THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON THE FINANCIAL PERFOMANCE OF COMMERCIAL BANKS IN KENYA

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This Research Project is submitted in partial fulfillment of the requirement for the award of the degree of Master of Business Administration, University of Nairobi

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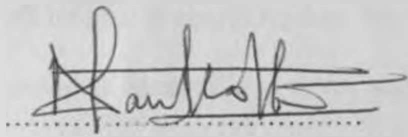
DECLARATION

I the undersigned hereby declare that this research project is my original work and has not been submitted for presentation or examination for any award of degree in this university or any other University.



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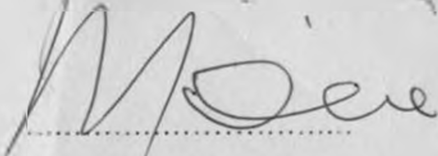
This Research Project has been submitted for examination with my approval as the Supervisor.



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DEDICATION

This research Project is dedicated to my parents; Mr. Charles Okwoma and Leunida Atieno for their determination and commitment to educate me. Indeed, you have lived the dream of Martin Luther, that faith is taking the first step even if you can't see the whole staircase.

ABSTRACT

Perhaps the most commonly used sentence in the corporate world and specifically the banking sector today is "giving back to society". This has come to be called Corporate Social Responsibility (CSR). CSR has been defined differently by different people but the denominator in all the definitions is the fact that a corporation should be mindful of the environment in which it operates and seek to make it better. Friedman (1970) however says the only social responsibility of business is its profits, meaning that a firm should only give to society if it will improve its financial returns. Instrumental theories have strengthened the arguments of Friedman by arguing that CSR can improve the financial perfomance of a firm.

The purpose of this study was to determine the impact of CSR on financial perfomance of commercial banks in Kenya. In this study, longitudinal research design was used. Cooper and Schindler (2003) describe longitudinal study as a study that is carried out repeatedly over an extended period. CSR activities and financial perfomance of 28 commercial banks was studied between the year 2007 and 2008. CSR was measured by the amount spent on CSR activities while financial perfomance was measured using ROA, ROE and GII. Regression model was used to analyse data. CSR was the independent variable while the dependent variables comprised ROA, ROE and GII. The study found that CSR has a positive significant effect on the financial perfomance of all commercial banks studied. However, on classification based on size based on CBK criteria, the study found that CSR has a positive and significant effect on financial perfomance of large and medium size banks but no significant effect on financial perfomance of small banks. The study concludes that CSR is good for the financial health of large and medium size banks but not small banks.

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Relationship between spending on CSR and financial perfomance for all banks studied

Relationship between spending on CSR and financial perfomance by bank size.

ABBREVIATIONS

CAMEL	-Capital Adequacy, Asset Quality, Management Efficiency. Earnings Perfomance and Liquidity
CBK	-Central Bank of Kenya
CSR	-Corporate Social Responsibility
FDIC	-Federal Deposit Insurance Corporation
GII	-Growth in Interest Income
KCB	-Kenya Commercial Bank
NSE	-Nairobi Securities Exchange
ROA	-Return on Assets
ROE	-Return on Equity

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The field of Corporate Social Responsibility (CSR) has grown exponentially in the last decade. Nevertheless there remains a protracted debate about the legitimacy and value of corporate responses to CSR concerns. (Tsoutsoura, 2004). Friedman (1970) argues that CSR necessarily comes at the expense of the interests of employees, or shareholders. In fact, he asserts that economic returns and social returns are inherently at odds with one another. The implication of this argument is that CSR infact has a negative effect on financial performance of a firm. Studies by Abiodum (2012) found an inverse relationship between CSR and Financial Perfomance in Nigeria. These results though reinforced the views of Friedman (1970), contradict findings of Tsoutsoura (2004) who found a positive relationship between CSR and Financial Perfomance in California.

In the recent past, we have seen increased participation of Kenyan commercial banks in social responsibilities. These banks have undertaken and funded various activities in the areas of environment, scholarship programmes for needy students, humanitarian programmes among others.

1.1.1 Corporate Social Responsibility

Tsoutsoura (2004) defines CSR as a comprehensive set of policies, practices, and programmes that are integrated in the business operations, supply chains, and decision making processes throughout the company and usually include issues related to business ethics, community investment, environmental concerns, governance, human rights, the

market place as well as the work place. According to *Business for social Responsibility,* CSR is defined as "achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment". Mc Williams and Siegel (2001) describe CSR as "actions that appear to further some social good, beyond the interest of the firm and that which is required by law". These definitions emphasise the fact that a firm should not over emphasise financial performance and forget the well being of its immediate environment.

Tsoutsoura (2004) observe that each company differs in how it implements corporate social responsibility. The differences depend on such factors as the specific company's size, the particular industry involved, the firm's business culture, stakeholders' demands, and how historically progressive the company is engaging in CSR. Indeed, commercial banks in Kenya differ in the kind of social responsibilities they undertake. Such areas include; environmental conservation, scholarship programmes for bright but needy students, humanitarian programmes, among other areas.

1.1.2 Financial Performance

Hassan et al (2011) identify two broad categories of financial performance measures as: investor returns and accounting returns. The basic idea of investor returns is that, the return should be measured from the perspective of shareholders. Whereas, accounting returns measures of financial performance focus on how firm earnings respond to different managerial policies. Accounting-based performance measures are; return on assets (ROA), total assets, sales growth, asset growth, and operating income growth. Investment based returns measures are dividend yield, price earning ratio among others.

1.1.3 Determinants of Financial Perfomance in the Banking Sector

Some of the factors that determine financial performance of commercial banks in Kenya are discussed below.

Bank-specific factors are those factors within the direct control of managers and can be best explained by the CAMEL framework. CAMEL stands for Capital adequacy. Asset quality, Management efficiency, Earnings performance and Liquidity.

Kosmidou (2009) defines capital adequacy as the sufficiency of the amount of equity to absorb any shocks that the bank may experience.(Cited in Sipho and Olweny 2011). The capital structure of banks is highly regulated. This is because capital plays a crucial role in reducing the number of bank failures and losses to depositors when a bank fails as highly leveraged firms are likely to take excessive risk in order to maximize shareholder value at the expense of finance providers (Kamau, 2009).

The quality of assets held by a bank determines the bank's credit risk exposure. The CBK measures asset quality by the ratio of net non-performing loans to gross loans. However Sipho and Olweny (2011) cite Koch (1995) as arguing that a good measure of credit risk or asset quality is the ratio of loan loss reserve to gross loans because it captures the expectation of management with regard to the performance of loans.

The importance of liquidity goes beyond the individual bank as a liquidity shortfall at an individual bank can have systemic repercussions (CBK. 2009). It is argued that when banks hold high liquidity, they do so at the opportunity cost of some investment. which could generate high returns (Kamau, 2009).

In the literature on bank performance, operational expense efficiency is usually used to assess managerial efficiency in banks. Sufian and Chong (2008) noted that poor expenses management is the main contributor to poor profitability in the banking sector.

Commercial banks can also diversify their revenues by engaging in off balance sheet activities. Albertazzi and Gambacorta (2006) as cited by siphon and olweny (2011) noted that the decline in interest margins, has forced banks to explore alternative sources of revenues, leading to diversification into trading activities, other services and non-traditional financial operations.

Market structural factors such as ownership structure of a bank and market concentration have been found to influence profitability of banks. (Tregenna, 2009). Foreign banks bring better know how and technology and exerts competitive pressure on local banks leading to efficiency.

Corporate social responsibility are actions that appear to further some social good beyond the interest of the firm Mc William and Siegel (2001). Garriga and Mele (2004) observe that firms that are socially responsible can use those social activities to acquire competitive advantages and maximise shareholder value.

1.1.4 The Relationship between Corporate Social Responsibility and Financial Performance

CSR is the set of standards to which a company subscribes in order to make its effect on society and has the potential to make positive contributions to the development of society and business. (Awuor, 2010). While Fridman (1970) argues that businesses do not have moral responsibility because they are not moral persons. Gariga and Mele (2004) dispute this assertion. They think that Friedman's argument lacks rigor in that he never carefully

distinguished between moral and social responsibility. Friedman's view tends to concur with instrumental theories which provide that CSR is mere means to end of profits.

Gariga and Mele (2004), bring out the relationship between CSR and Financial Perfomance by breaking down the instrumental theories into three groups. The first group views CSR as aimed at maximizing shareholder value measured by the share price. This group of instrumental theories provides that any expenditure in social demands that would produce an increase in shareholder value should be undertaken, acting without deception and fraud. In contrast, if the social demands only impose a cost on the company they should be rejected.

The second group of instrumental theories views CSR activities as focused on the strategic goal of achieving competitive advantages, which would produce long-term profits. In this case, CSR is used to achieve competitive advantage by investing in philanthropic activities (Porter, 1980), identifying strategic social and ethical resources and capabilities (Patrick and Quinn, 2001) and through disruptive innovation, a means of attending to the bottom of economic pyramid (Christensen and Overdorf, 2000; Christensen et al., 2001).

The third group is cause related marketing which is the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in a revenue-providing exchanges that satisfy organizational and individual objectives (Varadarajan and Menon, 1988). The aim is to enhance company revenues and sales or customer relationship by building the brand through the acquisition of, and association with the ethical dimension or social responsibility dimension (Murray and Montanari, 1986; Varadarajan and Menon, 1988).

Instrumental theories therefore clearly bring out the relationship between CSR and Financial performance. The implication of these theories is that as a firm increases its expenditure in

CSR activities, its financial performance should equally improve. Many scholars have argued in favor of this relationship. For example, Mitchell et al, 1997; Odgen and Watson, 1999 argue that Concern for profits does not exclude taking into account the interests of all who have a stake in the firm (stakeholders). In fact, he argues further that under certain conditions the satisfaction of these interests can contribute to maximizing the shareholder value. McWilliams and Siegel. (2001), admit that an adequate level of investment in philanthropy and social activities is also acceptable for the sake of profits.

1.1.5 Commercial Banks in Kenya

Commercial Banks in Kenya provide financial services to customers throughout the country. They provide these services under strict regulations by the Central Bank of Kenya. Currently, there are 43 licensed commercial banks operating in Kenya. The dominant banks that have branches throughout the country include: KCB, Equity, Co-operative, and Barclays. These banks have experienced a lot of expansion in their branch network and client base. Currently, the largest Bank by assets is KCB with an asset base of Ksh. 334 billion followed by Equity Bank with an asset base of Ksh. 208.9 billion.

Commercial Banks appear to have taken keen interest in CSR in the last few years. This is evident in their annual reports and websites where they provide a statement of CSR. In most of their end of year financial reports, they nearly dedicate a whole page highlighting their contributions to CSR.

Equity bank, through Equity foundation is involved in CSR activities that include education and leadership development, financial literacy and access, entrepreneurship, agriculture, Health, innovation, and environmental sustainability. KCB through KCB foundation reported the following CSR activities on its website: environment; enterprise development; education; health, humanitarian intervention. National Bank undertakes the following CSR activities as

per information on its website: human rights, business ethics, environmental policies, corporate contributions, community development and corporate governance and workplace issues. The Bank is currently concerned with community issues like HIV/AIDS, community policing, education, and the girl child welfare.

Co-operative Bank is involved in sponsoring needy students to undertake studies at the University. Standard Chartered Bank is involved in distribution of Mosquito Nets, Environmental Conservation, education, and health activities. Barclays Bank reports fair treatment of employees and customers, employee led community service, environmental conservation and education as some of the CSR activities it is involved in. I&M bank is involved in slum Initiatives, environmental conservation, and makes donations to various trust organizations while NIC bank reports education, child health and environmental conservation as its CSR activities.

1.2 Statement of the Problem

The main objective of a firm is to maximize shareholder value. To achieve this objective, every resource of the firm must be calculated at adding value. If the idea of shareholder value maximization is to be held as the ultimate objective of a firm, then spending on CSR by firms without expecting a return would not make sense. Friedman (1970) asserts that economic returns and social returns are at odds with each other. The implication is that CSR for the sake of it reduces returns to shareholders and amounts to spending someone else money for a general social interest. Kotler and Lee (2005) in a detailed discussion stated that CSR engagements could help companies increase sales and market share, strengthen brand positioning, improve corporate image, attract, motivate and retain employees, (Cited in Awuor, 2010). Otoole (1991) contends that society problems can offer business opportunities and profits can be made from systematic and vigorous efforts to solve these problems. All

these arguments mirror instrumental theories which hypothesise that CSR is strategic tool to achieve economic objectives and, ultimately, wealth creation.

