfare of the society.”

Bartol and Martin (1991) defined Social responsibility as the obligation of an organization to seek actions that protect and improve the welfare of society along with its own interests. Flippo E D (1994) states that in as much as the business system is a sub system of organized society, the modern business executives must be concerned with societal expectations. Executive decisions concerning direction and operation of business organizations have social consequences that can no longer be ignored.

Carroll’s Theory (1979) states that economic legal and ethical principles create a “social” contract between business and society, which is implemented in a company’s reactive, defensive, accommodative or proactive decisions. Ivacevich et al (1984) compressed the several definitions into three categories: Firstly As a social obligation where a company engages in socially responsible behaviour when it pursues a profit within the constraints of law imposed by society. Secondly As a social reaction (Keith Davis) it is a behaviour that is in reaction to currently prevailing social norms, values and performance expectation. To the minimum a business should be accountable for the ecological, environment and social costs of its actions. To the maximum it must react to solving society's problems. And thirdly as social responsiveness socially responsible behaviours are anticipatory and preventive rather than reactive and restorative.
There are other definitions and explanations of corporate social responsibility by other authors as outlined below. The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts used the following definition. "Corporate Social Responsibility 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". The same report gave some evidence of the different perceptions of what this should mean from a number of different societies across the world.

Definitions are different as "CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government" from Ghana, through to "CSR is about business giving back to society" from the Philippines. Traditionally in the United States, CSR has been defined much more in terms of a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving.

The European model is much more focused on operating the core business in a socially responsible way, complemented by investment in communities for solid business case reasons. Baker (2005) agrees with the European model which is more sustainable according to her because: Firstly if Social responsibility becomes an integral part of the wealth creation process - which if managed properly should enhance the competitiveness of business and maximize the value of wealth creation to society. And secondly when times get hard, there is the incentive to practice CSR more and better - if it is a philanthropic exercise which is peripheral to the main business, it will always be the first thing to go when push comes to shove.
But as with any process based on the collective activities of communities of human beings (as companies are) there is no "one size fits all". In different countries, there will be different priorities, and values that will shape how business act.

Byars (1992) argues that the idea of CSR is not new; In 1919 Henry L. Gantt stated his belief that the community would attempt to take over any business if the business system neglected its social responsibilities. However concern for CSR in the early period was rare. Changes began to occur in the late 30s and early 40s where workers started having shorter workweeks and safer working conditions; these were some of the first changes. Many of these early social responsibility activities were precipitated by labour unions; they pressured the organisations to consider factors other than just profitability. In 1948 the theme of Harvard business school was Business responsiveness

Kibera (1996) alludes that CSR dates back to the 20th century. It was started by business executives who believed that Businesses had the obligation to use their resources in ways that would be beneficial both to owners and the society as a whole. Business or corporate social responsibility however did not find its way into business management philosophy with ease. Some business executives were opposed to the idea.

Scholes (1999) analyses the issues dealt with in CSR as either internal or external. The internal issues include employee welfare (Medical cover, assistance with mortgages, extended sick leave among others), working conditions, enhancing working surroundings, social activates, sporting clubs above minimum standards, job design-designing jobs to the increased satisfaction rather than economic efficiency. The external aspects as analysed by scholes (1999) include green issues, pollution control, products effects to customers, ethics in marketing of products, employment (equal employment opportunities and discrimination in favour of minority groups), fair terms of trade
with suppliers and participation in community activities including sponsoring local events and supporting local projects.

Many organisations limit their involvement to a relatively narrow range of issues, on the overall social responsibility considerations are not pursued as keenly as commercial activities. However lately many organisation are setting a side resources to carter for social responsibility activities. Kenyan commercial banks have been on the forefront for this.

2.2 Dimensions Of Corporate Responsibility

Scholes (1999) outlines five dimensions of CSR as follows. It is expected that a company, which claims to be performing a social purpose, must demonstrate its responsiveness to the needs of the community. It is a primary responsibility of management to assure a fair and reasonable rate of return on capital and a fair dividend to the shareholders as investors and risk-bearers. Social responsibility of business demands a new orientation of the employer-employee relationship in place of the traditional master-servant relation. The major issues in that relationship pertains to wages and salaries, working relationships between the superiors and subordinate, and employee welfare.

In a competitive market economy, serving the consumer is supposed to be a prime objective of business firms. The goods supplied must meet the need of the customers of different classes, must be of appropriate standard and quality and be available in adequate quantities at reasonable prices. Customer service should be available by way of advice, guidance and maintenance; distribution of goods must be widespread as to be within the reach of consumers.

The social responsibility of management towards Government implies that the company will conduct its affairs as a law-abiding enterprise, taxes and other dues are fully paid and done honestly, management will desist from corrupting public
servants or the democratic processes for selfish ends and no attempt will be made to buy political support by money or patronage.

Goyder (1961), the well-known exponent of corporate social responsibility has repeatedly pleaded that if the corporation has to function effectively, it has to be accountable to the public at large. The socially responsible role of management should be reflected in their policies with respect to the employment of socially handicapped and the weaker sections of the community, environmental protection including the conservation of natural resources, control of pollution, rural development and providing relief to the victims of natural calamities.

Baker (2003) argues that one thing that is for sure is that the pressure on business to play a role in social issues will continue to grow. Over the last ten years, those institutions that have grown in power and influence have been those that can operate effectively within a global sphere of operations. She further says that there is a growing interest, therefore, in businesses taking a lead in addressing those issues in which they have an interest where national government have failed to come up with a solution.

2.3 The Case For and Against Corporate Social Responsibility

There has been a debate on corporate social responsibility the key questions have been should business be responsible for social concerns lying beyond its own economic well-being? Do social concerns affect a corporation's financial performance? The extent of business responsibility for non-economic concerns has been hotly debated (Bateman 1993). In 1960s and 1970s the political, social environment became more important to US corporate as society turned attention to issues like equal opportunity, pollution control, energy and natural resource conservation and consumer and worker protection. The public debated addressed this issues and how business should respond to them Preston (1975). This controversy focused on the concept of corporate social responsibility.
According to Bateman (1993) Advocates of corporate social responsibility argue that organisations have a wide range of activities that extends beyond the production of goods and services at a profit. As members of society organisations should actively and responsibly participate in the community and in the larger environment. Others contend that social responsible actions have long-term advantages for organizations. The advantages include CSR could improve their image and avoid unnecessary and costly regulation if they are perceived as socially responsible. Otoole (1991) contends that society problems can offer business opportunities, and profits can be made from systematic and vigorous efforts to solve these problems i.e. it pays to be good.

Proponents of CSR have supported CSR because of the following reasons: Firstly there have been changing public needs and expectations. The public needs have led to the changing expectations of business, therefore increased business response is necessary to narrow the gap between expectations and actual response in order for business to keep in tune with society. Secondly some have said CSR is ethical therefore business is deemed ethical by being socially responsible. Banerjee (1999) says that when corporation behaves as if it has a conscious it is said to be socially responsible. Thirdly a business must act responsibly to conserve resources. Fourthly with increased societal problems a business can help in creating better quality of life by helping solve difficult social problems. More so, business contributes to many of the society’s problems thus it is important for them to correct some of the problems.

