

**CORPORATE PHILANTHROPY AS A DETERMINANT OF
PROFITABILITY AMONG COMMERCIAL BANKS IN
KENYA**

BY:

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DECLARATION

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

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

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DEDICATION

This project is dedicated to the Almighty God whose provision, grace and care I cherish. Secondly to baby Enrique Ethan Maranga, May God provide for you according to His riches in heaven.

ABSTRACT

Strategic Corporate philanthropy has for long been mistaken with cause related marketing. This is mainly because cause related marketing deals with the concentration of giving on a single cause or admired organization for example sponsorship of the Olympics. However, as opposed to cause-related marketing, SCP involves the emphasis on social impact rather than publicity.

Given that, most Kenyan banks have embarked on SCP, albeit without a general benchmark or backdrop of information on its impact, through the costs incurred, on the financial books. There is need to fill this knowledge vacuum towards harnessing the resources of the corporate firms-banks in this case and hence reducing wastage or helping in shoring up profits.

This study sought to determine the aforementioned construct of social impact within the confines of SCP and hence ensuring delivery of profits and specific margins to the commercial banks in Kenya. This was through a survey of 43 banks, and two respondents in each given bank. The respondent rate was 65% (56 questionnaires), and they reflected a strong correlation between the kind of SCP initiative they were involved in and the performance of the given banks.

All the 43 selected banks for the research study show that they do engage in philanthropic activities of various nature. 30% of them note that there is an increase in profitability in relation to SCP, from the marketing perspective 25% of the respondents said SCP activities would want to retain the customers. Also 20% of the respondent banks noted a public relations paradigm as SCP activities play a role in improving the image of the organization. Combined with CSR and SCP goals 15% of the respondent banks reflected an interest in addressing the community needs while 8% of the respondent banks noted an expansion of the target market due to SCP activities.

The instruments applied (questionnaires) identified three forms of assessment in the evolution of corporate philanthropy towards community involvement. The first wave involved companies adopting sophisticated approaches of setting aside annual budgets and the second wave entails establishing in-house departments for community affairs. The final wave involved the complete integration of community affairs with business objectives. In the course of time, different schools of thought have informed on the divergent ways of giving or different paradigms.

The study provides proof to the growing demand in changes of organizational engagement with society and how the interaction is bound to influence their performance. Overall, the study reflects that consumers should have a positive view of proactive corporate philanthropic activity. An examination of the amount of funds donated underscores the importance today's corporations place on philanthropic activity. The amounts dedicated to SCP are reflective of the premium placed by the banking industry on engagement with the society at large, showing that the banks are active participants in the societies within which they operate.

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LIST OF ABBREVIATIONS

CECP- the Committee Encouraging Corporate Philanthropy

CSR-Corporate Social Responsibility

KSH-Kenya Shillings

SCP-Strategic Corporate Philanthropy

USA-United States of America

US\$-USA Dollar

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In 2008 a McKinsey survey on global corporate philanthropy reflected that about \$14 billion a year is spent in charitable causes, hence the measurement of results or outcomes as well as the ensuring of social impact is very significant (CECP, 2008). Significantly, organizations have begun to pursue a strategic focus in their giving. At global level, Goldman Sachs, Nike and Intel have embarked on pursuing corporate philanthropy with a strategic focus as well as the same discipline that informs the kind of activities they engage in.

Consider the case of Nike, in 2004, after deciding on the importance of a high leverage approach to philanthropy, the Nike Foundation conducted a "business analysis," applying Nike's core competencies in consumer insights and market segmentation to come up with a market-based approach to giving. As Nike's Senior Portfolio Manager Adam Day says, "The global development sector had overlooked the enormous potential of investing in adolescent girls to reduce global poverty. We saw a gap in the philanthropic space that we could fill" (www.nikebiz.com/responsibility/community_programs).

The case of Goldman Sachs is no different, in 2008, Goldman Sachs shifted its philanthropic giving from a traditional portfolio of education grants to multi-year initiatives focused on economic empowerment and job creation among under served small business owners. To do this, Goldman used its competencies in understanding markets, convening needed expertise and business networks. It committed \$100 million over five years to one such initiative, "10,000 Women," which provides a mix of practical business education, support services and access to capital for under served women business owners in more than 20 countries. Goldman used its power to scale to get to market quickly, assembling a pipeline of services, investing in sophisticated measurement systems and developing a global core curriculum. (www.goldmansachs.com/citizenship).

In Kenya a number of corporates have reflected this kind of approach in recent times, Orange Telkom's approach, much similar to that of Nike, serves as an elemental aspect of SCP. We seek to make the world around us a better place through various corporate social responsibility initiatives, where we partner with various organizations to put a smile on the faces of those in need. Recently, we donated uniforms, toiletries and food worth over Ksh 1,000,000 to AIC Kameris Girls, a rescue centre that holds over 300 girls, from different areas in North Pokot, whose education has been compromised owing to educating the girl child in Pokot rigid cultural practices such as early marriages and female genital mutilation (www.telkom.co.ke).

As porter and Kramer (2002) posit, executives see themselves in situations where there are increasing societal demands for social philanthropy and investors pressure for short-term profits, hence meeting the link between business strategies and strategic corporate philanthropy is of high significance. The efforts of these executives are of great importance to the society, the Pokot girls for example '... at the very tender age of 8, an innocent girl, hardly into her puberty, gets prepared into a forced marriage. These are decisions made by her father, who has by then been approached by an aged man and offered a minimum of 20 cows and several goats as dowry' (www.telkom.co.ke).