Empirical evidence on the effect of CSR on a firm's financial performance has yielded mixed results. Gariga and Mele (2004), observe that a number of studies have yielded a positive correlation between CSR and financial performance.He is however quick to add that such correlation should be read with caution since it is difficult to measure. Studies by Erhemjamts et al (2011) have also yielded a positive correlation between CSR and Financial Perfomance. Another Study that has provided a positive relationship was done by Tsoutsoura (2004) in California. A study by Abiodum (2012) however returned an inverse relationship between CSR and financial perfomance in Nigeria.

Locally, most studies have largely focused on the strategic aspects of CSR. . Ponnu and Okoth (2009) found preliminary evidence that firms engage in CSR activities to improve their corporate image from which they expect to grow their sales and profits. Similar findings were obtained in the banking sector by Auka (2006). Anyona (2005) found a significant agreement among firms listed at the NSE that CSR is a good strategy for securing the long term interest of the firm. Very few studies however have been carried out on the effect of CSR on financial performance of commercial banks. Moreover, the few studies that have been done have yielded mixed results. Studies by Mutuku (2004) found no relationship between CSR and financial Perfomance of firms listed at the NSE. Kipkemoi (2010) found a positive relationship between CSR and ROA and a significant negative relationship between CSR and growth in sales. These studies focused on listed firms and thus the sample of commercial banks taken was not adequate. The effect of CSR on financial Perfomance of commercial banks is thus inconclusive. The question that this proposal seeks to answer

therefore is, does CSR have any effect on the financial performance of commercial banks in Kenya?

1.3 Objective of the Study

The study seeks to determine the effect of CSR on the financial perfomance of commercial banks in Kenya.

1.4 Importance of the Study

A firm cannot conduct business in a vacuum. It has to rely on the environment for customers, suppliers, security, raw materials and many more for it to operate profitably. It would therefore be expected that a general problem of the society affects the performance of the firms in one way or another. Whether firms have a moral obligation to help solve general societal problems is debatable, however, one outstanding issue is whether indeed CSR can actually help boost the financial Perfomance of firms and particularly commercial banks. The results of this study will therefore be of value to managers of commercial banks, academic fraternity and regulators of commercial banks.

Managers of commercial banks are the agents of shareholders. By establishing the effect of CSR on financial Perfomance of commercial banks, managers will be well informed on how their decisions on CSR policy will affect their ultimate objective of shareholder value maximization.

Scholars have offered varied views on CSR. Friedman (1970) argues that social responsibility necessarily comes at the expense of the interests of employers, or shareholders. This implies that firms should not undertake CSR if it drains shareholders' value and accept it only otherwise. Integrative theories by Garriga and Meles (2004) on the other hand, argue that

business depends on society for its continuity and growth and even for the existence of business itself. By establishing the facts as to the effect of CSR on financial Perfomance, significant information will have been added into the body of knowledge.

Regulators of commercial banks will use the findings of the study to determine if it is necessary to formulate a policy framework within which commercial banks should undertake CSR activities. A positive effect on financial performance may encourage commercial banks to indulge in unethical practices, may be engage in CSR activities that do not improve the welfare of the society for as long as it boosts their profits. moreover. they may be tempted to misreport their involvement in CSR activities in order to connect with the society and grow their profits. These possible unethical behaviors may require regulation through a well formulated policy. Similarly, a negative relationship may discourage commercial banks from improving the welfare of the society through CSR activities in which case regulators may put in place an incentive based policy to encourage them to continue supporting community initiatives.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is divided into three parts. The first part covers the theoretical literature on CSR, financial performance and how the two variables relate to each other. The second part reviews some of the studies that have been done to establish the effect of CSR on financial performance and last part is an analytical summary of the theory, empirical evidence and the gap that this proposal seeks to fill.

2.2 Theoretical Literature

There is generally no universally accepted definition of CSR. Wood (1991) defined CSR as a business organizations' configuration of principles of social responsibility, process of social responsiveness, policies, programs, and other observable outcomes as they relate to the firms societal relationships. Mc Williams and Siegel (2001) described CSR as actions that appear to further some social good beyond the interest of the firm and that, which is required by law.

The relationship between CSR and financial performance is well captured in CSR theories. Garriga and Mele (2004) classified the main CSR theories into four groups; Instrumental theories, Political theories, integrative theories and ethical theories.

2.2.1 Instrumental Theories

According these theories, CSR is a strategic tool to achieve economic objectives and ultimately, wealth creation. This theory is consistent with the views of Friedman (1970) that the only one responsibility of business towards society is the maximization of profits to the shareholder within the framework and ethical custom of the country. Garriga and Mele

(2004) further groups instrumental theories into three depending on the economic objective proposed. In the first group, CSR is seen as aimed at maximizing shareholder value, the second group views CSR as a strategy for achieving competitive advantage while the third group sees CSR as a marketing tool.

Garriga and Meles (2004) observe that any investment in social demands that would produce an increase of the shareholder value should be made, acting without deception and fraud. In contrast, if the social demands only impose a cost on the company they should be rejected. This is representative of the view of Friedman (1970) that it will be in the long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community to develop resources or to improve its government. That he argues, makes it easier to attract desirable employees, thereby reducing wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects. Garriga and Mele (2004) observe that it is quite readily accepted that shareholder value maximization is not incompatible with satisfying certain interests of people with a stake in the firm (stakeholders).

The second group of Instrumental theories was developed by Husted and Allen (2000) and focuses on how CSR can be used to allocate resources in order to achieve and create a competitive advantage. It proposes three approaches through which CSR can be used to generate competitive advantages as; social investment in competitive context, resource based view and dynamic capabilities approach, and strategies for the bottom of the pyramid.

Porter and Kramer (2002) argued that investing in philanthropic activities may be the only way to improve the context of competitive advantage of a firm and usually creates greater social value than individual donors or government can. They based this approach on the fact that a firm has the knowledge and resources for better understanding of how to solve some societal problems related to its mission. Burke and Lodgson (1996) in support of this theory

pointed out that when philanthropic activities are closer to the company's mission. they create greater wealth than other kinds of donations. He cited the example of a telecommunications company teaching computer network administration to students of the local community as one such example of social investment in competitive context. Porter and Kramer (2002) concluded that philanthropic investments by members of cluster, either individually or collectively, can have a powerful effect on the cluster competitiveness and performance of all its constituent companies.

The resource based view of the firm and dynamic capabilities approach is founded on the premise that the ability of a firm to perform better than its competitors depends on the unique interplay of human. organizational and physical resources over time. It takes the view that social and ethical resources and capabilities can be a source of competitive advantage. Petrick and Quinn (2001) give moral decision making as an example of an ethical resource. Litz (1996) gives the process of perception. deliberation, and responsiveness while (Harrison and St. John, 1996; Hillman and Keim, 2001) argues that the development of proper relationships with the primary stakeholders such as employees. customers, suppliers, and communities as can generate competitive advantage.

The third approach through which a firm can use CSR to achieve competive advantage is by adopting strategies aimed at the bottom of the pyramid. Garriga and Mele (2004) observe that while traditionally most business strategies are focused on targeting product at upper and middle-class people, most of the world's population is poor or lower-middle class and as such certain strategies can serve the poor and simultaneously make profits.

Prahalad (2002) suggested some mind-set changes for converting the poor into active consumers whereby the poor are seen as an opportunity to innovate rather than as problem. Christenses and overdorf (2000) suggested that disruptive innovation could be used as means

for attending to the bottom of the economic pyramid. Disruptive innovations he observes are products or services that do not have the same capabilities and conditions as those used by customers in the mainstream markets and which can be introduced only for new or less demanding applications among non-traditional customers, with a low cost production and adapted to the necessities of the population. Hart and Christensen (2002) observe that disruptive innovations can improve the social and economic conditions at the 'base of the pyramid' and at the same time create a competitive advantage for the firms in telecommunications, consumer electronics and energy production and many other industries especially in developing countries.

CSR is viewed as a mechanism to generate revenues for the firm through cause-related marketing. Varadarajan and Menon (1988) define cause-related marketing as the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in a revenue- providing exchanges that satisfy organizational and individual objectives. In this case, CSR is used to enhance company revenues and sales or customer relationship by building the brand through the acquisition of, and association with the ethical dimension or social responsibility dimension. Smith and Higgins (2000), observe that cause related marketing seeks product differentiation by creating socially responsible attributes that affect company reputation.

Mc Williams and Siegel (2001) point out that cause- related marketing creates a reputation that the firm is reliable and honest. Consumers typically assume that the products of a reliable and honest firm will be of high quality. Smith and Haggins (2000) argue that a brand manager can use consumer concern for business responsibility as a means to secure competitive advantage. In fact, they observe that cause-related marketing activities are a

form of enlightened self-interest and a win-win situation as both the company and charitable cause receive benefits.

2.2.2 Political Theories

Political theories focus on interactions and connections between business and society and on the power and position of business and its inherent responsibility. Garriga and Mele (2004) identified two major political theories as Corporate Constitutionalism and Corporate Citizen ship.

This theory was developed by Davis (1960). He explored the role of business power in society and the social effect of this power. Davis noted that social power of business is generated both internally and externally. He therefore viewed business as a social institution that must use power responsibly.

Davis formulated two principles that express how firms should manage social power. These are the social power equation and the iron law of responsibility. According to the social power equation principle, social responsibilities of businessmen arise from the amount of social power that they have. The iron law of responsibility principle states that whoever does not use his social power responsibly will lose it. He argues that in the long run, people who do not use power in a manner which society considers responsible will tend to lose it because other groups will eventually step in to assume those responsibilities. The implication of this theory is that a firm has no option but to engage in CSR activities for it to be profitable.

This theory views a firm as being like a citizen with certain involvement in the community. It is founded on the notion that due to factors such as crisis of the welfare state, globalization, deregulation process and decreasing costs with technological improvements, some

multinational companies has greater economicl and social power than some governments and as such must be involved in CSR activities.

2.2.3 Integrative Theories

This group of theories looks at how business integrates social demands, arguing that business depends on society for its existence, continuity and growth. Social demands are generally considered to be the way in which society interacts with business and gives it a certain legitimacy and prestige. Integrative theories thus argue that corporate management should take into account social demands, and integrate them in such a way that the business operates in accordance with social values.

Preston and Post (1975) observe that the content of business responsibility is limited to the space and time of each situation depending on the values of society at the moment, and comes through the company's functional roles. In other words, there is no specific action that management is responsible for performing throughout time and in each industry. This theory therefore argue that the role of firms in CSR is to detect, scan, and respond to the social demands and by so doing, they achieve greater social legitimacy, social acceptance and prestige.

2.2.4 Ethical Theories

The fourth group of theories or approaches focuses on the ethical requirements that cement the relationship between business and society. They are based on principles that express the right things to do or the necessity to achieve a good society. Garriga and Mele (2004) identified four approaches of ethical theories; normative stakeholder theory, Universal rights, sustainable development and the common good approach.

The normative stakeholder theory holds that a socially responsible firm requires simultaneous attention to the legitimate interests of all appropriate stakeholders and has to balance such multiplicity of interests and not only the interests of the firm's stockholders. Cassel (2001) argues that the basis for CSR is human rights. The framework of the universal rights approach is thus based on human rights. labor rights and respect for the environment as a way to a achieving a good society. Sustainable development approach holds that sustainable development requires the integration of social, envireomental and economic considerations in order to make balanced judgments for the long-term. Lastly, the common good approach holds the common good of the society as the referential value for CSR. (Mahon and McGowan, 1991; Velasquez, 1992). It maintains that business, as with any other social group or individual society, has to contribute to the common good because it s part of society.

2.2.5 Measures of Corporate Social Responsibility

A CSR measure lacks concreteness and thus quantitative assessment is extremely difficult. (Kipkemoi,2010). A number of approaches can be used to measure corporate social responsibility. Hasan et al (2011) suggest two methods of measuring CSR. The first method is reputation index where firms are rated on the basis of one or more dimensions of social performance. The second method is content analysis whereby firms are rated on the basis of the extent to which they report various CSR activities in their annual reports.

Griffin & Mahon (1997) identified social audits. CSR processes and observable outcomes as another approach of measuring corporate social perfomance. In this approach, a firm's objective CSR behaviour in such aspects as community service, environmental programs and corporate philanthropy are assessed by a third party and used to generate toxics release inventory (TRI) and Corporate philanthropy indices. Corporate philanthropy index measures

the extent to which a company engages in charitable activies and compares companies against one another.

Bernhut (2002) developed a measure of corporate social perfomance based on managerial CSR principles and values. Under this approach, the values and principles inherent in a firm's culture are assessed by using triple bottom line reporting. Triple-bottom line reports are quantitative summaries of economic, environmental and social perfomance of the company during the preceding year.

2.2.6 Financial Performance

General measures of financial performance fall into two broad categories: investor returns and accounting returns. The basic idea of investor returns is that, the return should be measured from the perspective of shareholders. Whereas, accounting return measures of financial performance focuses on how firm earnings respond to different managerial policies.