Other reasons for CRS include need for an organisation to secure long run profits. A more socially responsible business tends to have more secured long run profits, Otoole (1991). Finally Business social response may improve the public image of business. Formbrun (1990) says the reason for CSR is the publicity potential meaning that CSR is a good way to draw attention to a new brand before advertisement is done.
An economist Milton Friedman is the most well-known critic of CSR and he claims that the corporation has few if any explicitly social responsibilities. Friedman's position is captured in his pronouncement that "there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud" (Friedman 1983). Friedman's reference to the "rules of the game" suggests that social responsibility is derived from the general economic environment or context in which business operates.

Friedman's position on CSR has been characterized as "fundamentalism" and gathered under what has been called the "legal recognition" view. "According to the legal recognition view, the corporation is an autonomous entity,... owned and run b a freely constituted group.... It is not a creation of society" (DeGeorge 1990). Thus the corporation has no special moral or social obligations. The basis of Friedman's argument is an unguarded acceptance of the values that under gird a free market economic system. Such values include individual free choice and rights, especially the right to own property and to an unfettered use of that private good. It is argued that corporations are fully private, economic institutions designed only to make money. According to Friedman, the "business of business is business."

Other fundamentalists have also argued against CSR. Theodore Levitt holds a "functionalist fundamentalist" position. He works out of a backdrop similar to Friedman's and suggests that our society, as it expresses itself through the free market, is committed to a radical pluralism. Such a social, political, and economic pluralism is best preserved when major "functional groups" do not encroach on each other's provinces of behaviour.
The function of labour is to provide for its workers, of government for the "general welfare," and of business to maximize profit through vigorous competition in any way consistent with the survival of business in the economic system. Levitt warns that CSR can be bad for business and bad for society, and goes so far as to say that business in the United States should see itself as being "at war ... And like a good war, it should be fought gallantly, daringly, and above all, not morally" (Levitt 1983).

For both Friedman and Levitt, the fully private and basically economic character of business as such, and of corporations in particular, insulates business institutions from social responsibilities. The starkness of this position as a full denial of the existence of any social responsibilities for business has caused some thinkers (who wish to perhaps soften and then support a free market, fundamentalist approach to determining CSR) to try to "reform" Friedman. Douglas Den Uyl is one thinker who attempts to present Friedman as a "fundamentalist individual agreement" theorist. He argues that Friedman's commitment to respect for contracts or individual agreements implies a respect for the individual rights created in those agreements.

Den Uyl further argues that Friedman's basic position not only doesn't prohibit corporations from being socially responsible, but may actually allow for CSR within the limits of a prior contractual agreement with the stockholders. This agreement enjoins corporation managers to maximize profit. Key to the positions of both Den Uyl and Friedman is the claim that beyond keeping individual agreements, corporations and their managers are not ethically required to be socially responsible. This CSR theory is sometimes referred to as the "traditional stockholders model" (Bruono and Nichols 1990). The argument is that the corporation managers and directors only have a responsibility to the "owners" of the firm. Their singular responsibility is to maximize profit. This position can also be characterized as something of a "role-based" approach to CSR because the
"role" of the corporation and of those who run it determines the responsibilities of the corporation or of business itself.

Strickland (1980) says these critics argue that in a capitalistic society economic performance is the organisation's primary social responsibility, and if corporate do not serve shareholders first they will not serve the society. Society relies on profit incentive to motivate organisations to create jobs and make investment, without investments economic growth is impossible. Also if organisations do not directly pursue economic success in highly competitive national and international markets, the chances of failure increase significantly which does not benefit anyone (Bateman 1993).

The iron law of responsibility states "in the long run those who do not use power in a way that society considers responsible will tend to lose it". The beneficiaries of social responsibility of businesses can either be internal including the customers, employees and shareholders or external including the general public and specific beneficiaries who are the well-defined population. Implementation of CSR is reflected in the following activities; Production of safe, reliable and quality products; Complete and truthful adverts; Environmental control through reduction of pollutants; Employee relations; benefits and satisfaction with work; Employment and advancement of minorities or women and Employee safety and health (Kreitner 1986)

Key challenges to the idea of CSR include: - the rule of corporate law that a corporation's directors are prohibited from any activity that would reduce profits - other mechanisms established to manage the principal-agent problem, such as accounting oversight, stock options, performance evaluations, deferred compensation and other mechanisms to increase accountability to shareholders.

A conflict can arise when a corporation espouses CSR and its commitment to Sustainable Development on the one hand, whilst damaging revelations about its
business practices emerge on the other. For example the McDonald’s Corporation has been criticised by CSR campaigners for unethical business practices, and was the subject of a decision by Justice Roger Bell in the McLibel case (which upheld some of these claims, regarding mistreatment of workers, misleading advertising, and unnecessary cruelty to animals). Similarly Shell has a much publicised CSR policy and was a pioneer in triple bottom line reporting, but was involved in 2004 in a scandal over the misreporting of its oil reserves which seriously damaged its reputation and led to charges of hypocrisy.

Universities and business schools, many of them with keen advocates of CSR amongst their teaching staffs, have themselves come in for criticism concerning their dealings with corporations (note the different stances taken by ESADE and Wheeling Jesuit University with regard to Aramark).

Critics of the role of business in society argue that, Corporations care little for the welfare of workers, and given the opportunity will move production to sweatshops in less well regulated countries. Unchecked, companies will squander scarce resources. Companies do not pay the full costs of their impact. For example the costs of cleaning pollution often fall on society in general. As a result profits of corporations are enhanced at the expense of social or ecological welfare. Regulation is the best way to ensure that companies remain socially responsible.

Supporters of a more market based approach argue that, By and large, free markets and capitalism have been at the centre of economic and social development over the past two hundred years and that improvements in health, longevity or infant mortality (for example) have only been possible because economies (driven by free enterprise) have progressed. In order to attract quality workers, it is necessary for companies to offer better pay and conditions which leads to an overall rise in standards and to wealth creation. (World Business Council for Sustainable Development Report, June 2006)
Investment in less developed countries contributes to the welfare of those societies, notwithstanding that these countries have fewer protections in place for workers. Failure to invest in these countries decreases the opportunity to increase social welfare.

Free markets contribute to the effective management of scarce resources. The prices of many commodities have fallen in recent years. This contradicts the notion of scarcity, and may be attributed to improvements in technology leading to the more efficient use of resources.

There are indeed occasions when externalities, such as the costs of pollution are not built into normal market prices in a free market. In these circumstances, regulatory intervention is important to redress the balance, to ensure that costs and benefits are correctly aligned.

Whilst regulation is necessary in certain circumstances, over regulation creates barriers to entry into a market. These barriers increase the opportunities for excess profits, to the delight of the market participants, but do little to serve the interests of society as a whole.