1.1.1 Corporate philanthropy and Strategy

Keinert (2008) suggests that the global trends in business have led to a shift in the paternalistic idea of charity that has for long been represented by the likes of Carnegie or Rockefeller, which could be summed up as 'to do good because you are doing well' towards an understanding of strategic philanthropy which allows 'for doing well and doing good.' Hence firms pick few strategic areas of focus which fit their corporate values, and thus select initiatives that also support broader business goals and issues that are in some way related to the firm's core products and markets (p.78).

Strategic Corporate philanthropy has for long been mistaken with cause related marketing, Cause related marketing as described by Kramer and Porter (2008) deals with the concentration of giving on a single cause or admired organization for example

sponsorship of the Olympics. However, as opposed to cause-related marketing, SCP involves the emphasis on social impact rather than publicity (p.452). Keinert is of a similar argument, in that, ‘...corporations, comparable with no other institution within society, dispose not only of incredible amounts of resources, but also unique expertise and skills, and unlike individual donors, they can form effective partnerships with non-profit organizations. This Leads to offering of clear win-win situations for all stakeholders (p.78).

Since Strategic management *is* the process of analyzing firm’s internal and external environments, defining the firm’s mission and formulating as well as implementing the strategies to create or continue competitive advantage (Luis, David & Robert, 2005 P. 276). Strategic philanthropy describes a tendency corporations to voluntary donate portions of their resources to social causes. Although the thought of philanthropy involves feelings of activism, there are many objectives for corporate giving beyond this; some objectives for strategic corporate philanthropy are increased visibility, enhanced corporate image, and thwarting negative image or publicity. It is also the working philosophy and programme strategies of a business. It originates from an entrepreneurial view of business activities that focus on giving for effective contributions to social change (Varadajaran & Menon, 1988).

1.1.2 The concepts of CSR and Strategic corporate philanthropy

In practice, global trends have greatly informed on debates over CSR. Each stakeholder group seems to have its own definition, each placing its preferred issue at the heart of appeal to business. On the other hand corporate philanthropy, unlike corporate social responsibility, goes beyond the legal or statutory requirements of society in a search for highly desirable development initiatives (Klaue, 2008).

The world business council on social development (2008) describes corporate social philanthropy as the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families, local community and society in general. CSR therefore, in definition, has

ethical overtones and works best when defined as the social obligations that society exerts on the business world, Strategic Corporate philanthropy is different, presenting itself as the more prominent and decisive factor for corporation's investments in society. Duties of corporations to their communities are to render life support only attending to the primacy of shareholders (Friedman, 1972). Drucker (1988) posits that in seeking to perform corporate philanthropy, the corporate management needs to act in accordance with ethical customs towards all their stakeholders, attesting to the primacy or stakeholders. Since 1984 strategic corporate philanthropy literature has dwelt on the link between philanthropy and stakeholders proposed frameworks aiming at providing management with:- (a) methods that extract greatest possible gain that include increasing sales building brand image increasing bottom , line profits and (b) benefiting the corporation from philanthropic contributions (porter & Kramer, 202).

In addition to modeling quantitative effects of strategic philanthropy other academics have tracked the extent to which management monitors their giving programme suggesting that strategic corporate philanthropy is not strategic” despite the preponderance of business management literature providing guidance to the corporations (Osborne, 2003). Corporate giving manager believe philanthropy is partially becoming strategic because executives are demanding that giving adapts a strategic dimension (Saiia, Carroll& Buchontz, 2003).

1.1.3 Experience of strategic philanthropy in Africa

There are no consolidated figures for corporate philanthropy in Africa. However significant channels of the funding mechanisms have been noted. The primary vehicle for charitable engagement in Africa is the Anglo American Chairman's Fund, which was established in 19075 and aims at 'enabling people to take control of their daily live' (Huniche & Pedersen, 2006, p.41) However with time, the Committee Encouraging Corporate Philanthropy (CECP) has embarked on greater emphasis on the balance between business goals and having to achieve a social impact in the activities of corporates.

CECP believes that discipline applies to philanthropy, like any other business function. When companies demonstrate programmatic effectiveness, fiscal accountability, and good stewardship in their philanthropic programs, society and business both stand to benefit greatly. Through innovative programs like those aimed at eradicating disease or raising childhood literacy rates, companies can also improve employee retention and heighten brand recognition (www.corporatephilanthropy.org).

Okumu (2008) writes on the voluntary ISO 26,000 of 2009 which puts into perspective corporate philanthropy as the community-corporate engagement driven by laws, ethical practices, morality, societal values and respect for human rights and environmental context within which an organization functions. The UN's global compact, UNDP's growing sustainable business and USAID's global development alliance though largely invisible in African, are attempts at CSR. Philanthropy on the other hand is recognition that communities have both short term and long term needs. Philanthropy hence focuses on helping society service the perils of today so that it can have breathing space to plan for tomorrow.