Accounting-based performance measures are return on assets (ROA), total assets, sales growth, asset growth, return on equity (ROE) and operating income growth. The ratio of debt to assets, operating leverage, and the standard deviation of operating income were other accounting-based measures of risk. Waddock and Graves (1997) measured financial performance using three accounting variables: return on assets, return on equity, and return on sales, providing a range of measures used to assess corporate financial performance by the investment community.

Accounting based indicators such as firms ROA, ROE, and GIS capture a firm's internal efficiency. ROA is used to measure the efficiency of assets in producing income while ROE measures the perfomance of the firm relative to shareholder investment. Some of the limitations of accounting measures are that they only capture historical aspects of the firm's

perfomance (Mc Guire et al, 1986), they are subject to bias from managerial manipulation and differences in accounting procedures (Branch, 1983; Brilloff, 1972). Accounting measures are also inward looking since they largely reflect the efficiency of internal decisions and therefore do not reflect external market responses to organisation. (Kipkemoi, 2010). Despite the limitations of Accounting based measures. Moore (2001) found that accounting based measures are better predictors for CSR than market based measures.

The market-based measures of financial Perfomance are forward looking and focus on the market Perfomance. They are less susceptible to different accounting procedures and represent the investor's evaluation of the ability of a firm to generate future economic earnings. (Mc Guire et al, 1988). Cochran and Wood (1984), observe that market-based perfomance measures reflect the notion that shareholders are primary stakeholder group whose satisfaction determines the firm's fate. They further noted that the bidding and asking process of stock market participants who rely on their perception of past, present and future stock returns and risk determine the firm stock price and thus market value.

2.2.7 Determinants of Financial Performance in the Banking Sector

These factors are based on the CAMEL framework developed by the US Federal Deposit Insurance Corporation (FDIC) for "early identification of problems in banks operations". These specific factors have been identified as; Capital adequacy, Asset Quality, Management Efficiency, Earnings performance and Liquidity.

Capital adequacy is defined as the sufficiency of the amount of equity to absorb any shocks that the bank may experience (Kosmidou. 2009). Kamau (2009) observes that the capital structure of banks is highly regulated because of the important role it plays in reducing the number of bank failures and losses to depositors when a bank fails. (Cited in Sipho and

Olweny (2011). Beckmann (2007) is cited by Sipho and Olweny (2011) as arguing that high capital leads to low profits, since banks with a high capital ratio are risk-averse, they ignore potential risky investment opportunities and, as a result, investors demand a lower return on their capital in exchange for lower risk. However Gavila *et al* (2009) argues that although capital is expensive in terms of expected return, highly capitalized banks face lower cost of bankruptcy, lower need for external funding especially in emerging economies where external borrowing is difficult. Thus well capitalized banks should be profitable than lowly capitalized banks. (Cited in Sipho and Olweny 2011). Empirically, Naceur (2003) found a strong positive effect of capitalisation on ROA. Sufian and Chong (2008) also reported the same results after examining the effect of capital to the performance of banks in Philippines from 1990 to 2005.

The quality of assets held by a bank depends on exposure to specific risks, trends in non-performing loans, and the health and profitability of bank borrowers (Baral, 2005). Aburime (2008) asserts that the profitability of a bank depends on its ability to foresee, avoid and monitor risks, possibly to cover losses brought about by risks arisen. Hence, in making decisions on the allocation of resources to asset deals, a bank must take into account the level of risk to the assets. Poor asset quality and low levels of liquidity are the two major causes of bank failures. Poor asset quality led to many bank failures in Kenya in the early 1980s. (Waweru and Kalani 2009). Sipho and Olweny (2011), cite Studies by Kosmidou (2008) which showed a negative significant effect of asset quality to bank profitability.

Liquidity management is yet another bank specific factor that has an effect on the financial performance of a bank and which management has to deal with. When banks hold high liquidity, they do so at the opportunity cost of some investment, which could generate high returns (Kamau, 2009). The trade-offs that generally exist between return and liquidity risk are demonstrated by observing that a shift from short term securities to long term securities or

loans raises a bank' s return but also increases its liquidity risks and the inverse is true. Thus a high liquidity ratio indicates a less risky and less profitable bank (Hempel et al, 1994). Myers and Rajan (1998) emphasized the adverse effect of increased liquidity for financial Institutions stating that, "although more liquid assets increase the ability to raise cash on short-notice, they also reduce management' s ability to commit credibly to an investment strategy that protects investors" which, finally, can result in reduction of the "firm's capacity to raise external finance" in some cases. (Cited in Sipho and Olweny, 2011).

Operational cost efficiency is argued to be a major determinant of profitability in the banking sector. Sufian and Chong (2008), observe that poor expense management is the main contributor to poor profitability. Beck and Fuchs (2004) examined the various factors that contribute to high interests spread in Kenyan banks. Overheads were found to be one of the most important components of the high interests rate spreads. An analysis of the overheads showed that they were driven by staff wage costs which were comparatively higher than other banks in the SSA countries. (Cited in Sipho and Olweny 2011). Even though it may be expected that higher expenses are inversely related to profits, studies by Naceur (2003), found a positive and significant effect of overheads costs to profitability indicating that such cost are passed on to depositors and lenders in terms of lower deposits rates/ or higher lending rates.

Diversification of income has also been identified as one way through which banks can improve their financial performance. Sipho and Olweny (2011) cite Albertazzi and Gambacorta (2006), who noted that the decline in interest margins, has forced banks to explore alternative sources of revenues, leading to diversification into trading activities, other services and non-traditional financial operations. While the concept of revenue diversification is founded on portfolio theory which states that individuals can reduce firm-specific risk by

diversifying their portfolios, siphon and Olweny (2011) notes that there is a long history of debates about the benefits and costs of diversification in banking literature. Empirically, Sufian and Chong (2008) found a positive relationship between total non-interest income divided by total assets, a proxy for income diversification and bank profitability.

The ownership structure of a bank is thought to have a relationship with its financial performance. Classes and Jansen (2000) as cited by Kamau (2009) argued that foreign banks usually bring with them better know-how and technical capacity, which then spills over to the rest of the banking system. They impose competitive pressure on domestic banks, thus increasing efficiency of financial intermediation and they provide more stability to the financial system because they are able to draw on liquidity resources from their parents banks and provide access to international markets. Beck and Fuchs (2004) argued that foreign-owned banks are more profitable than their domestic counterparts in developing countries and less profitable than domestic banks in industrial countries, perhaps due to benefits derived from tax breaks, technological efficiencies and other preferential treatments. However domestic banks are likely to gain from information advantage they have about the local market compared to foreign banks. Studies by Kamau (2009) showed that an increase in the degree of foreign ownership in Kenya is associated with a reduction of cost inefficiencies, suggesting that the degree of foreign-owned banks influences the performance of the local banking sector.

Market concentration has also been proven to have a positive relationship with profits of commercial banks. According to the market power theory, the more concentrated the market the less the degree of competition. Studies by Tregenna (2009), found robust evidence that concentration increases profitability in USA banks and concluded that the high profitability of banks in the USA before the 2007/2008 financial crisis was not earned through efficient processes, but through market power.

The relationship between CSR and financial performance is best captured by the instrumental and integrative theories. According to Instrumental theories, CSR is seen only as a strategic tool to achieve economic objectives and, ultimately, wealth creation. This theory mirrors Friedman's (1970) argument that "the only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country".

Integrative theories assert that business ought to integrate social demands (Gariga and Meles, 2004). They argue that business depends on society for its continuity and growth and even for the existence of business itself. It has been argued by (Mitchell et al., 1997; Odgen and Watson, 1999), that in certain conditions the satisfaction of the interests of all business stakeholders can contribute to maximizing the shareholder value. Studies by Tsoutsoura (2004) found a positive relationship between CSR and Financial Perfomance in California.

2.3 Empirical Evidence

A lot of studies have been done in the area of CSR both globally and locally. The findings are mixed and inconclusive. Abiodun (2012) carried out a study to determine the effect of CSR on firms' profitability in Nigeria. In this study, secondary data was collected from ten profitable firms randomly selected on the Nigeria Stock Exchange. Using regression analysis, the study found a negative relationship between firms' CSR performance measure with profit after tax and investment in CSR.

Erhemjants et al (2011) carried out a study to determine the relationship between CSR, firm policies and perfomance in US. The study used a sample of 3,268 companies using KLD data. Using regression analysis, they found a positive relationship between CSR and firm's investement policies, organizational strategy and performance.

Ngwakwe (2009) carried out a study to determine the relationship between environmental responsibility and firm performance in Nigeria. He used a sample of 60 manufacturing companies. Using regression analysis, he found that sustainable practices of the 'responsible' firms are significantly related with firm performance.

Hasan et al (2011) carried out a study to determine CSR and financial performance linkage in Bangladesh. In this study, financial performance of 5 socially responsible banks was compared with the financial performance of 12 none socially responsible banks. The study found that socially responsible banks had a better financial performance though the difference was not statistically significant.

Tsoutsoura (2004) carried out a study to determine the relationship between CSR and financial performance in California using a sample of 422 firms and collected data covering a period of 5 years. He found a positive and significant relationship between CSR and financial performance.

Locally, many studies that have been carried out on CSR do not necessarily relate it to financial performance of firms. However, most studies tend to show that CSR is used as a strategic tool towards enhancing financial performance of firms. Studies by Ponnu and Okoth (2009) to determine the corporate social responsibility disclosure in Kenya using a sample of all the 54 listed companies at the NSE found preliminary evidence of the possibility that CSR disclosures in Kenya represent attempts by companies to improve their corporate image and to be seen as responsible corporate citizens.

Kipkemoi (2010) carried out a study to determine the relationship between CSR and financial performance at the NSE using a sample of 36 firms listed at the NSE. Using regression analysis, he found that there was a significant positive relationship between CSR and ROA

and a significant negative relationship between CSR and GIS. The study also found no significant relationship between CSR and ROE .In the commercial sector, the study yielded a significant positive relationship between CSR and ROA and a negative relationship with both ROE and GIS. In this study. CRS index of each firm was obtained by scoring each dimension of CSR. This study however cannot be argued to provide conclusive knowledge on the relationship between CSR and financial performance of commercial banks considering that it only sampled listed banks and therefore the sample used was not an adequate representation of commercial banks in Kenya.

A study by Anyona (2005) CSR and performance of commercial banks in Kenya, majority of respondents agreed that CSR is in the long term interest of firms. Interestingly, majority disagreed that business can forgore profitability for social good. This imples that firms would not engage in social responsibility if its involvement increase costs by more than increase in revenue. Somehow, this reaction of respondents emphasizes the view of instrumental theories that CSR is in fact used by firms as a means to profits. In this study, a census survey on all the 30 banking institutions was conducted. The attitude of respondents was captured on a five-point likert scale interpreted as; strongly agree. Agree, Disagree and don't know.

In a study to determine the relationship between CSR and financial performance of publicly quoted companies listed in Kenya, Mutuku (2004) carried out a census survey on all the 32 companies listed at the NSE. The firms were grouped as low, medium and high CSR performers based on their CSR score. Using regression analysis, he found that there was no relationship between CSR and financial performance for all the companies listed at the Nairobi stock exchange. One clear limitation of this study however is the methodology used. The study only measured CSR index for the year 2004 and ignored CSR scores for the

previous years. It is possible that the economic condition was not favorable and firms registered poor financial results despite their involvement in CSR activities.

A study by Ominde (2004) to determine the link between corporate CSR and Corporate Strategy among firms listed at the NSE found that firms incorporate CSR in all their corporate strategies. In this study, census survey design was used. Respondents were asked to indicate the extent to which their firms incorporated the stated CSR activities in the various corporate strategies listed. Descriptive statistics was used to determine the proportion of linkage between CSR and corporate strategy. This study however does not show the effect that this linkage had on the financial performance of these companies.

In a study to determine the factors influencing the practice of CSR of financial institutions in Kenya, Auka (2006) collected data from all the 48 banking institutions listed at the NSE. Using descriptive statistics to analyze the data, he found that corporate image was the main factor that influenced the practice of CSR among financial institutions. It is much more likely that a firm would be interested in building its image so as to expand its customer base and grow its revenues and profits. There is therefore need to determine whether the corporate image built out of CSR activities effect on the profits of commercial banks.

Odhiambo (2006) carried out a study on CSR as a strategic tool for stakeholder management in large scale enterprises in Kenya. In this study. a sample of 103 large scale enterprises was drawn using systematic stratified sampling method. A standard questionnaire was used to collect data and descriptive statistics used to analyze the data. The study found that CSR is perceived to have a huge positive effect on the publicity of the organization.