Some commentators are cynical about the true level of commitment of corporations to ideas like CSR and Sustainable Development, and their actual motivations for responsible behaviour. Corporations that create the appearance of acting responsibly just for its public relations value are said to be "green washing"

So the CSR movement may perhaps be understood as an attempt not so much to regulate the activities of corporations per se, as to remind the people who constitute these corporations that they nonetheless have other responsibilities beyond the corporate ones. (World Business Council for Sustainable Development Report, June 2006)
2.4 Factors That Influence Corporate Social Responsibility

Various authors have highlighted on factors that drive corporate social debate since early 20th century. The predominant factors that have driven CSR from this review include. Pressure from the society, moral obligation, need for publicity, corporate image, long-term benefits including profitability especially in terms of profits, Avoidance of unnecessary and costly regulation, Pressure from labour unions increase in social problems thus need for business to intervene by helping to solve the problems, Globalisation, increase of awareness of rights by the society all this factors have emerged over time and are bound to continue. Baker (2005) says the pressure is bound to increase. Businesses must establish policies to govern CSR in their organisations. The factors mentioned are explained as below.

Gantt (1919) stated his belief that the community would attempt to take over any business if the business system neglected its social responsibility. Kibera (1996) argues that the society has become more enlightened and more educated thus more aware of its problems, rights, and the role business can play in social welfare. Early changes in CSR in late 1930s and 1940s where workers started having better working conditions was as a result of pressure from labour unions.

Kibera (1996) observes that, the public needs have led to the changing expectations of business, therefore increased business response is necessary to narrow the gap between expectations and actual; response in order for business to keep in tune with society. Public needs are changing as a result of globalisation the public expect firms to meet international standards CSR in the developed countries has been incorporated in company policies. According to World Bank report (2002) it has been argued that multinational corporations, consumers, investors and governments based in developed countries, largely shape CSR agenda.
Some have said CSR is ethical therefore business is ethical by being socially responsible. Banerjee (1999) says that when corporation behaves as if it has a conscious it is said to be socially responsible.

A business must act responsibly to conserve resources. Today as a result of drastic environment changes that are detrimental to the society and the business every party including business must work to conserve the natural environment, which is a source of raw materials including fuel and water. These can be accomplished by being involved in CSR (Daily Nation June 2003).

Kibera (1996) with increased societal problem a business can help in creating better quality of life by helping solve difficult social problems. Business contributes to many of society's problems thus it is important for them to correct some of the problems. The society's problems have become more alarming to the level where the society is impatient and feels that something must be done. Therefore, more than ever than before businesses are expected to play a role in combating these problems.) Price Waterhouse Coopers (2001) using a sample of 1,160 companies from 33 countries worldwide found the majority of the CEO's identified with good CSR practices. The study found that large companies saw the benefit in the preventive healthcare of their staff most notably with the HIV scourge. In Kenya based on various banks' magazines and print media major banks such as Barclays bank, standard Chartered Bank NIC among others have demonstrated their participation in solving the HIV scourge in the country.

A more socially responsible business tends to have more secured long run profits (Otoole 1991). Weiser and Zadek (2000) in their research in United Kingdom found a relationship between CSR and profits. Barnets and Salomon (2002) also found that strong social performance could decrease costs hence increase profitability by improving relationships with key stakeholders such as suppliers.
Business social response improves the public image of business. Formbrun (1990) says the reason for CSR is the publicity potential i.e. CSR is a good way to draw attention to a new brand before advertisement is done. Weiser and Zadek (2000) in their Studies in the UK and USA found shown that consumers got more attracted to companies that were associated with social cause or issue.

CSR can also have a big effect on attracting and retaining good employees. Motivation is often based on values rather than the organisation. Also in today’s market place the importance of brand image and reputation are as valuable as the most valuable asset for example it has been said that 96% assets value of a firm are intangibles such as reputation, knowledge and brand. (Interbrand 2000)

CSR minimises unnecessary regulation by regulatory bodies, such as the government. Okeyo (2003) argues that companies that engaged in illegal behaviour suffered serious shareholders wealth.

Public sector bodies may choose to address different CSR themes through actions reflecting a variety of roles e.g. it is quite feasible for a government to seek to increase and improve the level of corporate sustainability reporting by using a combination of various mandatory (legislative) facilitating (guidelines on content) partnering (engagement with multi-stakeholder, and endorsing tools). In there mandating role governments at different levels define minimum standards for business performance embedded within the legal framework. In there facilitating role public sector agencies enable companies to engage with the CSR agenda. Firms may be involved in CSR to comply with legislation set by public sector organisations such as environmental bodies.

2.5 Benefits of Engaging in Corporate Social Responsibility

The definition of CSR used within business can vary from the strict 'stakeholder impacts' definition used in this article and will often include charitable efforts and volunteering. CSR may be based within the human resources, business
development or PR departments of a company, or may be given a separate unit reporting to the CEO or in some cases directly to the board.

The business case for CSR within a company will likely rest on one or more of these arguments:

Lord Holmes and Richard Watts (2005) say that Corporate Social Responsibility can be an important aid to recruitment and retention, particularly within the competitive graduate market. Potential recruits are increasingly likely to ask about a firm's CSR policy during an interview and having a comprehensive policy can give an advantage. CSR can also help to build a 'feel good' atmosphere among existing staff, particularly when they can become involved through payroll giving, fundraising activities or community volunteering.

Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These events can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.

In crowded marketplaces companies strive for 'X Factors' which can separate them from the competition in the minds of consumers. Several major brands, such as The Co-operative Group and The Body Shop are built on ethical values. Business service organisations can benefit too from building a reputation for integrity and best practice.

Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps they can persuade governments and the wider public that they are taking current issues like health and safety, diversity or the environment seriously and so avoid intervention. This
also applies to firms seeking to justify eye-catching profits and high levels of boardroom pay. Those operating away from their home country can make sure they stay welcome by being good corporate citizens with respect to labour standards and impacts on the environment.

Major corporations which have existing reputation problems due to their core business activities may engage in high-profile CSR programmes to draw attention away from their perceived negative impacts. Thus British American Tobacco (BAT) will take part in health initiatives and the petroleum giant BP has installed very visible wind-turbines on the roofs of some petrol stations in the UK.

According to a report published by Csrnetwork and Radley Yeldar on their website www.csrenetwork.com/news.asp there are ten benefits that companies get through engaging in CSR.