1.1.4 Commercial Banks in Kenya and philanthropic responsibilities.

Pedersen and Huniche (2006) posit that philanthropic responsibility in Europe tends to be more compulsory through the legal framework than discretionary acts of successful companies or rich capitalists like in the USA. In this respect, Africa has more in common with the American model, although philanthropy generally gets an even higher priority as a manifestation of corporate social responsibility in Africa. In the first instance, the social-economic needs of the African societies in which the companies operate are so great that philanthropy is an expected norm-it is considered the right thing to do by business.

Consider the critical mass modeled, Equity bank and its philanthropic approaches “ [we] have also been the main sponsor of the Kenya National Music and Colleges festivals as part of the mission to support and nurture more talent in drama among the youth of

Kenya”. In addition the Bank spent about Kshs 4 Million in sponsorship of the two annual events. ‘... the Bank in conjunction with Kenyatta University, begun a community outreach programme. Through this programme university students live and work among and with local communities addressing local social and economic challenges through development projects (www.equitybank.co.ke).

Standard Chartered bank also has the philanthropic strategy defined in its website (www.privatebank.standardchartered.com) as the inclination to improve the well-being of mankind. It is the investment in a better future, be it through the giving of money or assets big or small, the sharing of intellectual capital and expertise, or the provision of education to drive positive change for society and the environment: Seeing is Believing (SiB): leverages Standard Chartered's support for SiB, a collaboration of Standard Chartered Bank and the International Agency for Prevention of Blindness. The Private Bank has committed to raising funding for optical operation projects in India, China and Africa (with Kenya playing a key role) over the next five years and all donations will be reinforced and matched by Standard Chartered (up to US\$20 million) this is a partnership between Standard Chartered Private Bank and its clients.

The initiatives of Standard Chartered in education are slightly different compared to Equity Bank, Many a times targeting the immediate clients. Through “[e]ducation and Involvement: [we] cater for those who want to develop insight and understanding in and by giving time and talent. It offers opportunities in partnership with a number of charities and community initiatives, ranging from three-month internships to one-year voluntary positions. In this way, clients and their families can become engaged and involved (www.privatebank.standardchartered.com)

Another indigenous bank, The Kenya Commercial bank, just like Equity Bank does, also runs a foundation that is involved in philanthropic endeavors. Particularly, the foundation addresses matters concerning, education, environment, health and entrepreneurship. “In 2009 KCB continued its commitment to Education through a number of endeavors. To

date KCB has committed over Ksh 22 million to education in the region. ...supported the Palmhouse Foundation which provides scholarships for needy children through a partnership whereby KCB acts as a distributor of application forms, takes part in the regional selection process, provides mentoring for Palmhouse recipients and supports one child per province per year to benefit from the programme that provides for a four year scholarship (www.kcbbankgroup.com).

On the environmental front, "...In addition to the Bank's internal effort, the KCB Foundation has also supported the planting of over 20,000 tree seedlings by partner institutions such as Nature Kenya, the Porini Foundation and a number of schools. This effort has augmented the Green Wave Programme launched earlier in the year 2009 in eleven Nairobi city primary schools where over 4000 tree seedlings were planted in conservation drives targeting children (www.kcbbankgroup.com).

1.2 Statement of the problem

The dilemma that exists between stakeholder's interest and profit maximization, according to Porter and Kramer (2002), is that most organizations describing giving as strategic philanthropy are not strategic at all. Most often strategic philanthropy is nothing more than public relations campaigns that promote corporate brands. The result is often public cynicism not good will.

CECP – committee encouraging corporate philanthropy argues that Africa suffers simultaneously from three challenges to sustainable development. First, Africa does not grow enough food. Unlike Asia, Africa lacks a green revolution in food production; secondly Africa suffers from a disease burden that is unrivalled in any other part of the world. Third, Africa is largely economically isolated, owing to very poor infrastructure, large over-land distance, and many landlocked countries. These factors call upon corporations to act benevolently towards Africa to help mitigate on high levels of suffering.

Significantly most Kenyan banks have embarked on SCP, albeit without a general benchmark or backdrop of information on its impact, through the costs incurred, on the

financial books. There is need to fill this knowledge vacuum towards harnessing the resources of the corporate firms-banks in this case and hence reducing wastage or helping in shoring up profits. The CECIP notes that “...fraught with uncertainty as forecasting can be, significant costs are associated with planning cycles of only two or three years. Further, some trends are already beginning to take definite shape. In business, these trends—when spotted early—allow companies to change course with sufficient time for them to dodge potentially debilitating oncoming obstacles or to seize opportunities for expansion into new product lines and markets” (CECIP, 2010).

There is immense focus of research on CSR and general corporate giving measures among the Kenyan corporates. Otieno (2009) and Ngurima (2010) laid emphasis on CSR as a general practice on commercial banks and microfinance institutions respectively. Pacioli (2010) investigated the role of CSR and sustainability dimensions at KCB. In line with the prior discussions, the studies are considerably directed at the societal expectations of corporate world. The research proposal therefore attempted to examine and address the existing gap by responding to the questions, to what extent do corporates give, bereft of societal expectations, and how does it affect their profitability.

1.3 Objectives of the study

- i. To identify Corporate philanthropy practices in the banking industry in Kenya.
- ii. To determine the role of Corporate Philanthropy as a basis for profitability among Kenyan banks.