Kweyu (1993) carried out a study to determine managerial attitude toward business Social responsibility using the case of bank managers in Nairobi. Using a sample of ten banks randomly sampled. and with the help of a questionnaire. data was collected from all managers

in the ten sampled banks. The study found that 76% of managers agreed that it is in the long run interest of business to get directly involved in social issues. 67% of managers agreed that a business that wishes to capture favorable public image will have to show that it is socially responsible.

2.4 Summary of Empirical Evidence

Theoretical literature argues that firms can improve their financial perfomance by engaging in socially responsible behaviour Studies by Abiodun (2012) found a negative relationship between CSR and profits after tax for firms listed at the stock exchange in Nigeria. Ngwakwe (2009) found a positive relationship between CSR and financial performance. Locally, most studies focused on the strategic aspects of CSR. Ponnu and Okoth (2009) found preliminary evidence that firms engage in CSR activities to improve their corporate image from which they expect to grow their sales and profits. Similar findings were obtained in the banking sector by Auka (2006), Anyona (2005), Ominde (2004) Odhiambo (2006) and Kweyu (1993). Despite the vast empirical evidence that firms use CSR as a strategic tool to grow their financial perfomance, there is not much research that has been done to establish the effect of CSR on financial performance in the banking sector. Mutuku (2004) found no relationship between CSR and financial perfomance of firms listed at the NSE. Kipkemoi (2004) found a positive relationship between CSR and ROA and a significant negative relationship between CSR and GIS. Clearly, studies by Mutuku and Kipkemoi are not only few, but also yielded mixed and contradictory results. One fundamental limitation of these studies is that they used listed companies. This implies that the number of firms sampled from the banking sector is not adequate to draw a conclusion on the effect of CSR on the financial perfomance of commercial banks in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the research design, population of the study, data collection and analysis. It brings out the model that was used to analyze data and how conclusion has been drawn.

3.2 Research Design

Longitudinal Research design was used in this study. Cooper and Schindler (2003) describe longitudinal study as a study that is carried out repeatedly over an extended period. They argue that longitudinal study is advantageous in the sense that it can track changes over time. This study covered the periods between 2007 and 2011, both years inclusive.

3.3 Population of the Study

The population of interest in this study consisted of all commercial banks operating in Kenya According to CBK report on the website, 43 commercial banks have been licensed to carry banking business in Kenya. Considering the small number of the population all the 43 commercial banks were included in the study.

3.4 Data Collection Method

In order to meet the objectives of the study, secondary data was used. Data on financial expenditure on CSR was obtained from annual published reports of commercial banks while that on financial perfomance of commercial banks was obtained from central bank

supervision reports. A structured questionnaire was used to capture information on total expenditure on CSR, ROA, GII and ROE

The researcher preferred to use accounting perfomance measure over market based measures for two reasons: First, market based measures may be assessing more than just financial outcome of companies (Shane and Spicer, 1983): Secondly. it is not easy to obtain market value of non listed commercial banks.

3.5 Data Analysis Method

3.5.1 Measurement of Variables

CSR perfomance of commercial banks was measured using financial expenditure on CSR activities. Financial perfomance was measured using ROA, GII and ROE.

3.5.2 Model Specification

This study examined the Effect of CSR On the financial Perfomance of Commercial banks in Kenya. The study employed econometric method in formulating a regression model which was analyzed through the use ordinary least square regression (OLS). The model used in the study was adopted from Kipkemoi (2010). The model was also used by Abioudun (2012). OLS is adopted because it computational procedure is fairly simple and the data requirement is not too concessive. The model used is as follows:

$ROA = \beta_0 + \beta_1 CSR + U_1$ ------------------------------------i

$GII = \beta_0 + \beta_2 CSR + U_2$ ------------------------------------ii

$ROE = \beta_0 + \beta_3 CSR + U_3$ ------------------------------------iii

CSR is the independent variable and ROA, GII and ROE are the dependent variables.

Where: CSR = Financial Spending on CSR activities

ROA = Return on Assets

GII =Growth in Interest Income

ROE = Return on Equity

U_1, U2, U3 = Error terms

B_0, β_1, β_2 and β_3 are parameters of the estimate

The model makes use of regression, and analysis of variance (ANOVA) to analyze the relationship between the two variables.

3.5.3 Criteria for Decision Making

The validity of this analysis is based on the following criteria:

T-test is carried out in order to ascertain the significant of the parameters. The student t distribution tests the null hypothesis: H0 = bi = 0 against the alternative hypothesis. H1= bi≠0. Thus, we derive the result whether the computed t value, t (n-k) degree of freedom at 5% level of significance is greater or less than the critical t value from the table. If the computed t is greater than the critical t, we reject the H0 and accept the alternative hypothesis that beta estimate is significantly different from zero.

This reveals the percentage/proportion variable in the dependent variable that is explained by the independent variable(s). Its maximum value is 1 or 100%.

F-test reveals the significance of the overall regression equation for further prediction. This test at (k-1) (n-k) degree and N is the number of observation and at 5% level of significance indicates whether or not the expected variable(s) is likely to have occurred by chance or not. The decision rule is that if computed F is greater than critical F, accept the model as

significant and reliable for prediction purpose or policy formulation if computed F is less than critical F, and accept the equation as significant and unreliable.

Regression Coefficient shows the value and sign attached to each of the parameters. The signs are very important, because they allow us to see whether our results confirm to the theory or not. If a positive relationship is expected between a dependent variable, then the sign of the regression coefficient is expected to be positive, the same goes for a negative relationship.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter looks at data analysis and findings, summary of findings and interpretations. Specifically, it gives a breakdown of the various aspects of CSR activities that commercial banks are involved in, financial spending on these activities, financial perfomance, and a regression analysis and interpretation of the effect of financial spending on financial perfomance.

4.2 Data Analysis and Findings

4.2.1 Findings on financial spending on CSR and Financial Perfomance

The study seeks to determine the effect of CSR on financial perfomance of commercial banks in Kenya. In this study, a total of 43 commercial banks in operation were under study. However, only 28 commercial banks either provided data on CSR spending or provided a credible reference where the data was obtained. The references included websites, statements of CSR in the annual reports and newsletters. Data on financial spending was obtained from CBK supervisory reports. The findings are tabulated below.

BANK	2007			2008			2009		
Size by Market Share	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'
Large: >5%									
Barclays	4.2	40.30	152.0	4.7	39.2	147.95	5.30	37.18	139.0
CFC Stanbic	-	-	-	1.5	18.4	0.0	1.35	16.37	0.0

BANK	2007			2008			2009		
Size by market share	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'
Large: >5%									
Co-orperative	3.0	33.61	18.00	3.7	23.9	31.00	3.26	23.14	25.00
Equity	4.3	15.85	184.20	6.1	24.2	201.0	5.66	23.87	80.30
KCB	3.1	30.07	43.35	3.0	26.9	61.05	3.57	28.69	68.62
StanchartBank	5.3	45.27	12.03	4.7	41.3	64.00	5.39	48.71	93.00
Medium: >1%<5%	**ROA (%)**	**ROE (%)**	**CSR(Ksh) 'Millions'**	**ROA (%)**	**ROE (%)**	**CSR(Ksh) 'Millions'**	**ROA (%)**	**ROE (%)**	**CSR(Ksh) 'Millions'**
Bank of Africa	2.0	12.50	0	0.7	5.6	0.8	1.53	10.35	0.0
Bank of Baroda	3.3	32.44	0	3.4	33.1	0	3.24	28.30	0.0
CBA	3.5	31.03	0	3.3	34.2	1.2	3.0	27.96	0.0
Chase Bank	3.0	25.81	0	2.4	29.3	0.2	2.42	26.0	0.15
Diamond T.Bank	2.8	18.61	10.0	3.1	24.5	0	3.44	26.09	0.90
Family Bank	2.9	20.96	0	5.0	34.1	0	2.50	18.51	0
I & M Bank	-	-	-	4.4	31.2	3.50	3.94	23.62	0
Imperial Bank	4.6	35.69	0	4.9	35.2	0	5.09	35.69	0
National Bank	3.1	32.41	0	4.0	28.9	2.0	4.13	27.30	0
NIC			0.7	3.4	26.7	0	3.30	23.76	0.1
Prime Bank	2.2	16.45	1.20	2.3	15.0	65.5	2.33	18.40	4.25
Small: <1%	**ROA (%)**	**ROE (%)**	**CSR(Ksh) 'Millions'**	**ROA (%)**	**ROE (%)**	**CSR(Ksh) 'Millions'**	**ROA (%)**	**ROE (%)**	**CSR(Ksh) 'Millions'**
Transitional	2.2	7.32	0.5	3.3	9.8	0.5	2.36	6.64	0.5
Fina	1.3	10 95	0	0.8	7.0	0.1	0.18	1.91	0.17
Credit Bank	3.7	23.29	0	2.1	11.9	1.0	2.15	11.40	1.50
ABC	2.8	22.77	0.2	3.3	23.2	0.2	2.82	22.45	1.20

BANK	2007			2008			2009		
Size by market share	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'
Small: <1%									
Consolidated	0.5	3.45	0	1.5	10.0	0.6	1.54	12.62	0.0
DevelopmentBank	3.1	13.76	0	2.6	13.9	0	2.27	13.79	0
Fidelity Bank	1.4	15.27	0	1.7	17.1	0.05	0.94	10.61	0
Habib Bank	2.7	20.44	0	3.2	23.6	0	4.16	26.37	0
K-Rep Bank	2.6	18.65	0	-5.6	-41.8	0	-3.76	-26.10	0
Middle East Bank	2.8	10.69	0	0.9	3.4	0	1.37	4.86	0
Oriental C.B	8.8	25.54	0	2.5	7.2	0	0.97	3.36	0

Findings Continued.

BANK	2010			2011		
Size by market share	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'
Large: >5%						
Barclays	6.24	34.25	332.8	7.18	41.11	522.9
KCB	5.17	28.23	78.65	4.98	31.18	157.0
Co-orperative	3.61	27.52	53.0	3.68	29.41	90
StanchartBank	5.37	37.94	116.0	5.03	40.11	88.0
Equity	6.95	32.90	24.2	6.84	34.53	84.64
CFC Stanbic	1.96	20.96	0	2.23	30.82	3.4
Medium: >1%<5%	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'
National Bank	4.49	27.17	60.0	3.56	23.37	46.9
Chase Bank	2.45	31.20	22.0	2.33	28.62	18.5

Medium: >1%<5%	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'	ROA (%)	ROE (%)	CSR(Ksh) 'Millions'
NIC	4.41	30.60	1.5	4.57	33.95	6.95
Diamond T.	4.90	35.64	2.9	4.19	31.34	3.78
I & M Bank	4.80	23.15	4.5	5.80	32.17	0.0
Family Bank	2.48	16.01	5.0	2.01	15.72	3.4
Imperial Bank	6.43	40.31	0.2	6.37	44.28	0.8
Prime Bank	2.37	19.74	1.2	3.07	28.88	1.28
Bank of Africa	1.81	16.45	0.55	1.43	11.87	2.2
Bank of Baroda	5.65	38.52	0.0	4.57	33.96	2.0
CBA	4.24	36.06	0.0	3.58	30.04	2.0
Small: <1%	**ROA (%)**	**ROE (%)**	**CSR(Ksh) 'Millions'**	**ROA (%)**	**ROE (%)**	**CSR(Ksh) 'Millions'**
DevelopmentBank	2.22	15.85		1.37	10.08	1.7
ABC	4.67	29.46	0.75	4.12	30.28	1.34
Credit Bank	0.74	3.55	1.1	0.95	5.35	0.9
Consolidated	2.46	17.45	0.5	1.61	17.18	0.75
Middle E. Bank	5.11	20.01	0.0	1.99	8.40	0.5
Transitional	3.33	10.29	0.5	4.05	16.92	0.5
Fidelity Bank	4.59	46.99	0.5	2.79	29.64	0.2
Fina	1.07	11.32	0.45	2.12	20.22	0.10
Oriental C.B	4.01	16.07	0.0	3.83	14.93	0.1
Habib Bank	4.34	26.24	0.0	4.62	25.51	0.0
K-Rep Bank	1.44	9.55	0.0	2.75	12.23	0.0

Table 1: Findings on CSR, ROA and ROE per year per Bank.

Sources: Data on ROA and ROE obtained from CBK supervision reports. Data on CSR extracted from various sources including banks' websites, statements of social responsibility in the annual reports and directly from the bank.