Several academic studies have shown a direct correlation between socially responsible business practices and positive financial performance. A 1997 DePaul University study found that companies with a defined corporate commitment to ethical principles do better financially (based on annual sales/revenues) than companies that don't. Also an 11-year Harvard University study found that "stakeholder-balanced" companies showed four times the growth rate and eight times the employment growth when compared to companies that are shareholder-only focused. (www.csrenetwork.com)

Companies that are committed to CSR often have access to capital that would not otherwise be available, due to the increase in Socially Responsible Investment (SRI). A 2001 study showed that 12% of total investment in the USA was of a socially responsible nature. Likewise, there are 313 green, social and ethical funds operating in Europe in June 2003, showing a 12% increase in the last eighteen months.
Over time, improved environmental management systems improve operational efficiency by reducing waste production and water usage, increasing energy efficiency and in some cases, selling recycled materials. There are also company specific ways of reducing operating costs e.g. Dow Chemical Co has set themselves a target of reducing production of 26 toxic chemicals which will save them 5.4 million Euros per year – 2.3 million Euros more than was spent on the initial investment to do so. By considering impacts, a company’s actions can result in environmental, social and economic benefits. Construction firms, for example, re using products on-site: reduces landfill, reduces community and noise disturbance of additional trucks bringing material to the site, reduces the environmental impact of damage caused by heavy truck wheels and reduces cost for the client of buying new material. (www.csrnetwork.com)

A good reputation is often very hard to build – and yet can be destroyed in less than a day. So much of a company’s reputation results from ‘trust’ by stakeholders. A strong reputation in environmental and social responsibility can help a company build this trust. However, it needs to result from real practices and policies and integrity towards the companies responsibilities. Stakeholders are not stupid and can see through ‘fluff’. Non Government Organisations (NGOs) and local communities are far more willing to not take action as a result of an environmentally-damaging incident if it is evident that the company has genuinely worked hard to prevent it happening in the first place, and has in place solid management practices for rectifying the situation quickly and for learning and improving to prevent an repeat occurrence. (www.csrnetwork.com)

Research has shown that consumers not only want good and safe products, but they also want to know that what they buy was produced in a socially and environmentally responsible way. A CSR Europe/MORI study in 2000 showed that 70% of European consumers say that a company’s commitment to CSR is important when buying a product and 1 in 5 would be willing to pay more for products that are socially and environmentally responsible. Conversely, 1 in 6
shoppers frequently boycott (or buy) products because of the manufacturer's reputation. Likewise, CSR can lead to new markets and product lines. As Dr Richard Steckel and Robin Simons pointed out in their book 'Doing Best by Doing Good' "F. Schumacher & Co produces high quality fabrics, wall coverings and carpets which are sold through interior designers to residential and commercial customers. In 1984, when Schumacher wanted a new product line, the company went to the National Trust for Historic Preservation. The trust licensed Schumacher to reproduce fabric patterns and artefacts found on its buildings. "Our company benefits because we are able to replicate the fine designs of past artists and we are permitted to create new designs based on traditional elements," said Robert Herring, vice-president of designer relations. The National Trust benefits by receiving operating income from the royalties"."

Business for Social Responsibility is a membership organisation based in San Francisco that helps companies improve their CSR learning, management and activities. They say "Company efforts to improve working conditions, lessen environmental impacts or increase employee involvement in decision-making often lead to increased productivity and reduced error rate. For example, companies that improve working conditions and labour practices among their suppliers often experience a decrease in merchandise that is defective or can't be sold." (www.bsr.org)

A company's dedication to CSR can help to attract and retain employees. People want to work for a company that is in accordance with their own values and beliefs. Employees are not just worried about promotion and salary any more. Since Novo Nordisk launched their Values in Action programme which aligns their business objectives with sustainable development, they have seen a 5% drop in staff turnover. "78% of employees would rather work for an ethical and reputable company than receive a higher salary." (The Cherenson Group, www.csreurope.org)
The more a company shows it is committed to CSR by complying with and going beyond legislation, the more lenient governments and regulators may be with the company. They may be given preferential treatment when applying for permits or permission to do something, and if an accident occurs, will be regarded more favourably if they have been transparent and socially responsible in the period running up the accident/incident.

The more a company is committed to CSR, the less they are exposing themselves to business risk. This could be reputation risk following bad press, e.g. the highly publicised “Nike sweatshops”, financial risk, or environmental risk. Fund Management companies are becoming more vocal and assertive about their own expectations regarding a company’s evidence of responsibility in order to reduce risk. Morley Fund Management, for example, has produced environmental reporting guidelines, outlining the type of information it expects companies to include in their reports. (They have introduced a requirement for companies to disclose their approach to managing their environmental impact).

The UK, Denmark, France, and other areas in Europe; the USA, Canada, India, South Africa, China are the countries that come to mind immediately when discussing whether and how companies are embracing the concepts of corporate social responsibility. There are others. For all, the starting points are often different, some are driven by regulations and legislation, and others are driven by self-regulation. Governments, the City, investors, local communities and suppliers are all putting pressure on companies to live up to their expectations of a company in society and in the environment. (www.csrnetwork.com)
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Research design
The design that was used in this research was descriptive survey design. This is because of the cross sectional data that was collected for the study and the type of research objectives that were addressed.

3.2 Population
The population consisted of 48 Banking institutions in Kenya as per Central Bank report (December 2005). A list of the commercial banks is attached. This was a census study of all the 48 banking institutions in Kenya. This became necessary since the population of all the financial institutions was small and the institutions are quite different from each other in terms of ownership, size, period they have been in business, management setups and areas of operations.

3.3 Data Collection Procedures And Instruments
Questionnaires were used to collect primary data for this research. The questionnaire consisted of both open and closed ended questions, providing both qualitative and quantitative data. The questionnaire was administered to the Corporate Affairs Managers/General Managers of all the Banks. The questionnaire was divided into 3 sections A, B and C. Section A provided general information, Section B focused on factors that determine involvement of banks in CSR and Section C targeted the perceived benefits that accrue from the commercial banks' involvement in CSR.

The drop and pick method was used to disperse the questionnaires. Follow ups were made to ensure the collection of the questionnaires in time.
3.4 Data Analysis And Presentation

Each piece of data was checked for consistency with other data obtained from questionnaires in order to eliminate misleading data which could arise due to misrepresentation of questions in the questionnaire.

The data was then analysed using descriptive statistics. These were the mean scores, percentages, frequencies and standard deviations. The findings were presented using tables, graphs, bar charts and pie charts.

The application of a statistical package for social sciences (SPSS) was inevitable in the study as it was necessary to facilitate interpretation of the results.
CHAPTER FOUR
DATA ANALYSIS AND FINDINGS

4.1 Introduction
This Chapter presents the analysis and findings of the study. The general information is presented first the factors that influence the practice of CSR in financial institutions of Kenya and lastly the benefits of practising CSR.

The number of institutions that responded to the questionnaire was 16 banking institutions in Kenya. Questionnaire used consisted of both qualitative and quantitative data. They were administered to the bank managers in various financial institutions in Kenya in charge of corporate affairs.

The objective of the study was to determine what factors influence the involvement of banks in corporate social activities and to determine the benefits by the banks as a result of practicing corporate social responsibility.

4.2 General Information On Financial Institutions
This section presents general information about the financial institutions that participated in this study. This includes ownership, length of being in business, whether the company is involved in CSR and in which activities.

Table 4.1(a): Banks Profile by Ownership

<table>
<thead>
<tr>
<th></th>
<th>N=16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq</td>
</tr>
<tr>
<td>Local</td>
<td>14</td>
</tr>
<tr>
<td>Joint</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
</tr>
</tbody>
</table>
According to the table 1 (a) 88% of the banks interviewed were locally owned while 12% jointly owned meaning ownership was both foreign and local. None of the banks interviewed was foreign.