1.4 Importance of the study

The purpose of this study evaluated the link between SCP and profitability of Kenyan commercial banks. For the top management of the bank, gauge the various aspects of their investment in SCP and the impact on their bottom line. This helped in the formulation of future SCP objectives and the allocation of corporate resources. For managers engaged in SCP, the study helped in informing them on the trends that are pursued by like minded foundations and competitor banks.

The study served as a source of reference and this provided ground for further discourse to researchers and scholars. Much of the study that has been done has focused on CSR, in that respect, it is hoped that the research provided a bearing to recent and global trends in the relationship between the business environment and the community in terms of corporate giving. The findings of this study will also be a contribution to the growing body of knowledge within the banking sector, as well as the service industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter reviewed the related literature on Strategic Corporate Philanthropy that serves as the background of this study. The areas covered in the chapter are the evolution of CP, the traditional view, management theorists, stakeholder theory, principles of CSR, enlightened self interest, strategic corporate philanthropy., models of strategic corporate philanthropy, global framework of strategic corporate philanthropy and profitability as well as the conceptual framework.

2.2 The evolution of corporate philanthropy

Lindahl (2009) posits that as government, economic and social changes have influenced the behavior and evolution of corporate giving, so have they influenced the brief history of foundations (involved in giving). Over the measure of time, the nature of corporate giving has been influenced by the events that have occurred within the business environment. As urged by Lindahl (2009), Philanthropy has changed, causing foundations and corporations to assess their giving structures, ideas of corporate social responsibility and relationships.

Geoff and Landry (1995) are in agreement by identifying three forms of assessment in the evolution of corporate philanthropy towards community involvement. The first wave involves companies adopting sophisticated approaches of setting aside annual budgets and the second wave entails establishing in-house departments for community affairs. The final wave involves the complete integration of community affairs with business objectives (p.83). In the course of time, different schools of thought have informed on the divergent ways of giving or differing paradigms as detailed below.

2.3 The traditional view of corporate giving

The traditional approach to corporate giving is centered on fulfilling an obligation (Kotler & Lee, 2005). Within every existing society there are obligations that tie specific

corporate activities to instances that involve giving back to the society. As posited by Kotler and Lee (2005) decisions regarding the social issues to support community tended to be based on themes reflecting emerging pressures for "doing good to look good" (p8). Andrew (2000) proposes that the traditional view of corporate giving is essentially driven by the logic that firms should pursue all activities that increase the present value of their cash flows, unless these activities are somehow mutually exclusive (P.536).

Significantly, traditional view of corporate giving is of commitments that are short term, allowing the organization to spread the wealth over a variety of organizations or individuals and issues over the years. To demonstrate the "mutual exclusivity" noted by Andrew (2007), there is 'a general tendency to avoid issues that might be associated with core business products, which might be perceived as self-serving and to steer clear of major and often controversial social issues such as AIDs, judging that these are best handled by those with expertise in governmental or non profit organizations (Kotler & lee, 2005 P.8).

2.4 Management theorists and corporate philanthropy

Since the 1980's and 1990's many management theorists have argued that companies should give to further their business interests and enhance corporate performances as a way of ensuring increased profits and improved financial performance (Powell & Steinberg, 2005, P. 185). Steindardi (1992) and Smith (1994b) advocated for contributions to be used to market products and services, boost employee productivity, overcome regulatory obstacles and barriers like taxation, less and other tariffs. Considerably, management theorists doing stakeholder research found that corporate citizenship and contributions do enhance company reputations. Galaskiewiz (1985) as well as Frombun and Shanley (1990) found out that companies that give more to charities were regarded as generous and more socially responsible by constituencies outside the firm.

2.5 Stakeholder theory in corporate giving

Freeman, Harrison, Bidhan and Colle (2010) posit that corporate actors are more than autonomous individual actors, and are situated in a community that places obligations and responsibilities upon them (P.254). Consequently as posited by Timothy and Eva (2010) the stakeholder theory of corporate giving is based on the idea that the corporation is a complex entity that must respond to the needs and pressures of a variety of key stakeholders inclusive of employees, suppliers, customers, community groups and governmental concerns. The residual effect of corporate giving to the stakeholders is for instrumental reasons. The redistribution of profits to society can be seen as a means of allowing the firm to continue to make its profits (Freeman et al 2010, P. 2008). Timothy et al (2010) argues that for corporate giving to be effective, activities must help to address stakeholder interests, and projects that help customers or consumers of company products or services.

2.5.1 Corporate social responsibility principles

Mullerat (2010) notes that the modern view of CRS and corporate giving or philanthropy has significant implications on the corporate entity. Among the list of expectations by individuals and governments, of (transnational) companies are profitability, adherence to an appropriate asset of Good corporate Governance Principles, long term view of investment and profitability and socially responsible products (P. 158).Corporate social responsibility and corporate Philanthropy giving has been informed by the Sullivan principles. The Sullivan principles are based on the fundamentals of non-segregation, fair employment practices and equal pay for work (Mullerat & Brennan, 2005, P. 221).

2.5.2 Enlightened self interest

Kreitner (2008) describes enlightened self interest as the realization that business ultimately helps itself by helping to solve society problems through the balancing of

short run costs and long Philanthropy -run benefits (P. 125). Inadvertently, advocates of enlightened self interest urge that social responsibility expenditures are motivated by profit.