4.2.2 Analysis of Financial Spending on CSR for all Studied Banks

Year	2007	2008	2009	2010	2011
Amount (Ksh. In millions)	422.20	580.65	414.69	706.3	1039.84

Table 2: Analysis of financial spending on CSR by all banks studied

Sources: banks' websites, statements of CSR in annual reports and direct information from banks

4.2.3 Analysis of Financial Spending on CSR by Bank Size

Year	2007	2008	2009	2010	2011
Large	409.58	474.0	405.92	604.65	945.94
Medium	11.90	73.20	5.40	97.85	87.81
Small	0.7	2.45	3.37	3.80	6.09

Table 3: Analysis of financial spending on CSR by bank size

Sources: banks' websites, statements of CSR in annual reports and direct information from banks

4.2.4 Analysis of Financial Perfomance of all commercial Banks Studied

YEAR	Average ROA	Average ROE	Average GII
2007	3.2%	22.5%	18%
2008	2.7%	19.9%	36.3%
2009	2.7%	19%	21.3%
2010	3.8%	25.1%	14.05%
2011	3.6%	25.7%	36.6%

Table 4: Analysis of financial perfomance for all commercial banks studied

Source: Central Bank Supervision Report

4.2.5 Analysis of Financial Perfomance by Bank Size

Year	Average ROA			Average ROE		
	Large	Medium	Small	Large	Medium	Small
2007	3.98%	2.74%	2.9%	33.02%	22.59%	15.64%
2008	3.95%	3.69%	1.48%	28.98%	29.78%	7.75%
2009	4.08%	3.49%	1.36%	29.66%	26.60%	7.99%
2010	4.88%	4.00%	3.08%	30.3%	28.62%	18.80
2011	4.99%	3.77%	2.75%	34.52%	28.56%	17.98%

Table 5: Analysis of financial perfomance of commercial banks by size

Source: Central Bank Supervision Report

4.2.6 Financial Spending on CSR and Financial Perfomance for all commercial banks studied

The relationship between financial spending on CSR and financial perfomance of commercial banks is summarised in both the table and graph below.

Year	CSR(Ksh 'Millions'	AVERAGE ROA (%)	AVERAGE ROE (%)	AVERAGE GII (%)
2007	422.20	3.2%	22.5%	18.0%
2008	580.65	2.7%	19.9%	36.3%
2009	414.69	2.7%	19.0%	21.3%
2010	706.30	3.8%	25.1%	14.05%
2011	1039.84	3.6%	25.7%	36.6%

Table 6: Analysis of financial spending on CSR and financial perfomance for 28 commercial banks studied.

Source: financial perfomance obtained from Central Bank Supervision Report. CSR obtained from banks' websites, statements of CSR in annual reports and direct information from banks

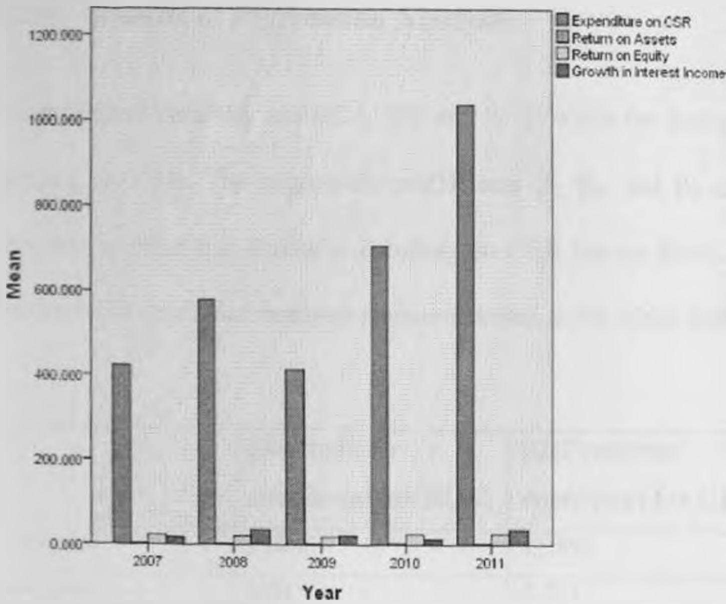

Figure 1: Graph summarizing the relationship between CSR and financial Perfomance for 28 commercial banks

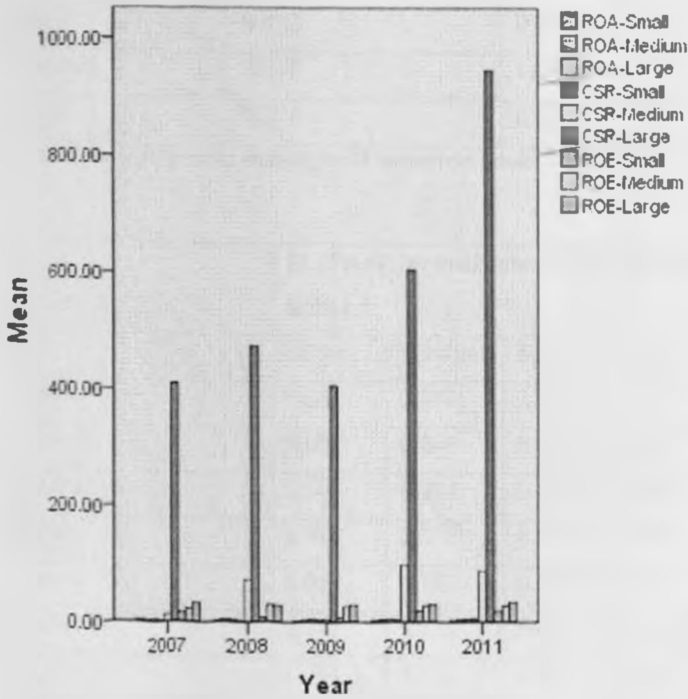

Figure 2: Graph summarizing the relationship between CSR and financial Perfomance as per bank size

4.2.7 Results of Regression Analysis

The dependent variables are ROA, GII and ROE while the independent variable is financial spending on CSR. The regression coefficients β_1, β_2, and β_3 are parameter estimates that measure the effect that financial spending on CSR has on ROA, GII and ROE respectively. The results of regression analysis are summarised in the tables below.

	β1(Predictor coefficient for ROA)	β2(Predictor coefficient for GII)	β3(Predictor coefficient for ROE)
Constant(s)	2.386	11.895	16.743
Coefficients	0.01	0.021	0.009
Standard error	0.01	0.020	0.004
t-statistic	1.509	1.044	2.115
t-critical	0.228	0.373	0.125
R square	0.432	0.266	0.599
F-calculated	2.278	1.089	4.473
F-critical	0.228	0.373	0.125

Table 6: Results of Regression analysis for 28 commercial banks

	β1 (Predictor coefficient for ROA)			β3 (Predictor coefficient for ROE)		
	Large	Medium	Small	Large	Medium	Small
Constant	3.261	3.049	2.236	27.43	24 448	10.652
Coefficients	0.002	0.009	0.013	0.007	0.05	0.911
Standard error	0.001	0.004	0.238	0.005	0.024	1.504
t-statistic	2 964	2.298	0.055	1.483	2.108	0.606
t-critical	0.059	0 105	0.960	0.235	0.126	0.588
R-Square	0.745	0.638	0.001	0.423	0.597	0.109
[illegible]	[illegible] 784	5.282	0.03	2.20	[illegible]	0.367
F-critical	0.059	0.105	0.960	0 235	0.126	0.588

Table 7: Results of Regression analysis for commercial banks based on size

4.3 Summary of Findings and Interpretations

4.3.1 Summary for all commercial banks used in the study

The study seeks to determine the effect that financial spending on CSR has on financial perfomance of commercial banks. In this study, 43 commercial banks were under study, however, only 28 commercial banks either availed data on CSR spending or provided references where data could be found. The study found that commercial banks spent the highest amount on CSR in the year 2011 and the least in 2009. Ksh. 1039.84 million was spent in 2011. Ksh.706.3million in 2010, Ksh.414.69 million in 2009. Ksh.580.65 million in 2008 and Ksh. 422.20million in 2007. Financial perfomance of the 28 commercial banks studied was measured using ROA, ROE and GII. The study found that the highest ROA of 3.8% was recorded in 2010 while the lowest ROA was 2.7% recorded in both 2008 and 2009. The highest ROE of 25.7% was registered in 2011 while the lowest ROE of 19.0% was recorded in 2009. GII was high in 2011 at 36.6% and lowest in 2010 at 14.05%.

Data was analysed using regression analysis. The study finds that the predictor coefficients $\beta1=0.01$, $\beta2=0.021$, and $\beta3=0.009$ meaning that CSR has a positive effect on financial perfomance and that an increase in CSR spending by Ksh. 1million increases ROA, GII and ROE by 0.01%, 0.021% and 0.009% respectively and vice versa. The t-calculated for β1, β2, and β3 are 1.509, 1.044 and 2.115 respectively while the t-critical for the coefficients are 0.228, 0.373 and 0.125 respectively. Since the t-calculated values for all the predictor coefficients are greater than the t-critical values, the coefficients β1, β2, and β3 are therefore significant. We therefore reject the null hypothesis and conclude that CSR has a positive and significant effect on financial perfomance of commercial banks. However, the levels of

confidence for all the three coefficients are below 95% since the p-values are above 0.05. The study also finds that the constants are 2.386%, 11.895% and 16.743% meaning that commercial banks will achieve ROA of 2.386%, GII of 11.895% and ROE of 16.743% regardless of whether they spend on CSR activities.

The study also finds that the R square for the three regression models are 0.432, 0.266, and 0.599 respectively. This means that 43.2% of the changes in ROA, 26.6% of the changes in GII and 59.9% of the changes in ROE can be attributed to involvement in CSR activities. The F-calculated values, 2.278, 1.089, and 4.473 respectively are not only large enough but also greater than the F-critical values, 0.28, and 0.373 and 0.125 respectively, meaning that all the three regression models are significant and reliable but the level of confidence is below 95% since the p-values are all more than 0.05.

The relationship between CSR and financial perfomance for all commercial banks studied can therefore be summarised by the equations below:

ROA= 2.386+0.01 CSR+U.................................i

GII = 11.895+0.021 CSR+U...............................ii

ROE= 16.743+0.009CSR+U..............................iii

4.3.2 Summary for commercial Banks by Size.

The study classified commercial banks based on their market size index. According to CBK classification, large commercial banks have a market share index greater than 5%, medium size is a commercial bank whose market share index is greater than 1% but less than 5%. Small banks have a market share index of less than 1%. In this study, 6 commercial banks were classified as large, 11 commercial banks were classified as medium size while 11 banks

were classified as small. The study found that large banks spend more on CSR followed by medium size banks. Small banks spent the least on CSR activities for all the years under study. The study also found that large commercial banks have better financial perfomance as measured by ROA and ROE as compared to medium size banks which also perform better than small banks.

Results of regression analysis show that large and medium size banks record a significant positive financial perfomance when they spend on CSR activities compared to small banks. For lager banks and medium size banks, the predictor coefficients for ROA are 0.002 and 0.009 respectively. Meaning that for every Ksh. 1 million spent on CSR, ROA increases by 0.002% and 0.009% for large and medium size banks respectively. The t-statistic for these coefficients is 2.964 and 2.298 respectively while the t-critical are 0.059 and 0.105 respectively. Since the t-statistic is greater than the t-critical, we reject the null hypothesis and conclude that the predictor coefficients are significant. However, the confidence level is below 95% since the t-criticals are greater than 0.05%. R square(s) are 0.745 and 0.638 respectively, meaning that 74.5% of the changes in ROA of large banks can be attributed to CSR activities while 63.8% of changes in ROA of medium size banks can be attributed to CSR activities. The F- value for both large and medium size banks (8.784 and 5.282) are greater than the F-criticals (0.059 and 0.105) implying that the model is significant and reliable though at less than 5% level of confidence.

The predictor coefficients for ROE are 0.007 and 0.05 respectively, implying that for every Ksh 1million spent on CSR activities, ROE increases by 0.007% and 0.05% for large and medium size banks respectively. The t-statistics (1.483 and 2.108) are greater than the t-criticals (0.235 and 0.126) as such we reject the null hypothesis and conclude that the predictor coefficients are significant though at less than 95% level of confidence. R square(s)

are 0.423 and 0.597 respectively meaning that 42.3% of the changes in ROE of large banks can be attributed to CSR activities while 59.7% of the changes in ROE of medium size banks can be attributed to CSR activities. The models are significant and reliable though at less than 95% level of confidence since the F-values (2.20 and 4.444) are greater than F-critical (0.235 and 0.126). The results also show that large banks will achieve ROA of 3.261% and ROE of 27.43% while medium size banks will achieve ROA of 3.049% and ROE of 24.448% regardless of whether they spend on CSR activities. This relationship is summarised below

For Large Banks: $ROA= 3.261+0.002CSR$

$ROE= 27.43+0.007CSR$

For Medium Size banks: $ROA=3.049+0.009CSR$

$ROE=24.448+0.05CSR$

With regard to small banks, the study found that spending on CSR has no significant effect on ROA but has a significant effect on ROE. The predictor coefficients are 0.013 and 0.911 for ROA and ROE respectively. The predictor coefficient for ROA is however insignificant since the t-statistic (0.055) is greater than the t-critical (0.960). We therefore accept the null hypothesis and conclude that CSR has no significant effect on ROA of small commercial banks. The results however show that CSR has a significant effect on ROE of small banks since the t-statistic (2.108) is greater than the t-critical (0.126) in which case we reject the null hypothesis and conclude that the predictor coefficient for ROE is significant though at less than 95% level of confidence.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary, conclusions of the study and recommendations, limitations of the study and suggestions for further research.