**Table 4.1(b): Bank Profile by length of service**

<table>
<thead>
<tr>
<th></th>
<th>Freq</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-5 years</td>
<td>2</td>
<td>12%</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>14</td>
<td>88%</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>100%</td>
</tr>
</tbody>
</table>

In table 1 (b) the banks interviewed indicates that (88%) have been in existence in the financial sector business for over 10 years. None of the banks interviewed had been in operation for less than 3 years but 12% has been in operation for 4-5 years.

**Table 4.1(c) Bank Profile by CSR policy**

<table>
<thead>
<tr>
<th></th>
<th>Freq</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>13</td>
<td>81%</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>19%</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 1(c) shows that 81% of the banks interviewed have a CSR policy in place. 19% of them do not have a CSR policy.

Further the study indicates that all banks that were interviewed have been involved in CSR activities in the last four years. This includes HIV/AIDS support, Quality education i.e. Pre-university education through scholarships, Security,
Poverty eradication, Sports, Street Children rehabilitation, supporting the physically disabled and co-operative movements.

Others include supporting Children's homes e.g Mama Ngina Childrens home, contributing to the famine relief, health through participation in medical camps, Arts, religion, youth, provision of clean water and sanitation through construction of safe and sustainable management of water resources.

Some institutions have also been involved in reforestation of depleted government forests, promotion of entrepreneurship and business ethics among university students and through economic projects which contributes to the development of Kenya.

4.3 Factors Influencing The Involvement Of Banks In CSR

This section presents the core findings of the study, that is, the extent to which certain factors influence the practice of CSR. The findings are presented using mean scores to show the extent of influence and the standard deviation to show the degree of consensus among the respondents.

The second sub-subsection presents the findings along the same dimensions, showing the ranking in terms of extent of influence to the practice. It presents the factors that influence the practice of CSR to be very great, great, moderate, little extent and not at all based on the mean scores.

For both sections a mean score of 4.5 was interpreted as indicating that the particular factor influencing CSR was very great. A mean score that is 3.5 or more but less than 4.5 indicates that the factor was great. A mean score that is 2.5 or more but less than 3.5 would indicate that the factor influence to CSR practice was moderate. A mean score that is 1.5 or more but less than 2.5 would indicate that the factor influence was to a little extent. A mean score that is less
than 1.5 would indicate that the factor mentioned influence the practice of CSR extent was not at all.

Standard deviations were interpreted to be high if they are greater than 1 and to be low if less than one. High standard deviation figures were interpreted to mean that respondents varied significantly in their responses while low deviations mean there was agreement among respondents.

**Figure 1: Factors Influencing The Practice Of CSR**

From the findings presented in Figure 1 above, three (3) factors were found to influence the extent of the practice of CSR greatly. These are corporate image (3.94), moral obligations (3.75) and solving societal problems (3.56).

Others factors that were found to be moderate in the influence of CSR practices in the banking sector includes company policy (3.25), Publicity (3.19) and long term profitability (2.63). The others whose influences were of little extent include pressure from society (2.25) and regulation compliance (1.87).
Table 4.2 Factors influencing involvement of banks in CSR

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Image</td>
<td>3.94</td>
<td>1.18</td>
</tr>
<tr>
<td>Moral Obligation</td>
<td>3.75</td>
<td>0.93</td>
</tr>
<tr>
<td>Solving societal problems</td>
<td>3.56</td>
<td>1.21</td>
</tr>
<tr>
<td>Company policy</td>
<td>3.25</td>
<td>1.53</td>
</tr>
<tr>
<td>Publicity</td>
<td>3.19</td>
<td>1.11</td>
</tr>
<tr>
<td>Long term profitability</td>
<td>2.63</td>
<td>1.09</td>
</tr>
<tr>
<td>Pressure from Society</td>
<td>2.25</td>
<td>1.00</td>
</tr>
<tr>
<td>Regulation compliance</td>
<td>1.87</td>
<td>1.31</td>
</tr>
</tbody>
</table>

From the table 2 above, the high standards deviations indicate that respondents varied significantly in their responses. This includes Company policy, Regulation compliance, solving societal problems, corporate image, Publicity, Long term profitability and Pressure from Society. However, there was agreement when it came to moral obligations response.

The study indicates that there is increased awareness and involvement and more banks are adopting the idea of CSR than ever before. More and more banks are engaging in CSR as a way of giving back to the society. This is through the establishment of trust funds and supporting the weak and needy members of the society and showing a human side of the business community. Respondents termed CSR as a fundamental aspect of a corporation's corporate affair; a MUST for all companies. It was found to be the key to organizations success and it provides an opportunity to reward the public for their business support as well as some good publicity. It has become a means of image building by corporate as each new firms tries to emulate other firms. Companies are realizing the benefits of image and subsequent long term profitability opportunities. To some, CSR was found not to influence the level of profitability, but the enhancement of the
corporate image positively although there was a strong correlation between organizations pursuit for profitability and CSR. However, there were other respondent who felt that most CSR are geared towards publicity rather than moral obligations i.e the mileage the organizations will get tends to be the decision factor for any sponsorship. It is also becoming apparent that companies are moving towards consolidating the entire budget to sponsor one major activity. This is perhaps driven by the need to get enough presence and publicity around the event as opposed to sponsoring many minute activities that are too little to attract any meaningful publicity or brand public relations (PR) as it may be called e.g EABL project Fame or Kenya Airways huge sponsorship of boreholes in arid areas.

There were others who found the trend as too high. This was because of the poor state of governance of resources by our leaders who lack infrastructure of managing the said resources.

From the findings, most banks felt that they had achieved their objectives in CSR. This is in furtherance to enabling children from populated areas to attend schools in conducive and decent environment. They also achieved their objectives through use of recognition and creation of awareness. Although they felt that the objectives were still on course, they were developing a portfolio with a view of expanding it further.

To others, the objectives were not completely achieved due to time and budgetary constraints. They felt they need to spend much more time and resources to assist the ever increasing poor people in the society. This is in particular to some banks whose policy was to work with the disadvantaged, solving their problems and empowering them to pursue their development agenda. However, they felt they had to tie their CSR involvement to profitability, publicity and image building in essence of their core beliefs ie just philanthropic.
The following are the measures that are being done to improve the practices of CSR in most companies. Respondent felt that there should be an appropriate theme- CSR should be ‘branded” through apt themes just as product are, so as to capture the imagination of the population. CSR without proper naming, tagline, slogans, branding and all gets lost in common communications and the listeners cannot identify it correctly with the sponsor.

Staffs should be involved. Whereas staff got involved, mostly it’s a result of the feeling to do good to society. Staff may need to also understand the CSR goals to each activity and appreciate the company’s interest too. Partnership with organizations can be explored to expand the scope and reach of CSR. E.g. Dettol Heart Run which has become prominent through partnerships between sponsors hospitals, media and the government. Companies should also partner with credible NGOs who can assist in effective implementation of some of the projects they wish to undertake for the various communities. Companies should also establish foundations to concentrate CSR activities. This would be effective as the sole responsibility would be to concentrate on sponsorships donations and approved CSR projects. There should be campaigns within the corporate circles for other profit making companies to give back as a matter of moral obligations even as they seek image change and public perception improvements.