Lane, Maznevski, Deetz and Stefano (2010) posit that social responsiveness may be viewed as a good business practice that produces a positive public image, creates competitive advantage in selling environmentally friendly products, for example, and possibly assist in recruiting high caliber staff looking for companies they can identify with. However an analysis of Internal Revenue Service statistics for firms in 36 industries has reflected the misuse of this view where companies, in the USA, had committed significant crimes but donated a good deal of money and had better responsibility ratings than companies that had committed no crimes but donated little money, (Kreitner, 2008, P. 125).

2.6 Strategic corporate philanthropy and corporate social responsibility

Mullerat (2010) urges that one reason for engagement in CSR or SCP is that is many of the new avenues open to multinational corporations the need for social and economic improvement is huge and compelling. Strategic CRS has been coined to refer to policies, programmes and processes which yield substantial business related benefits to the firm, in particular by a supporting core business activities and thus contributing to the firms effectively in accomplishing its mission (P.57).

Chandier and Werther (2010) are of the view that the ultimate test and definition of good (strategic) corporate philanthropy lies in whether the desired social change is so beneficial to the company that the organization would pursue the change even if no one knows about it (p-9). As supported by Keitner (2008) a strategic approach to corporate philanthropy holds the potential of building up support for the case of corporate crises, especially if it concerns issues that are of key -interest to key stakeholders as employees, consumers and communities (P.78).

2.7 Models of strategic corporate philanthropy

There are three important and current models of corporate philanthropy. The first model posits that (corporate) philanthropy is motivated by the desire to benefit another, while the other 2 models argue that philanthropy is expected to benefit the firm strategically (Carol; 1991, Wood; 1991). The concepts are: the altruistic, profit maximization and the political-institutional power models of Strategic corporate philanthropy.

2.7.1 The altruistic model of corporate philanthropy

Sanchez (2000) argues that when a firm uses social criteria as a basis for actions that are right, good and just for society it is said to be altruistic. As noted by Shafman (1994) and Useem (1984), firms that are altruistic do so for the singular goal of helping others, hence such philanthropy is considered independent from the operational pressures of generating profit. Dissenting researchers like Neihsel (1994) and Sanchez (2000) have however posited that in spite of such noble goals, the altruistic model alone tends to be a weak explanation for corporate philanthropy even in pluralistic societies since it ignores the profit maximization goal and other strategic goals of the firm.

2.7.2 The profit maximization model of corporate philanthropy

This is a model driven by the enlightened self interest (Drucker, 1984). As supported by Sanchez (2000) corporate philanthropy is designed to contribute to direct monetary gain. For example charitable contributions to support a community project may be based on the argument that better community conditions are good for business because when living standards are increased, product demand increases (p. 365). Philanthropy may maximize profits due to the reduction of corporate income taxes. This has been noted for countries where philanthropy is deductible from earnings (Galaskiewicz, 1985).

2.7.3 Political and institutional power model of SCP

This is a strategically motivated theory. The model posits that firms engage in philanthropy to maximize benefits, but not in the form of an economic return on investment (Sanchez, 2000, p. 365). Essentially, the firm does whatever it takes to

protect its wider corporate environment but always with the shareholder's interest in mind (Neihsel, 1994).

The goal of SCP is to co-opt, neutralize or win over problematic actors in the political environment (Burt, 1983) and to preserve corporate autonomy by establishing private initiatives as an alternative to the growth at interference of government (Sanchez, 2000). Hence, firms may practice philanthropy to gain power and legitimacy (Neihsel, 1994) in the political and institutional sense. There are 2 outcomes noted in this by Sanchez (2000). a).Creation of a positive corporate image when the firm sponsors central and high profile community events. b).Politicians, regulators and public at large became beholders to the corporation as a result of the goodwill generated by philanthropic acts.

2.8 Global framework of strategic corporate philanthropy

Sanchez (2000) posits that there is evidence that corporate philanthropy has become an important activity of firms globally, significantly, there has been a convergence of corporate philanthropy with other corporate programs, and in the end strategic corporate philanthropy has emerged. There have been two distinct trends in the corporate philanthropy framework as reflected in the studies of Pasquero in 1991.

For many years corporate philanthropy was a marginal activity that was frequently carried out by the CEO at his discretion. But as boundaries around corporate communications, public relations and community involvement tied to social responsibility became increasingly blurred, philanthropy become integrated with the goals of the firm (Pasquero, 1991).Secondly, philanthropy is becoming more strategic, as firms manage their donations like spending activities, using performance objective and professional staff to manage the firms' charitable donations more effectively (Pasquero 1991).

Therefore the two main macro-economic effects in the global framework involve increased, on one hand: - global competition; which requires firms to establish their

competitive advantage from various sources. For example corporate philanthropy may help a firm gain brand recognition and loyalty, promote itself as a 'socially responsible firm, like the efforts of Equity Bank Foundation in providing financing for quality education to bright but poor students, hopefully, hopefully to 'lead to a better educated workforce (Sanchez, 2000). Secondly, the elimination of government agencies and reduction in state budgets that previously supported the arts and social services have stimulated the growth of voluntary agencies and private foundations to provide services and / or economically support them.