5.2 Summary of the Study

The purpose of the study is to determine the effect of CSR on the financial perfomance of commercial banks in Kenya. Mc Williams and Siegel (2001) described CSR as actions that appear to further some social good beyond the interest of the firm and that, which is required by law. While it remains debatable as to whether firms have an obligation to be socially responsible, theoretical literature strongly argues that firms could infact gain by engaging in CSR activities. Instrumental theories provide that by engaging in CSR activities, firms can acquire competitive advantage, grow revenues and build their brands by associating with social and ethical dimensions and maximize shareholder value by devoting resources to developing the community in which the firm operates. Political theories on the other hand evoke the iron law of responsibility principle which states that whoever does not use his social power responsibly will lose it. In this regard, the theory stresses that firms that don't use their power in a way that the society considers to be responsible may be rebuked by the community in which they operate.

This study used a longitudinal research design and covered the year 2007 to 2011 both years inclusive. Financial perfomance was measured by use of accounting ratios that included ROA, ROE and GII and data obtained from supervisory reports compiled by central bank of

Kenya. CSR was measured using financial spending on CSR activities. Regression model was used to analyze data. Banks were classified as large. medium and small as per CBK classification criteria. The study found that CSR has a positive and significant effect on ROA, GII and ROE. The study further found that CSR contribute significantly to the financial perfomance of large and medium size commercial banks but does not have any significant effect on the ROA of small commercial banks. The findings of this study contradict the findings of Mutuku (2004) who found no relationship between CSR and financial perfomance of companies listed at the NSE. The contradiction between the findings of this study and that of Mutuku (2004) can be attributed to differences in methodology used and location of study. While Mutuku adopted cross sectional research design. this study used longitudinal research design. Moreover, there are only ten banks listed at the NSE where Mutuku carried out her study. The results of her study cannot therefore be argued to be applicable in the whole of the banking industry. The findings of the study however, agree with those of Kipkemoi (2010).

5.3 Conclusions and Recommendations

5.3.1 Conclusions

The study seeks to determine the effect that CSR has on financial perfomance of commercial banks in Kenya. The researcher used longitudinal research design and a regression model and found that CSR has a positive and significant effect on ROA. GII and ROE for all commercial banks when aggregated. however, when classified on the basis of market size, the study found that CSR improves the financial perfomance of large and medium size banks while the effect on the ROA of small banks is insignificant. This study concludes that CSR has a positive effect on financial perfomance of large and medium size banks and no significant effect on the financial perfomance of small banks.

5.3.2 Recommendations

The purpose of the study was to determine the effect that CSR has on the financial perfomance of commercial banks in Kenya. The study found that CSR is good for the financial perfomance of large and medium size banks and has no effect on the ROA of small banks. In line with argument of Friedman (1970) that the social responsibility of business is to grow its profits, it is not in the interest of shareholders, for small banks to engage in CSR activities as doing so only drains their wealth without any return. The researcher recommends that small firms would rather engage in strategic marketing activities other than CSR in order to improve on their financial perfomance. However, it is worth noting that small banks have a small client base and market segments whose interests they can monitor. In this regard, undertaking strategic CSR activities that appeal to the interests of these market segments.

In the process of carrying out this study, a few issues were noted which may require the attention of the concerned authorities. It was noted that commercial banks do not have a standardized reporting format for their involvement in CSR activities. While most commercial banks have a report on CSR activities, there is no formal location where the report is published. While others include the information on annual reports, others have it on the website and newsletters. Moreover, the report lacks uniformity across commercial banks as to where it is reported in the annual reports and disclosure threshold. This study recommends that the central bank of Kenya, in its capacity as the regulator of commercial banks designs a uniform reporting format for commercial banks engaged in CSR activities. This will not only make it easy for future researchers to find data, but will also enable shareholders to evaluate the extent to which the firm is engaged in promoting corporate citizenship and its benefits. The central bank could also consider including in its database, not

only the amount commercial banks spend on CSR annually, but also a CSR perfomance index for all the commercial banks.

As commercial banks discover that CSR has a positive effect on their financial perfomance, the motivation to engage in CSR purely for the sake of improving company perfomance may begin to take shape. Commercial banks may engage in CSR activities that do not necessarily add value to the community such as duplication of projects that have been undertaken by some other firms, abandoning projects before completion. sometimes increasing the cost of their services in order to recover the amounts used in CSR activities and may be engaging in CSR activities that serve both the current and future interests of the senior management and board member(s). The researcher recommends that central bank of Kenya, being the regulator of commercial banks; consider developing, publishing and implementing guidelines and procedures of engaging in CSR activities.

Finally, the researcher recommends that the input of shareholders be taken into account regarding how much the firm intends to spend on CSR annually, and where the activities will be undertaken. Furthermore, management should carry out a cost benefit analysis of the CSR projects they have initiated and avail such reports to shareholders. This will help ensure that in as much as firms are socially responsible; shareholders' wealth is not run down in the interest of the general public.

5.4 Limitations of the Study

In carrying out this study. CSR was measured using financial spending. The researcher acknowledges that CSR has several dimensions and can be accomplished in several ways other than just financial spending. However, due to time and budget constraints, only

financial spending was used to measure CSR perfomance among commercial banks. Non financial CSR effort e.g. man hours used by employees in planting trees, cleaning the environment, fair employment practices adopted by management e.t.c were not included in the study. There is a possibility that if non financial aspects of CSR mentioned above were to be taken into account through generation of CSR perfomance index, the results of the study would probably be different.

The other limitation of the study relates to the measurement of financial perfomance. The study used accounting ratios namely ROA. ROE and GII to determine financial perfomance of commercial banks. However, financial perfomance could also be measured using market ratios such as price earnings ratio, market yield among others. It is possible that if any of those ratios were included in the study, the results would probably be different.

This study is also limited by the number of years within which data was collected. The study used longitudinal research design and due to time and financial constrains, the study covered a five year period from 2007 to 2011 both years inclusive. The researcher acknowledges that were the number of years within which the study was carried out be increased then probably the results would be different.

Lastly, the study is limited by its data sources. Data on CSR was obtained from both the bank staff and various sources whose references were provided by the bank staff. Data on financial perfomance was obtained from central bank supervisory reports. The researcher acknowledges that the accuracy of the data as obtained from the source may limit the results of the study.

5.5 Suggestions for Further Research

This study sought to determine the effect of CSR on the financial perfomance of commercial banks in Kenya. The study found that CSR has a positive and significant effect on financial perfomance of large and medium size banks and no significant effect on small banks. The researcher suggests that the possible effect of CSR on financial perfomance be extended to the whole of financial sector. A study could be carried out to determine if CSR has any effect on the financial perfomance of insurance companies, non bank financial intermediaries, and micro finance institutions among others.

It is important to note that the findings of this study were based on CSR financial spending being regressed on the financial perfomance of commercial banks on the same accounting period. In practice however, the benefits of CSR may well spill over to the following accounting period. The researcher suggests that a study be carried out to determine if financial spending on CSR in the current year has any effect on the financial perfomance of commercial banks in the following accounting period.

As noted in the limitations of this study, the measurement of CSR was limited to financial spending while financial perfomance was measured by use of accounting ratios. The researcher suggests further research in this area but this time by use of market ratios to measure financial perfomance and incorporating non financial aspects of CSR in the measurement of CSR. More research in this area could also be done using data for a period of ten years and above.

By engaging in CSR activities, a bank establishes a strong relationship with its environment. One would therefore expect that as a bank increases its engagement in CSR activities, non performing loans should come down as a consequence of goodwill from its environment. The

researcher therefore recommends that a study be carried out to determine the relationship between CSR and non performing loans of commercial banks.

This study examined the effect of CSR on the financial perfomance of commercial banks in Kenya. However, it is a big question on which variable is driving the other variable. As a firm's financial perfomance gets better, it is possible that the company could increase its spending on CSR activities. The researcher suggests that studies be carried out to determine if at all financial perfomance has any effect on CSR perfomance of commercial banks.

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APPENDICES

APPENDIX 1

List of Commercial Banks Operating in Kenya as per CBK Report

1. African Banking Corporation
2. Bank of Africa
3. Bank of Africa
4. Bank of Baroda
5. Bank of India
6. Barclays Bank of Kenya
7. CFC Stanbic Bank
8. Charterhouse Bank
9. Chase Bank
10. Citi Bank N.A
11. Commercial Bank of Africa
12. Consolidated Bank
13. Co-operative Bank
14. Credit Bank
15. Development Bank of Kenya
16. Diamond Trust Bank
17. Dubai Bank
18. Eco Bank
19. Equatorial Commercial Bank
20. Equity Bank
21. Family Bank
22. Fidelity Commercial Bank
23. Fina Bank
24. First Community Bank
25. Giro Commercial Ban

26. Guardian Bank
27. Gulf African Bank
28. Habib Bank A.G Zurich
29. I&M Bank
30. Imperial Bank
31. Jamii Bora Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank
40. Standard Chartered Bank
41. Trans National Bank
42. UBA Bank
43. Victoria Commercial Bank

APPENDIX 2

Data Collection Instrument

Section A: Background Information

1. Designation of officer: --

2 Number of Years the bank has been in operation--------------------------------

3 Type of banking: Corporate ☐ Retail ☐ Both ☐

4 Number of Branches--

5 Ownership Structure: Local ☐ Foreign ☐ Both ☐

6 Ownership: Public ☐ private ☐

Section B: Financial Spending on CSR activities

Please indicate how much the company spent on the various CSR activities for each of the years provided.

CSR Activity	**2007**	**2008**	**2009**	**2010**	**2011**
Enviroment					
Education					
Humanitarian intervention					
Enterprise Development					

Health					
Agribusiness Intervention					
Financial Literacy and Entrepreneurship					
Others					
TOTAL					

Section C: Financial Performance

Please indicate the financial performance of the company for each of the years in the table below.

Financial Performance Measure	**2007**	**2008**	**2009**	**2010**	**2011**
Interest Income					
Growth in interest Income					
Profits before tax					
Total Assets					
Return on Assets					
Equity					
Return on Equity					

Appendix (v)

Ksh M

NO	BANKS	1 PROFIT BEFORE TAX	2 GROSS ASSETS	3 RETURN ON ASSETS (1/2) %	4 SHAREHOLDERS EQUITY	5 RETURN ON EQUITY (1/4) %
BANKING SECTOR PROFITABILITY						
1	African Banking Corporation Ltd	185	6,700	2.6%	812	22.77
2	Bank of Africa Ltd	158	8,093	2.0%	1,263	12.50
3	Bank of Baroda	497	15,245	3.3%	1,532	32.44
4	Bank of India	474	10,610	4.5%	1,312	36.09
5	Barclays Bank of Kenya Ltd	7,079	167,475	4.2%	17,564	40.30
6	CFC Bank Ltd	921	29,467	3.1%	3,339	27.59
7	Charterhouse Bank Ltd *					
8	Chase Bank Ltd	180	5,999	3.0%	696	25.81
9	Citibank, N.A	1,782	48,533	3.7%	7,330	24.31
10	City Finance Bank Ltd	28	920	-3.1%	326	-8.74
11	Commercial Bank of Africa Ltd	1,402	40,178	3.5%	4,518	31.03
12	Consolidated Bank of Kenya Ltd	26	5,392	0.5%	748	3.45
13	Co-operative Bank of Kenya Ltd	2,288	75,278	3.0%	6,807	33.61
14	Credit Bank Ltd	131	3,582	3.7%	562	23.29
15	Development Bank of Kenya Ltd	157	4,999	3.1%	1,144	13.76
16	Diamond Trust Bank Kenya Ltd	869	31,130	2.8%	4,670	18.61
17	Dubai Bank Ltd	14	2,214	0.6%	403	3.39
18	EABS Bank Ltd	117	11,210	1.0%	1,688	6.94
19	Equatorial Commercial Bank Ltd	73	5,116	1.4%	670	10.89
20	Equity Bank Ltd	2,364	54,640	4.3%	14,917	15.85
21	Family Bank Ltd	268	9,123	2.9%	1,277	20.96
22	Fidelity Commercial Bank Ltd	49	3,446	1.4%	319	15.27
23	Fina Bank Ltd	115	8,633	1.3%	1,054	10.95
24	Giro Commercial Bank Ltd	41	5,970	0.7%	528	7.78
25	Guardian Bank Ltd	25	6,494	0.4%	805	3.10
26	Habib AG Zurich	204	6,440	3.2%	742	27.51
27	Habib Bank Ltd	107	4,022	2.7%	522	20.44
28	Imperial Bank Ltd	564	12,386	4.6%	1,580	35.69
29	Investment & Mortgages Bank Ltd	1,294	30,389	4.3%	3,867	33.47
30	Kenya Commercial Bank Ltd	3,863	124,527	3.1%	12,846	30.07
31	K-REP BANK Ltd	190	7,303	2.6%	1,018	18.65
32	Middle East Bank of Kenya Ltd	94	3,333	2.8%	879	10.69
33	National Bank of Kenya Ltd	1,610	52,098	3.1%	4,967	32.41
34	National Industrial Credit Bank Ltd	1,048	32,673	3.2%	4,735	22.13
35	Oriental Commercial Bank Ltd	209	2,367	8.8%	819	25.54
36	Paramount-Universal Bank Ltd	43	3,371	1.3%	456	9.47
37	Prime Bank Ltd	317	14,374	2.2%	1,926	16.45
38	Southern Credit Banking Corp. Ltd	41	6,354	0.6%	560	7.36
39	Stanbic Bank Kenya Ltd	1,194	35,086	3.4%	3,357	35.57
40	Standard Chartered Bank Ltd	4,897	92,966	5.3%	10,816	45.27
41	Transnational Bank Ltd	81	3,664	2.2%	1,103	7.32
42	Victoria Commercial Bank Ltd	151	4,196	3.6%	657	22.99
	SUB-TOTAL	**35,091**	**995,990**	**3.5%**	**125,134**	28.04
	NBFI'S					
1	Housing Finance	131	12,125	1.1%	1,460	8.95
2	Prime Capital & Credit Ltd.	101	4,004	2.5%	1,807	5.60
3	Savings and Loan (K) Ltd	277	8,474	3.3%	872	31.79
	SUB-TOTAL	**509**	**24,604**	**2.1%**	**4,139**	12.30
	GRAND TOTAL	**35,600**	**1,020,594**		**129,274**	