Companies should also get out of ‘one time’ donations and embrace sustainable programs. Budgets should be increased particularly for health and education. Projects undertaken should be allocated more resources.
From the findings in Figure 2 above, the perceived benefit of CSR which was rated highly was improved Corporate Image which had a mean of 4.38. This was perceived to be of great benefits to institutions arising from the practice of CSR.

Other factors that were perceived moderately include increased sales and customer loyalty (3.31), Keeping up with the competition (3.19), Business opportunities (2.88), increased profitability (2.69) and increased productivity and quality (2.56).
Factors that were ranked low and perceived to be of little extent to institutions arising from CSR practice includes among others increased ability to attract and retain employees (2.38), access to capital (2), reducing risk and increased risk management (2) and minimized unnecessary regulations (1.75).

Table 4.3 Benefits of CSR and Their Importance

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved corporate image</td>
<td>4.38</td>
<td>0.72</td>
</tr>
<tr>
<td>Increased sales and customer loyalty</td>
<td>3.31</td>
<td>1.01</td>
</tr>
<tr>
<td>Keeping up with competition</td>
<td>3.19</td>
<td>0.91</td>
</tr>
<tr>
<td>Business opportunities</td>
<td>2.88</td>
<td>1.03</td>
</tr>
<tr>
<td>Increased profitability</td>
<td>2.69</td>
<td>0.79</td>
</tr>
<tr>
<td>Increased productivity and quality</td>
<td>2.56</td>
<td>0.96</td>
</tr>
<tr>
<td>Increased ability to attract and retain employees</td>
<td>2.38</td>
<td>0.96</td>
</tr>
<tr>
<td>Access to capital</td>
<td>2.00</td>
<td>0.97</td>
</tr>
<tr>
<td>Reducing risk and increased risk management</td>
<td>2.00</td>
<td>0.82</td>
</tr>
<tr>
<td>Minimized unnecessary regulation</td>
<td>1.75</td>
<td>0.93</td>
</tr>
</tbody>
</table>

The findings presented in table 3 above, the low standards deviations indicate that respondents were in agreement with the following perceived benefits. Improved corporate image, Increased profitability, Reducing risk and increased risk management, Minimized unnecessary regulation, Increased productivity and quality, Increased ability to attract and retain employees, keeping up with competition and access to capital. However, they varied significantly in their response concerning increased sales and customer loyalty and business opportunities.

The study further indicates that CSR was perceived to be a good practice because it creates goodwill within the communities and the organizations. It was
found to be a way of giving back ie 'ploughing' back to the Society. Others felt it was a form of thank you for the same community for supporting the institutions. CSR was found to benefit the sponsor, community and the government in the following ways:-

Findings also indicate that the community gained social capital from CSR investments in health care, roads, education and all by sponsors. It also gets an 'up-market' appearance. As it begins to acquire a more cosmopolitan outlook, as opposed to parochial, from its regular interaction with sponsors which helps them appreciate the workings of mainstream commerce. They also appreciate the various philanthropic activities directed to them.

The government also gains assistance in provision of public services from the additional public investment in socio-economic investments in healthcare, education and all. It also fosters greater partnership with sponsors through CSR activities. This can boost sponsor-government relations which are for mutual benefit to both.
CHAPTER FIVE
SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Introduction
This chapter addresses the research questions and objectives outlined in Chapter one. The section also covers summary, discussions and conclusions.

Recommendations, suggestions for further research and limitations of the study and implications for policy and practice also form the content of his chapter.

The objectives of the study was to determine what factors influence the involvement of banks in corporate social activities and to determine the perceived benefits by the banks as a result of practicing corporate social responsibility

5.2 Summary, Discussions And Conclusions
The study had two objectives. First to find out the factors that influence the practice of CSR of the financial institutions in Kenya and secondly to identify the benefits that arise as a result of financial institutions engaging in social activities.

Primary data was using a questionnaire that was dropped and picked from the population of 48 financial institutions. The number of institutions that responded in time for the study was 16 which is 33% of the total population studied.

The data was then analysed using descriptive statistics. These were the mean scores, percentages, frequencies and standard deviations. The findings were presented using tables, graphs, bar charts and pie charts.

The application of a statistical package for social sciences (SPSS) was inevitable in the study as it was necessary to facilitate interpretation of the results.
The findings of the study indicate that all the banks that were interviewed have been involved in CSR activities in the last four years. The social activities performed includes HIV/AIDS support, Quality education i.e. Pre-university education through scholarships, Security, Poverty eradication, Sports, Street Children rehabilitation, supporting the physically disabled and co-operative movements.

Others include supporting Children's homes e.g Mama Ngina Childrens home, contributing to the famine relief, health through participation in medical camps, Arts, religion, youth, provision of clean water and sanitation through construction of safe and sustainable management of water resources.

Some institutions have also been involved in reforestation of depleted government forests, promotion of entrepreneurship and business ethics among university students and through economic projects which contributes to the development of Kenya.

Further the study shows that the factors that have great influence on the extent of the practice of Corporate Social Responsibility (CSR) in the financial institutions is corporate image, moral obligations and solving societal problems. Other factors that moderately influenced the practice of CSR are company policies, publicity and long term profitability. Pressure from society and regulation compliance factors were found to have little extent in influencing the practice of CSR.

The study also found out that the most important benefits of CSR to financial institutions is improved corporate image. Other benefits that were of moderate importance included increased sales and customer loyalty, keeping up with competition and increased productivity and quality. Benefits like Increased ability to attract and retain employees, access to capital, reduced risk and minimizing unnecessary regulations were found to be of little importance. The research
concludes that corporate image, moral obligations and solving society problems have great influence on the extent of the practice of CSR in the financial sector.

The findings indicate that generally corporate image influenced that extent of the practice of CSR greatly. It is in agreement with what is suggested in the literature review in chapter two. In this chapter, Business social response improves the public image of business. Formbrun (1990) says the reason for CSR is the publicity potential i.e. CSR is a good way to draw attention to a new brand before advertisement is done. Weiser and Zadek (2000) in their Studies in the UK and USA found shown that consumers got more attracted to companies that were associated with social cause or issue.

Moral obligations was also found to influence the extent of CSR greatly. This is in agreement that a more socially responsible business tends to have more secured long run profits (Otoole 1991). Weiser and Zadek (2000) in their research in United Kingdom found a relationship between CSR and profits. Barnets and Salomon (2002) also found that strong social performance could decrease costs hence increase profitability by improving relationships with key stakeholders such as suppliers.

Solving societal problems was found to influence the CSR greatly. This is because Kibera (1996) with increased societal problem a business can help in creating better quality of life by helping solve difficult social problems. Business contributes to many of society’s problems thus it is important for them to correct some of the problems. The society’s problems have become more alarming to the level where the society is impatient and feels that something must be done. Therefore, more than ever than before businesses are expected to play a role in combating these problems.