2.8.1 Corporate philanthropy and profitability

Bird, Hall, Momente and Raggiani (2007) have posited that there are various ways in which expenditure on corporate philanthropy may translate into increase in the value of the company. Activities that result in an immediate cost saving which will flow through increased profitability and supposedly an increase in the company's market valuation. For example, a company that decides to become more energy efficient will not only have a positive impact on the environment, but will also reduce its costs and therefore boost its profitability and flow through to higher market valuations (Jensen, 2001). Consider the efforts to cut down on paper print copies in most banks in Kenya, as well as the current "going green" structure that serves as the standard chartered bank headquarters in Kenya; these are activities aimed at cost reduction.

Other activities bring reputational benefits (goodwill) to the company and this increases profitability and market valuation in the longer term. Example of this could include decisions to improve on product quality or donating to medical pursuits (e.g. standard chartered bank, seeing is believing initiative), which might seem to have an initial detrimental impact on profitability but do contribute to the improvement in the company's image which may translate to increases in both profitability and market valuation in the longer term (Bird et al, 2007).

Other activities that dissuade future action by government and other regulatory bodies that might impose significant costs on the company also affect profitability. Taking action

to voluntarily control pollution or manage energy may seem an initial costly venture but might dissuade government from introducing regulations / taxes on the company which could lead to a greater costs and result to a greater erosion of company value.

2.8.2 Integration of strategic corporate philanthropy in corporate activities

Carroll (1979) presented the argument that firms wishing to effectively engage in SCP needed to have; a basic definition of corporate philanthropy, an understanding of issues for which a social responsibility existed and a specification of a philosophy of responsiveness to issues. The concept devised by Carroll (1979) was revisited again in 1991 with a view of modeling the firms' strategies around the need of society.

The first category by Carroll (1991) delineated economic responsibility, which involved return on investments, innovation and discovery of new resources. The second category was the legal responsibility; where laws circumscribe the limits of tolerable behavior. The third category is the ethical responsibility, which is rooted in religious convictions, human principles and human rights commitments (Lantos, 2001, p. 246). The final category is the discretionary judgment responsibility, where firms have the widest scope of deciding on philanthropic activities and contribution in giving back to society.



Fig. 1: A hierarchy of corporate philanthropy activities (Carroll, 1991)

2.8.3 Conceptual framework

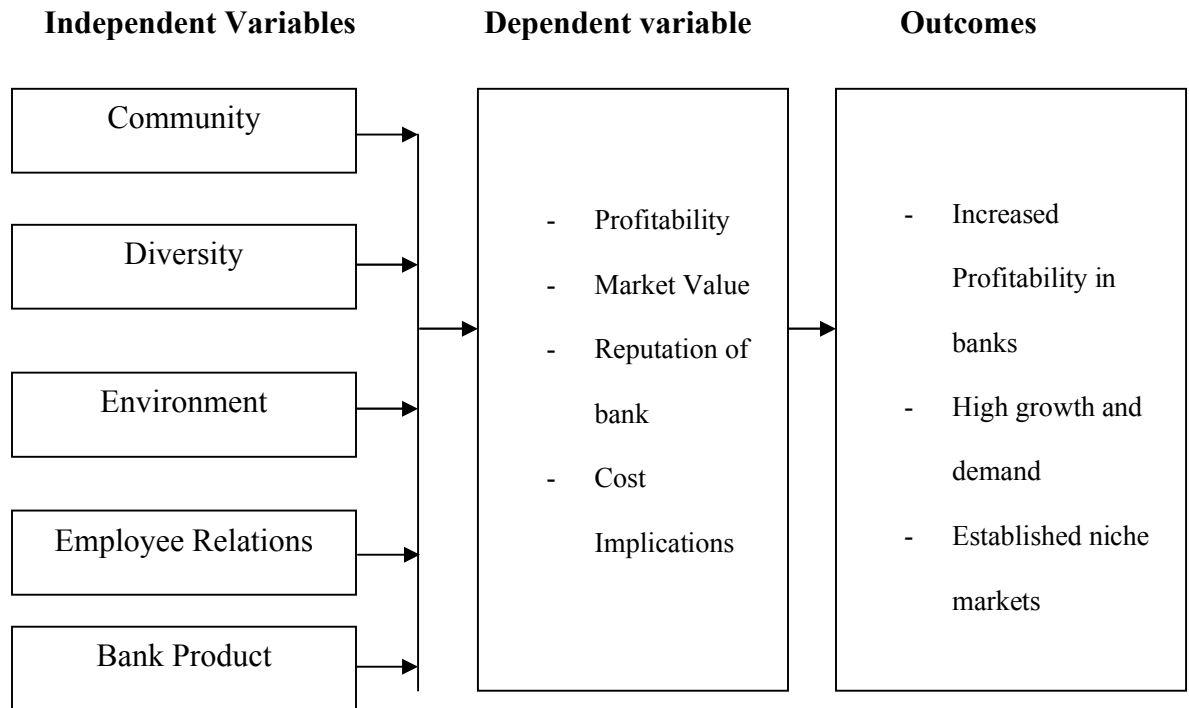


Fig ii: Source: Author 2011

Within the descriptive of Discretionary, Ethical, Legal and Economic hierarchy suggested by Carrol (1991), a number of key measurement factors or parameters have been derived. The most current and common ones being by KLD Research & Analytics, Inc. (2003) they include, community, diversity employee relations, bank products and Environment.