*** Did not publish accounts for year 2007**

Appendix V

BANKING SECTOR PROFITABILITY DECEMBER 2008 Ksh M

	BANKS	1 PROFIT BEFORE TAX	2 RETURN ON ASSETS GROSS ASSETS	3 RETURN ON ASSETS (1/2) %	4 RETURN ON EQUITY SHAREHOLDERS EQUITY	5 RETURN ON EQUITY (1/4) %
1	African Banking Corporation Ltd	224	6,826	3.3%	968	23.2%
2	Bank of Africa Ltd	93	12,823	0.7%	1,662	5.6%
3	Bank of Baroda Ltd	633	18,787	3.4%	1,910	33.1%
4	Bank of India	609	12,143	5.0%	1,690	36.0%
5	Barclays Bank of Kenya Ltd	8,016	172,113	4.7%	20,463	39.2%
6	CFC Stanbic Bank Ltd	1,313	85,450	1.5%	7,118	18.4%
7	Charterhouse Bank Ltd *	-	-	-	-	-
8	Chase Bank Ltd	247	10,477	2.4%	845	29.3%
9	Citibank, N A	3,353	47,839	7.0%	9,190	36.5%
10	City Finance Bank Ltd	-3	587	-0.5%	323	-0.9%
11	Commercial Bank of Africa Ltd	1,694	51,248	3.3%	4,949	34.2%
12	Consolidated Bank of Kenya Ltd	85	5,543	1.5%	846	10.0%
13	Co-operative Bank of Kenya Ltd	3,337	91,022	3.7%	13,933	23.9%
14	Credit Bank Ltd	79	3,803	2.1%	666	11.9%
15	Development Bank of Kenya Ltd	171	6,634	2.6%	1,229	13.9%
16	Diamond Trust Bank Ltd	1,305	42,073	3.1%	5,334	24.5%
17	Dubai Bank Ltd	7	2,167	0.3%	411	1.6%
18	Ecobank Ltd	67	12,589	0.5%	1,743	3.8%
19	Equatorial Commercial Bank Ltd	-8	4,477	-0.2%	676	-1.2%
20	Equity Bank Ltd	4,757	78,001	6.1%	19,660	24.2%
21	Family Bank Ltd	531	10,713	5.0%	1,557	34.1%
22	Fidelity Commercial Bank Ltd	73	4,397	1.7%	424	17.1%
23	Fina Bank Ltd	82	10,201	0.8%	1,171	7.0%
24	First Community Bank Ltd	-307	3,189	-9.6%	775	-39.6%
25	Giro Commercial Bank Ltd	126	6,154	2.0%	608	20.7%
26	Gulf African Bank Ltd	-382	5,000	-7.6%	1,273	-30.0%
27	Guardian Bank Ltd	44	6,284	0.7%	835	5.3%
28	Habib AG Zurich	242	6,622	3.6%	774	31.2%
29	Habib Bank Ltd	146	4,561	3.2%	620	23.6%
30	Imperial Bank Ltd	673	13,780	4.9%	1,912	35.2%
31	I & M Bank Ltd	1,620	37,022	4.4%	5,188	31.2%
32	Kenya Commercial Bank Ltd	5,394	181,974	3.0%	20,058	26.9%
33	K-Rep Bank Ltd	-472	8,431	-5.6%	1,129	-41.8%
34	Middle East Bank Ltd	30	3,448	0.9%	877	3.4%
35	National Bank of Kenya Ltd	1,797	44,588	4.0%	6,208	28.9%
36	NIC Bank Ltd	1,474	43,609	3.4%	5,529	26.7%
37	Oriental Commercial Bank Ltd	68	2,774	2.5%	944	7.2%
38	Paramount-Universal Bank Ltd	51	3,552	1.4%	492	10.4%
39	Prime Bank Ltd	460	20,455	2.3%	3,075	15.0%
40	Southern Credit Banking Corp Ltd	6	5,463	0.1%	483	1.1%
41	Standard Chartered Bank Ltd	4,709	100,392	4.7%	11,390	41.3%
42	Transnational Bank Ltd	121	3,710	3.3%	1,235	9.8%
43	Victoria Commercial Bank Ltd	170	4,467	3.8%	763	22.3%
	SUB-TOTAL	**42,633**	**1,195,388**	3.6%	**160,938**	26.5%
	NBFI'S					
1	Housing Fin. Co. of Kenya Ltd.	196	15,601	1.3%	3,661	5.3%
2	Savings and Loan Ltd	465	11,879	3.9%	993	46.8%
	SUB-TOTAL	**661**	**27,480**	2.4%	**4,654**	14.2%
	GRAND TOTAL	**43,293**	**1,222,868**		**165,592**	

Charterhouse Bank Limited * Not published accounts

Appendix V

BANKING SECTOR PROFITABILITY - DECEMBER 2009 - Ksh . M

	INSTITUTION	PROFIT BEFORE TAX	GROSS ASSETS	RETURN ON ASSETS	CAPITAL & RESERVES
		1	2	3	4
				(1/2)	
1	Kenya Commercial Bank Ltd	6,426	180,041	3.57%	22,398
2	Barclays Bank of Kenya Ltd	9,002	169,788	5.30%	24,210
3	Standard Chartered Bank	6,726	124,806	5.39%	13,807
4	Cooperative Bank of Kenya Ltd	3,727	114,234	3.26%	16,103
5	CFCStanbic Bank Ltd	1,333	98,401	1.35%	8,143
6	Equity Bank Ltd	5,570	98,434	5.66%	23,337
7	Commercial Bank of Africa Ltd	1,768	58,904	3.00%	6,323
8	National Bank of Kenya Ltd	2,159	52,327	4.13%	7,908
9	Citibank N.A.	3,055	51,581	5.92%	11,077
10	Diamond Trust Bank Ltd	1,634	47,509	3.44%	6,263
11	NIC Bank Ltd	1,529	46,326	3.30%	6,434
12	I&M Bank Ltd	1,752	44,486	3.94%	7,419
13	Prime Bank Ltd	564	24,173	2.33%	3,065
14	Bank of Baroda	726	22,399	3.24%	2,565
15	Bank of Africa Ltd	260	16,978	1.53%	2,511
16	Bank of India	609	15,586	3.91%	2,069
17	Imperial Bank Ltd	802	15,755	5.09%	2,247
18	Ecobank Bank Ltd	-1,151	16,134	-7.13%	2,148
19	Family Bank Ltd	343	13,683	2.50%	1,853
20	Chase Bank Ltd	318	13,169	2.42%	1,223
21	Fina Bank Ltd	23	12,836	0.18%	1,198
22	African Banking Corporation Ltd	257	9,118	2.82%	1,145
23	Development Bank of Kenya Ltd	188	8,289	2.27%	1,363
24	Gulf African Bank Ltd	-162	7,750	-2.10%	1,150
25	Habib AG Zurich	286	7,438	3.85%	958
26	K-Rep Bank Ltd	-289	7,685	-3.76%	1,107
27	Giro Bank Ltd	185	7,026	2.63%	857
28	Consolidated Bank of Kenya Ltd	117	7,565	1.54%	927
29	Guardian Bank Ltd	61	7,316	0.83%	873
30	Fidelity Commercial Bank Ltd	52	5,539	0.94%	490
31	Victoria Commercial Bank Ltd	216	5,130	4.22%	935
32	Habib Bank Ltd	197	4,729	4.16%	747
33	Southern Credit Banking Corporation Ltd*	-730	4,964	-14.70%	-5
34	Equatorial Commercial Bank Ltd	77	4,528	1.69%	730
35	First Community Bank Ltd	-152	4,457	-3.42%	663
36	Credit Bank Ltd	83	3,840	2.15%	728
37	Trans-National Bank Ltd	88	3,705	2.36%	1,325
38	Middle East Bank Ltd	44	3,177	1.37%	904
39	Paramount Universal Bank Ltd	42	3,418	1.23%	527
40	Oriental Commercial Bank Ltd	33	3,421	0.97%	982
41	Dubai Bank Ltd	9	2,147	0.41%	463
42	UBA Kenya Bank Ltd	-213	1,216	-17.47%	996
43	City Finance Bank Ltd	-7	519	-1.26%	315
44	Charterhouse Bank Ltd **	0	0		0
	Sub - Total	**47,557**	**1,350,528**	**3.52%**	**190,480**
	NBFI's				
45	Housing Finance Comapny of Kenya Ltd	354	19,342	1.83%	4,084
46	Savings and Loan Ltd	1,016	19,775	5.14%	1,686
	Sub - Total	**1,370**	**39,117**	**3.50%**	**5,770**
	Grand - Total	**48,926**	**1,389,645**	**3.52%**	**196,250**