From the findings, the perceived benefit of CSR which was rated highly was improved Corporate Image which had a mean of 4.38. This was perceived to be
of great benefits to institutions arising from the practice of CSR. It is in agreement with what is suggested in the literature in chapter two. In this chapter, major corporations which have existing reputation problems due to their core business activities may engage in high-profile CSR programmes to draw attention away from their perceived negative impacts. Thus British American Tobacco (BAT) will take part in health initiatives and the petroleum giant BP has installed very visible wind-turbines on the roofs of some petrol stations in the UK.

The other factor which was perceived moderately was increased sales and customer loyalty. This was found to be important in agreement with chapter 2. A 1997 DePaul University study found that companies with a defined corporate commitment to ethical principles do better financially (based on annual sales/revenues) than companies that don't. Also an 11-year Harvard University study found that "stakeholder-balanced" companies showed four times the growth rate and eight times the employment growth when compared to companies that are shareholder-only focused.

Keeping up with the competition was perceived moderately. From the chapter 2 it was found that marketplaces companies strive for 'X Factors' which can separate them from the competition in the minds of consumers. Several major brands, such as The Co-operative Group and The Body Shop are built on ethical values. Business service organizations can benefit too from building a reputation for integrity and best practice.

CSR was also found to assume the trend of globalization of themes. This is particular to trans-national corporations who today prefer to have CSR to run their entire operation across different continents, nations and markets as opposed to crafting parochial themes relevant to specific locales e.g StanChart "We believe campaign" that underpins their marathon sponsorship and which also highlights and supports such as aid for the visually-impaired, deaf etc.
CSR has also assumed the trend of convergence of marketing and PR. Before, marketing was for positioning product while PR was for 'doing good things for society'. Today however, CSR is no longer a subset of PR; rather it is part of the larger brand PR that companies do ostensibly to "partner with communities in which they do business." But which indeed is intended to grow business through appropriate positioning. Today's CSR takes the form of "sponsorship" which is a combination of both marketing and PR.

The sponsor (the company) gains publicity, respect, social esteem and long term brand value. He better understands the needs, aspirations, frustrations and working of the community through CSR interaction. The sponsor manages real problems such as crime, political threats of nations, guerilla attacks, etc by buying domestication through CSR. Tax advantages are gained i.e. as was provided in 2006/07 budget, that donations to charity will henceforth become tax deductible. The sponsor gained good regards by government for assisting in providing services to the needy publics. It was felt that the company involved in CSR gained support of the society in building and sustaining their profit base therefore a moral obligation to support the society in return.

The research concluded that corporate image, moral obligations and solving societal problems influenced the extent of the practice of CSR greatly with varying degree across the industry. Others factors that were found to be moderate in the influence of CSR practices in the banking sector includes company policy, Publicity and long term profitability. Pressure from the society and regulations compliance was found to be of little influence.

The benefit of CSR which was rated highly was improved Corporate Image which had a mean of 4.38. Other factors that were perceived moderately include increased sales and customer loyalty keeping up with the competition, Business opportunities, increased profitability and increased productivity and quality.
Factors that were ranked low and perceived to be of little extent to institutions arising from CSR practice includes among others increased ability to attract and retain employees, access to capital, reducing risk and increased risk management and minimized unnecessary regulations.

CSR by financial institutions is taking shape after many years of absence. It is quite laudable especially in the banking fraternity. It has improved in the recent past. It has become more visible and more responsive. This may be driven by the need to differentiate themselves from peer and also to alleviate the adverse public perception that banks make billions of profits but still remain mean to society. CSR still remains a lone-ranger, as you don’t see shoulder to shoulder partnership between banks and other partners in CSR. This may be brought by internal privacy policies, risk management to avoid exposure to perceived risky partnership, the feeling that their resources are sufficient to go it alone, the need to show modesty and restraint in their role as managers of other people’s money, and plain inexperience in CSR.

Most of the financial institutions have seen the need to be associated and recognized in the society. They have participated in CSR in one way or another. There is renewed awareness in the importance of assisting the communities. Institutions are setting aside budgets to cater for this. They should partner to enhance development in areas that the government is unable to develop.
5.3 Limitations Of The Study

This study was limited in several dimensions. First the respondents being financial institutions it was very difficult to obtain information from the relevant corporate affairs managers. The institutions that did not respond even after personal visits by the researcher indicated that their information is confidential and therefore classified and can not be shared with outsiders.

Secondly time constraint was another major limitation that led to some financial institutions that were slow to respond to be excluded from the studies. The corporate affairs managers are very busy people and most of the time they are out of their offices organizing for various public relations events including marketing and opening of new branches. Because of the nature of their duties, most of them asked for four to five weeks to respond to the questionnaire and even after the period ended they still had not filled the questionnaire.

Thirdly some institutions refused to participate in the study citing various reasons like, they have no collaboration relationship with the University of Nairobi and as such they do not see how they will benefit from the findings of the study. Other reasons are that the requests for information through questionnaires is consuming a lot of the managers' time since there is a lot of research studies going on by students from tertiary institutions of higher learning, universities both private and public and that most researchers are finding institutions located in Nairobi more convenient for their studies thus the congestion.

Finally, the researcher was not in a position to avail all the financial resources that were necessary to adequately cover the expenses of the project.
5.4 Suggestions For Further Research
Although all the banks that participated in the survey were found to be practicing corporate social responsibility, it was not clear from this study whether these institutions do actually consult the communities or the major stakeholders first before engaging in certain social activities that they assume to be the immediate needs for the community.

Another area that would be of interest to study will be to find out in monetary terms the amount that various banks invest in social activities and how it compares to their net profits.

Finally do CSR activities benefit the communities they are targeted for or not? This question is crucial and such a survey could help companies participate in CSR on the few activities that add value to both the firms and the respective communities.

5.5 Implications For Policy And Practice
The findings of the study indicated that 3 out of the 16 banks that participated in the research practised CSR but they did not have a policy in place. It is recommended that firms should put in place policies to guide the practice of CSR so that their involvement in these social activities is not ad hoc.