Therefore, a company is expected to be mindful of the affairs of the community it operates within. Community, on the positive side is a measure of the charitable contributions and support activities for the disadvantaged, on the negative side; it is a measure of deleterious economic impact to community. Diversity, the second parameter, is a measure of fairness and balance on a company's practices. On the positive side it is the measure of the activities of a company in areas like provision of employment

opportunities for minorities and provision of working conditions that meet the special needs of minority groups. On the negative side, it represents the lack of minority representation and presence of controversies on affirmative issues.

Employee relations are the third measure. According to the KLD Research & Analytics, Inc. (2003) Positive employee relations are indicated by practices like strong worker involvement in the company, generous profit sharing among most employees, good retirement benefits and good safety record. Negative employee relations are indicated by poor union relations, poor safety record or poor funded pension plan.

The KLD Research & Analytics, Inc. (2003), identify, bank product as the fourth independent variable which measures activities like high product quality, high innovation and development of products to meet the needs of the disadvantaged on positive side. On negative side, the company is graded for practices like low product safety, controversial advertisements and other product related consumer or community concerns.

Finally a company obtains a positive score as a result of environmentally sound practices such as pollution prevention and recycling. Negative scores can arise as a result of practices such as producing hazardous waste environmentally unfriendly products. Environment is the fifth variable.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design

This chapter presented a systematic description of the methods the researcher used in sampling, data collection and analysis. The research aimed at carrying out a diligent inquiry or a critical examination of a given phenomenon and implied an exhaustive study, investigation or experimentation following a logical sequence (Mugenda & Mugenda, 2003). It included methods used in gathering data for study, the basis of sampling, the data collection process and analysis to achieve the objectives of the study (Leedy, 1993).

The researcher used a survey design in order to describe the characteristics of research subjects and state of affairs as it existing, exploratory research design seeks to discover a future research problem, it involves specific procedures and data sources (Kothari, 2004; Wimmer & Joseph, 1987). Royse (2009) suggests that surveys are a snapshot of attitudes, beliefs or behaviors at one point in time and that the use of a predetermined set of questions or issues, surveys revealed what a group of respondents is thinking, feeling or doing. For this research this was done through self-administered questionnaires. To cross reference on the responses and reinforce the aspects of loss or profitability, secondary analysis of existing data was done, this included, CBK records, National Bureau of statistics records and Bank financial reports. This kind of unobtrusive research compensated for the ethical (confidentiality aspects) and legal (integrity issues) implications that could have been a hindrance to this research as it did not affect the subjects under study (Diana, 2007).

3.2 Population and sample design

A Population is the entire group of individual events or objects having common observable characteristics which provided the required information. It entails all respondents who specifically provided the data needed in addressing the research problem (Pavlik, 1987, Kothari, 2004). The population consisted of all the banks licensed

to operate in Kenya by the banking Act as at April 30, 2009. These 43 banks were as reflected in the Appendix B. Of these 43 banks, 2 respondents were chosen from each making a total of 86. The specific respondents from each bank were: the head of corporate philanthropy and the head of finance or their equivalent.

3.3 Data collection

The data collection tool that was used was the questionnaire; they are a more appropriate way of addressing sensitive issues, especially when the survey is to offer anonymity to help avoid reluctance or deviation from respondents (Babbie, E, 2004). In this study questionnaires were appropriate due to the stringent conditions in banks and the banker's busy schedule. The questionnaires were prepared in a way that the respondents were able to understand, it had both structured and open ended questions which gave a scientific reassurance and confidence as suggested by (Robson, 2003). Structured questionnaires are questionnaires in which there was definite, specific and pre-determined question and answer, this are simple to administer and to analyze. The researcher distributed a total of eighty six questionnaires.

3.4 Data analysis

Data analysis is the whole process which starts immediately after data collection is completed and ends at the point of interpretation and processing of the results (Leedy, 1993', Kothari, 2007). The steps that were followed in data handling are data collection, data capture, data sorting, editing, processing and results interpretation. Data was captured and sorted, in processes that involved rearranging the collected data from the questionnaires for ease of handling and storage. To spot ambiguities or errors editing was done, coding was done by assigning numbers to the individual or unit questionnaires, data was analyzed using analysis software (SPSS) and the findings presented using descriptive statistical methods namely tabulation, graphical presentation, percentages and ratios within the descriptions given by (Robson, 2003). This inferred validity and reliability to the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