*** Both profit before tax and capital & reserves were negative**

**** Charterhouse Bank excluded**

Appendix V

BANKING SECTOR PROFITABILITY - DECEMBER 2010 Ksh. M

No.	INSTITUTIONS	1	2	3	4	5
		PROFIT BEFORE TAX & EXCEPTIONAL ITEMS	RETURN ON ASSETS		RETURN ON EQUITY	
			NET ASSETS	RETURN ON ASSETS (1/2) %	SHAREHOLDERS EQUITY	RETURN ON EQUITY (1/4) %
1	Kenya Commercial Bank Ltd	11,538	223,025	5.17%	40,876	28.23%
2	Barclays Bank of Kenya Ltd	10,775	172,691	6.24%	31,465	34.25%
3	Co-operative Bank of Kenya Ltd	5,559	153,984	3.61%	20,202	27.52%
4	Standard Chartered Bank Ltd	7,668	142,880	5.37%	20,210	37.94%
5	Equity Bank Ltd	9,312	133,890	6.95%	28,308	32.90%
6	CFCStanbic Bank Ltd	2,104	107,139	1.96%	10,035	20.96%
	Sub-total	**46,955**	**933,608**	**5.03%**	**151,097**	**31.08%**
1	Commercial Bank of Africa Ltd	2,695	63,592	4.24%	7,474	36.06%
2	I & M Bank Ltd	3,004	62,552	4.80%	12,980	23.15%
3	Citibank N.A.	2,879	62,070	4.64%	12,882	22.34%
4	National Bank of Kenya Ltd	2,698	60,027	4.49%	9,930	27.17%
5	Diamond Trust Bank Ltd	2,872	58,606	4.90%	8,057	35.64%
6	NIC Bank Ltd	2,416	54,776	4.41%	7,896	30.60%
7	Prime Bank Ltd	770	32,444	2.37%	3,898	19.74%
8	Housing Finance Company of Kenya Ltd	560	29,326	1.91%	4,270	13.12%
9	Bank of Baroda Ltd	1,828	32,332	5.65%	4,744	38.52%
10	Ecobank Kenya Ltd	188	26,892	0.70%	5,004	3.76%
11	Bank of Africa Ltd	484	26,699	1.81%	2,945	16.45%
12	Chase Bank Ltd	535	21,859	2.45%	1,715	31.20%
13	Family Bank Ltd	501	20,188	2.48%	3,127	16.01%
14	Bank of India	991	19,671	5.04%	2,756	35.94%
15	Imperial Bank Ltd	1,248	19,399	6.43%	3,095	40.31%
	Sub-total	**23,668**	**590,433**	**4.01%**	**90,774**	**26.07%**
1	Fina Bank Ltd	151	14,112	1.07%	1,336	11.32%
2	Development Bank of Kenya Ltd	236	10,650	2.22%	1,489	15.85%
3	Consolidated Bank of Kenya Ltd	258	10,479	2.46%	1,477	17.45%
4	Equatorial Commercial Bank Ltd	(34)	10,399	-0.32%	906	-3.70%
5	African Banking Corporation Ltd	480	10,297	4.67%	1,631	29.46%
6	Giro Commercial Bank Ltd	634	10,234	6.20%	1,340	47.35%
7	Gulf African Bank Ltd	47	9,594	0.49%	1,224	3.84%
8	Fidelity Commercial Bank Ltd	377	8,209	4.59%	801	46.99%
9	Habib AG Zurich	248	8,127	3.05%	1,118	22.15%
10	Guardian Bank Ltd	112	8,031	1.39%	948	11.77%
11	K-Rep Bank Ltd	111	7,670	1.44%	1,158	9.55%
12	First Community Bank Ltd	(160)	6,380	-2.50%	565	-28.24%
13	Victoria Commercial Bank Ltd	311	6,215	5.00%	1,103	28.19%
14	Habib Bank Ltd	235	5,426	4.34%	896	26 24%
15	Transnational Bank Ltd	159	4,762	3.33%	1,541	10.29%
16	Oriental Commercial Bank Ltd	183	4,558	4.01%	1,138	16.07%
17	Credit Bank Ltd	34	4,530	0.74%	948	3.55%
18	Paramount-Universal Bank Ltd	281	4,420	6.35%	785	35.78%
19	Middle East Bank of Ltd	206	4,018	5.11%	1,027	20.01%
20	UBA Kenya Bank Ltd	(138)	2,363	-5.85%	889	-15.54%
21	Dubai Bank Ltd	3	1,874	0.18%	596	0.56%
22	Jamii Bora Bank Ltd	(84)	1,723	-4.85%	1,020	-8.19%
23	Charterhouse Bank Ltd *	-	-	-	-	-
	SUB-TOTAL	**3,649**	**154,071**	**2.37%**	**23,936**	**15.25%**
	GRAND TOTAL	**74,272**	**1,678,112**	**4.43%**	**265,806**	**27.94%**

* Did not publish accounts for year 2010

Source: Banks Published Financial Statements.

Appendix V

BANKING SECTOR PROFITABILITY - DECEMBER 2011 - Ksh. M

		1	2	3	4	5
	BANKS	PROFIT BEFORE TAX	RETURN ON ASSETS		RETURN ON EQUITY	
			NET ASSETS	RETURN ON ASSETS (1/2) %	SHAREHOLDERS EQUITY	RETURN ON EQUITY (1/4) %
1	Kenya Commercial Bank Ltd	14,081.87	282,494	4.98%	45,163	31.18%
2	Equity Bank Ltd	12,103.51	176,911	6.84%	35,047	34.53%
3	Barclays Bank of Kenya Ltd	12,012.56	167,305	7.18%	29,223	41.11%
4	Standard Chartered Bank (K) Ltd	8,250.84	164,182	5.03%	20,571	40.11%
5	Co-operative Bank of Kenya Ltd	6,167.77	167,772	3.68%	20,972	29.41%
6	Citibank N.A	4,801.89	74,646	6.43%	15,112	31.77%
7	I&M Bank Ltd	4,457.33	76,903	5.80%	13,856	32.17%
8	NIC Bank Ltd	3,360.60	73,581	4.57%	9,900	33.95%
9	Diamond Trust Bank (K) Ltd	3,248.47	77,453	4.19%	10,366	31.34%
10	CFC Stanbic Bank Ltd	3,128.37	140,087	2.23%	10,150	30.82%
11	Commercial Bank of Africa Ltd	2,984.47	83,283	3.58%	9,935	30.04%
12	National Bank of Kenya Ltd	2,443.85	68,665	3.56%	10,456	23.37%
13	Bank of Baroda (K) Ltd	1,676.38	36,701	4.57%	4,936	33.96%
14	Imperial Bank Ltd	1,631.69	25,618	6.37%	3,685	44.28%
15	Prime Bank Ltd	1,080.69	35,185	3.07%	3,742	28.88%
16	Bank of India	975.17	23,352	4.18%	3,378	28.87%
17	Chase Bank (K) Ltd	849.93	36,513	2.33%	2,969	28.62%
18	Bank of Africa Kenya Ltd	554.55	38,734	1.43%	4,672	11.87%
19	Family Bank Ltd	522.57	26,002	2.01%	3,324	15.72%
20	African Banking Corporation Ltd	515.47	12,507	4.12%	1,702	30.28%
21	Giro Commercial Bank Ltd	329.93	11,846	2.79%	1,579	20.90%
22	Victoria Commercial Bank Ltd	329.69	7,645	4.31%	1,252	26.32%
23	Fina Bank Ltd	310.48	14,630	2.12%	1,536	20.22%
24	Fidelity Commercial Bank Ltd	301.52	10,789	2.79%	1,017	29.64%
25	Trans-National Bank Ltd	294.93	7,287	4.05%	1,743	16.92%
26	Habib Bank Ltd	270.99	5,861	4.62%	1,062	25.51%
27	K-Rep Bank Ltd	255.94	9,319	2.75%	1,331	19.23%
28	Habib Bank A.G Zurich	253.68	8,722	2.91%	1,280	19.82%
29	Consolidated Bank of Kenya Ltd	246.54	15,318	1.61%	1,435	17.18%
30	Oriental Commercial Bank Ltd	192.60	5,030	3.83%	1,290	14.93%
31	Guardian Bank Ltd	169.74	8,836	1.92%	1,065	15.94%
32	Development Bank of Kenya Ltd	157.44	11,523	1.37%	1,562	10.08%
33	Gulf African Bank Ltd	155.38	12,915	1.20%	1,319	11.78%
34	Ecobank Kenya Ltd	121.40	27,210	0.45%	1,726	7.03%
35	Paramount Universal Bank Ltd	112.80	4,727	2.39%	1,026	11.00%
36	First Community Bank Ltd	111.63	8,740	1.28%	837	13.34%
37	Middle East Bank (K) Ltd	92.46	4,639	1.99%	1,100	8.40%
38	Equatorial Commercial Bank Ltd	71.18	12,927	0.55%	1,204	5.91%
39	Credit Bank Ltd	51.28	5,394	0.95%	958	5.35%
40	Dubai Bank Kenya Ltd	20.77	2,316	0.90%	712	2.92%
41	Jamii Bora Bank Ltd	(37)	2,070	-1.79%	1,527	-2.43%
42	UBA Kenya Bank Ltd	(183)	3,206	-5.72%	728	-25.19%
43	Charterhouse Bank Ltd *	-	-	-	-	-
	SUB-TOTAL	**88,478**	**1,988,846**	**4.4%**	**286,450**	**30.89%**
	NBFI'S					
44	Housing Finance Co. of Kenya Ltd	976	31,972	3.1%	4,782	20.40%
	SUB-TOTAL	**976**	**31,972**	**3.1%**	**4,782**	**20.40%**
	GRAND TOTAL	**89,453**	**2,020,818**	**4.4%**	**291,232**	**30.72%**

*** Did not publish accounts for year 2011**

Source: Banks Published Financial Statements

Appendix V

BANKING SECTOR PROFITABILITY - DECEMBER 2011 - Ksh. M

	BANKS	PROFIT BEFORE TAX	RETURN ON ASSETS		RETURN ON EQUITY	
		1	2	3	4	5
			NET ASSETS	RETURN ON ASSETS (1/2) %	SHAREHOLDERS EQUITY	RETURN ON EQUITY (1/4) %
1	Kenya Commercial Bank Ltd	14,081.87	282,494	4.98%	45,163	31.18%
2	Equity Bank Ltd	12,103.51	176,911	6.84%	35,047	34.53%
3	Barclays Bank of Kenya Ltd	12,012.56	167,305	7.18%	29,223	41.11%
4	Standard Chartered Bank (K) Ltd	8,250.84	164,182	5.03%	20,571	40.11%
5	Co-operative Bank of Kenya Ltd	6,167.77	167,772	3.68%	20,972	29.41%
6	Citibank N.A.	4,801.89	74,646	6.43%	15,112	31.77%
7	I&M Bank Ltd	4,457.33	76,903	5.80%	13,856	32.17%
8	NIC Bank Ltd	3,360.60	73,581	4.57%	9,900	33.95%
9	Diamond Trust Bank (K) Ltd	3,248.47	77,453	4.19%	10,366	31.34%
10	CFC Stanbic Bank Ltd	3,128.37	140,087	2.23%	10,150	30.82%
11	Commercial Bank of Africa Ltd	2,984.47	83,283	3.58%	9,935	30.04%
12	National Bank of Kenya Ltd	2,443.85	68,665	3.56%	10,456	23.37%
13	Bank of Baroda (K) Ltd	1,676.38	36,701	4.57%	4,936	33.96%
14	Imperial Bank Ltd	1,631.69	25,618	6.37%	3,685	44.28%
15	Prime Bank Ltd	1,080.69	35,185	3.07%	3,742	28.88%
16	Bank of India	975.17	23,352	4.18%	3,378	28.87%
17	Chase Bank (K) Ltd	849.93	36,513	2.33%	2,969	28.62%
18	Bank of Africa Kenya Ltd	554.55	38,734	1.43%	4,672	11.87%
19	Family Bank Ltd	522.57	26,002	2.01%	3,324	15.72%
20	African Banking Corporation Ltd	515.47	12,507	4.12%	1,702	30.28%
21	Giro Commercial Bank Ltd	329.93	11,846	2.79%	1,579	20.90%
22	Victoria Commercial Bank Ltd	329.69	7,645	4.31%	1,252	26.32%
23	Fina Bank Ltd	310.48	14,630	2.12%	1,536	20.22%
24	Fidelity Commercial Bank Ltd	301.52	10,789	2.79%	1,017	29.64%
25	Trans-National Bank Ltd	294.93	7,287	4.05%	1,743	16.92%
26	Habib Bank Ltd	270.99	5,861	4.62%	1,062	25.51%
27	K-Rep Bank Ltd	255.94	9,319	2.75%	1,331	19.23%
28	Habib Bank A.G Zurich	253.68	8,722	2.91%	1,280	19.82%
29	Consolidated Bank of Kenya Ltd	246.54	15,318	1.61%	1,435	17.18%
30	Oriental Commercial Bank Ltd	192.60	5,030	3.83%	1,290	14.93%
31	Guardian Bank Ltd	169.74	8,836	1.92%	1,065	15.94%
32	Development Bank of Kenya Ltd	157.44	11,523	1.37%	1,562	10.08%
33	Gulf African Bank Ltd	155.38	12,915	1.20%	1,319	11.78%
34	Ecobank Kenya Ltd	121.40	27,210	0.45%	1,726	7.03%
35	Paramount Universal Bank Ltd	112.80	4,727	2.39%	1,026	11.00%
36	First Community Bank Ltd	111.63	8,740	1.28%	837	13.34%
37	Middle East Bank (K) Ltd	92.46	4,639	1.99%	1,100	8.40%
38	Equatorial Commercial Bank Ltd	71.18	12,927	0.55%	1,204	5.91%
39	Credit Bank Ltd	51.28	5,394	0.95%	958	5.35%
40	Dubai Bank Kenya Ltd	20.77	2,316	0.90%	712	2.92%
41	Jamii Bora Bank Ltd	(37)	2,070	-1.79%	1,527	-2.43%
42	UBA Kenya Bank Ltd	(183)	3,206	-5.72%	728	-25.19%
43	Charterhouse Bank Ltd *	-	-	-	-	-
	SUB-TOTAL	**88,478**	**1,988,846**	**4.4%**	**286,450**	**30.89%**
	NBFI'S					
44	Housing Finance Co. of Kenya Ltd	976	31,972	3.1%	4,782	20.40%
	SUB-TOTAL	**976**	**31,972**	**3.1%**	**4,782**	**20.40%**
	GRAND TOTAL	**89,453**	**2,020,818**	**4.4%**	**291,232**	**30.72%**

*** Did not publish accounts for year 2011**

Source: Banks Published Financial Statements