CSR still remains a lone-ranger, as you don’t see shoulder to shoulder partnership between banks and other partners in CSR. This may be brought by internal policies on privacy, risk management to avoid exposure to perceived risky partnerships, the feeling that their resources are sufficient to go it alone, the need to show modesty and restraint in their role as managers of other people’s money, and plain inexperience in CSR.
REFERENCES


Business Respect - CSR Dispatches No 57 - 1 Jun 2003


Daily Nation 1 June 2003 Pillar of Corporate Social Responsibility

Daily Nation 30th May 2003 Business Report


Friedman M. (1979) The social Responsibility of Business is to increase its profits Business policy and strategy Irwin

Gantt H.L (1919) Organisation for work oxford, NY


Kweyu Martin (1993) Managerial attitudes towards business social response a case of Bank Managers in Nairobi MBA project


Stoner (1989) Management GB


<table>
<thead>
<tr>
<th></th>
<th>Financial Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Barclays Bank of Kenya</td>
</tr>
<tr>
<td>2</td>
<td>Kenya Commercial Bank</td>
</tr>
<tr>
<td>3</td>
<td>Standard Chartered Bank</td>
</tr>
<tr>
<td>4</td>
<td>Co-operative Bank of Kenya</td>
</tr>
<tr>
<td>5</td>
<td>National Bank of Kenya</td>
</tr>
<tr>
<td>6</td>
<td>CFC Bank</td>
</tr>
<tr>
<td>7</td>
<td>NIC Bank Limited</td>
</tr>
<tr>
<td>8</td>
<td>Commercial Bank of Africa</td>
</tr>
<tr>
<td>9</td>
<td>Citibank N.A.</td>
</tr>
<tr>
<td>10</td>
<td>Investments &amp; Mortgages Bank Ltd</td>
</tr>
<tr>
<td>11</td>
<td>Diamond Trust Bank Kenya Ltd</td>
</tr>
<tr>
<td>12</td>
<td>Imperial Bank Limited</td>
</tr>
<tr>
<td>13</td>
<td>Stanbic Bank Kenya Limited</td>
</tr>
<tr>
<td>14</td>
<td>Housing Finance Company of Kenya</td>
</tr>
<tr>
<td>15</td>
<td>Equity Bank</td>
</tr>
<tr>
<td>16</td>
<td>Bank of Baroda</td>
</tr>
<tr>
<td>17</td>
<td>Fina Bank Limited</td>
</tr>
<tr>
<td>18</td>
<td>Prime Capital &amp; Credit</td>
</tr>
<tr>
<td>19</td>
<td>Bank of India</td>
</tr>
<tr>
<td>20</td>
<td>K-Rep Bank</td>
</tr>
<tr>
<td>21</td>
<td>Southern Credit Banking Corporation Ltd</td>
</tr>
<tr>
<td>22</td>
<td>African Banking Corporation Ltd</td>
</tr>
<tr>
<td>23</td>
<td>Guardian Bank Limited</td>
</tr>
<tr>
<td>24</td>
<td>Giro Commercial Bank Ltd</td>
</tr>
<tr>
<td>25</td>
<td>Charterhouse Bank Ltd</td>
</tr>
<tr>
<td>26</td>
<td>EABS Bank Limited</td>
</tr>
<tr>
<td>27</td>
<td>Habib A.G. Zurich</td>
</tr>
<tr>
<td></td>
<td>Bank Name</td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>28.</td>
<td>Middle East Bank of Kenya Ltd</td>
</tr>
<tr>
<td>29.</td>
<td>Bank of Africa</td>
</tr>
<tr>
<td>30.</td>
<td>Victoria Commercial Bank</td>
</tr>
<tr>
<td>31.</td>
<td>Credit Bank Limited</td>
</tr>
<tr>
<td>32.</td>
<td>Equatorial Commercial Bank Ltd</td>
</tr>
<tr>
<td>33.</td>
<td>Prime Bank Limited</td>
</tr>
<tr>
<td>34.</td>
<td>Chase Bank Limited</td>
</tr>
<tr>
<td>35.</td>
<td>Consolidated Bank of Kenya Ltd</td>
</tr>
<tr>
<td>36.</td>
<td>Development Bank of Kenya</td>
</tr>
<tr>
<td>37.</td>
<td>Trans-National Bank Limited</td>
</tr>
<tr>
<td>38.</td>
<td>Habib Bank Ltd</td>
</tr>
<tr>
<td>39.</td>
<td>Fidelity Commercial Bank Ltd</td>
</tr>
<tr>
<td>40.</td>
<td>Paramount Universal Bank</td>
</tr>
<tr>
<td>41.</td>
<td>Dubai Bank Limited</td>
</tr>
<tr>
<td>42.</td>
<td>Oriental Commercial Bank</td>
</tr>
<tr>
<td>43.</td>
<td>City Finance Bank Limited</td>
</tr>
<tr>
<td>44.</td>
<td>Family Finance Building Society</td>
</tr>
<tr>
<td>45.</td>
<td>Post Bank</td>
</tr>
<tr>
<td>46.</td>
<td>Devna Finance Ltd</td>
</tr>
<tr>
<td>47.</td>
<td>Savings &amp; Loans Kenya Ltd</td>
</tr>
<tr>
<td>48.</td>
<td>Bank of India Finance Ltd</td>
</tr>
</tbody>
</table>
Appendix 2: Letter of Reference

10 September 2006

The Corporate Affairs Manager
Bank Name
Nairobi

Dear Sir or Madam,

RE: SURVEY ON FACTORS INFLUENCING THE PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY OF FINANCIAL INSTITUTIONS IN KENYA

I am an MBA student at the University of Nairobi and my Supervisor is Dr. Martin Ogutu. My research project is on “Factors influencing the practice of Corporate Social Responsibility (CSR) of financial institutions in Kenya”

I would appreciate if you could take some time and respond to the questionnaire enclosed herein. Your response will be kept completely confidential and will be used only for the purposes of this research.

There will also be no specific mention of any issues that you consider confidential about your company directly in the report. Should you be interested in the outcome of the survey, we shall be willing to share with you the results.

Due to time constraints we request that you return the completed questionnaire at your earliest opportunity.

Thank you,
Yours truly,

Kennedy Auka
QUESTIONNAIRE TO MANAGERS IN CHARGE OF CORPORATE AFFAIRS OF FINANCIAL INSTITUTIONS IN KENYA

SECTION A

General Information

1. Name of Financial Institution

2. Ownership
   Local □ Foreign □ Joint □ (Tick appropriately)

3. How long has your Company been in business?
   □ 1-3 years □ 4-5 years □ 6-10 years □ over 10 years

4. Does your Company have a Corporate Social Responsibility policy?
   □ Yes □ No

5. Has your Company been involved in any Corporate Social Responsibility activities?
   □ Yes □ No

6. What areas of Corporate Social Responsibility has your Company been involved in over the last 5 years?
7. To what extent do the following factors Influence the practice of Corporate Social Responsibility in your bank (based on the scale below)

<table>
<thead>
<tr>
<th>Factors</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pressure from society</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moral obligation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publicity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Image</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulation Compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solving societal Problems</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company Policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
What do you think the trend is as far as Corporate Social Responsibility is concerned today?

8. Do you think your institution has achieved its objectives in Corporate Social responsibility?

9. What do you think your Company could do to improve its practice Corporate Social Responsibility?
III. SECTION C
Perceived Benefits Of Corporate Social Responsibility

10. According to your own perception what do you think are possible benefits to your institution arising from the practice of Corporate Social Responsibility (based on the scale below)

<table>
<thead>
<tr>
<th>Benefits</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved corporate image</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased Profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimised unnecessary regulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business opportunities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased sales and customer loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased ability to attract and retain</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased productivity and quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reducing risk, and increased risk management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keeping up with competition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11. What comments would you give on Corporate Social Responsibility in Financial institutions in general?

12. Do you think Corporate Social Responsibility is a good practice?
   Yes   □   No   □

13. Why or why not?