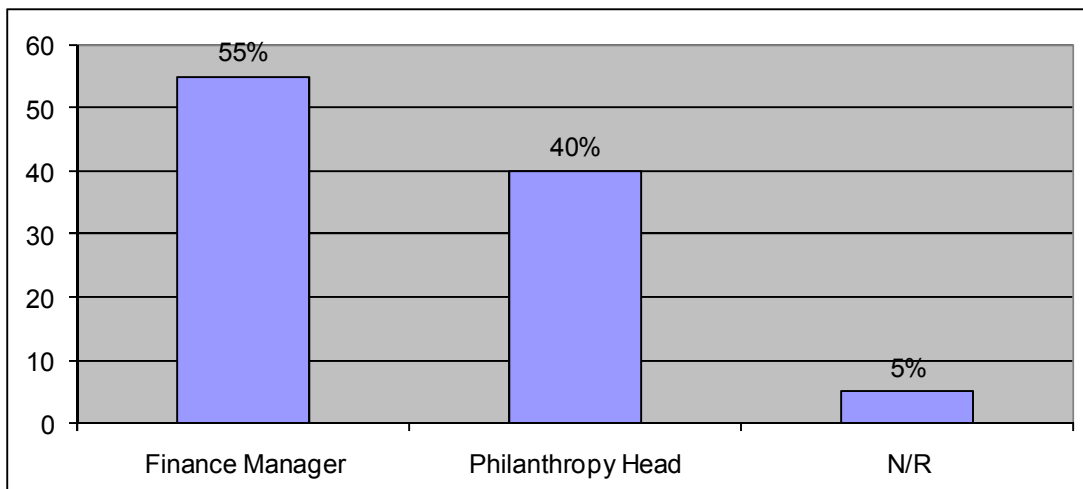
4.1 Introduction

This chapter addresses data analysis and the interpretation of the analyzed results. The basis of the research study was to identify the extent to which corporate philanthropy was a determinant of profitability among commercial banks in Kenya. The research study targeted different categories of employees working in the organization with the aim of getting their responses in relation to the progress of the research study.

The research study was carried out with the use of the questionnaires. The questionnaires used in the research study were structured using open ended and the closed ended questions. The questionnaires used also comprised sections of questions relating to the objectives of the research study. The questionnaires from the respondents totaled 56 (out of 86) which represents 65% response rate.

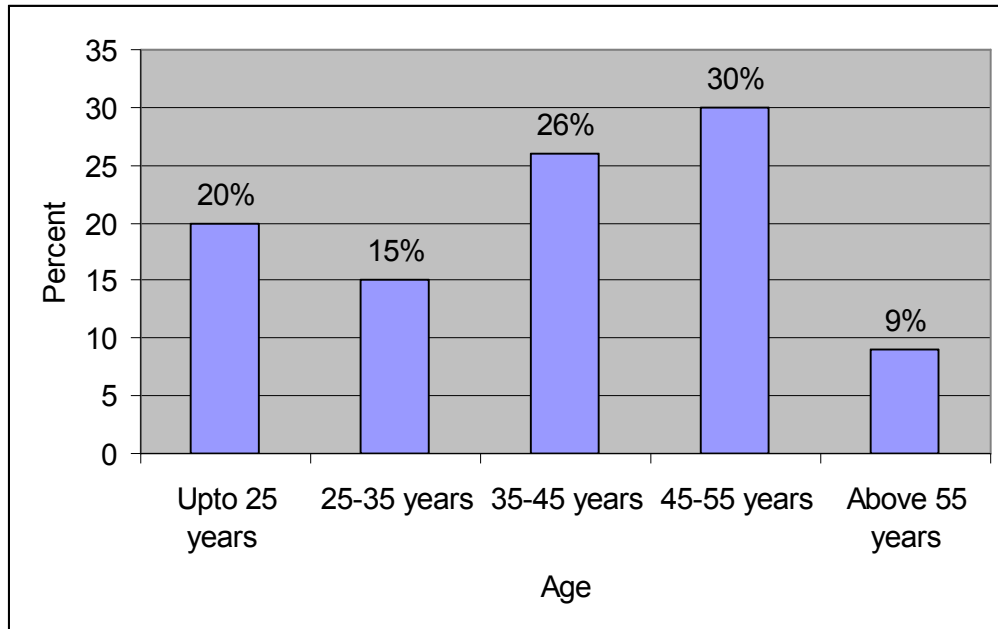
The findings of the research study were presented using pie charts, frequency tables and the bar graphs. These interpretations are as follows;

4.2. Respondents designation in bank



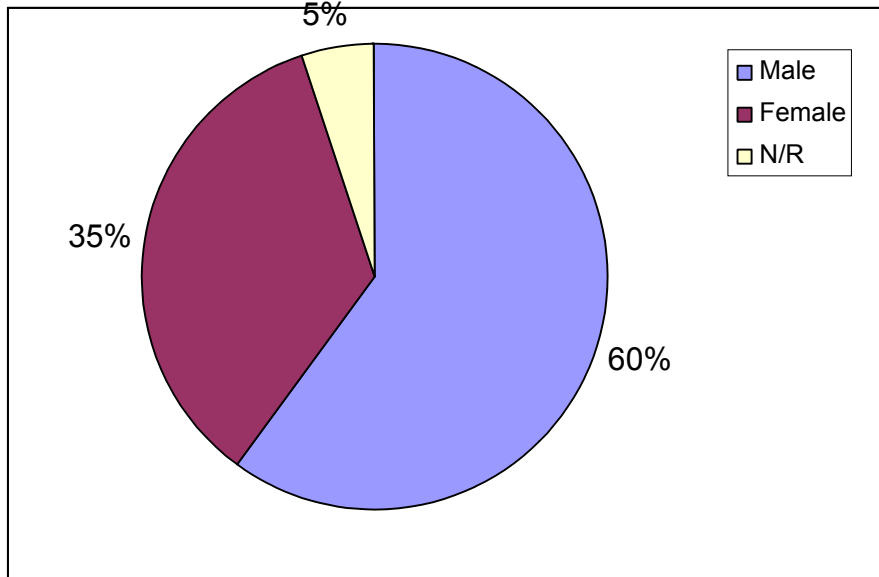
In relation to the company roles, 55% of the respondent's aid they are acting as finance manager, 40% of the respondents said philanthropy and 5% of the respondents gave no response.

4.2.1 Age group of the respondents



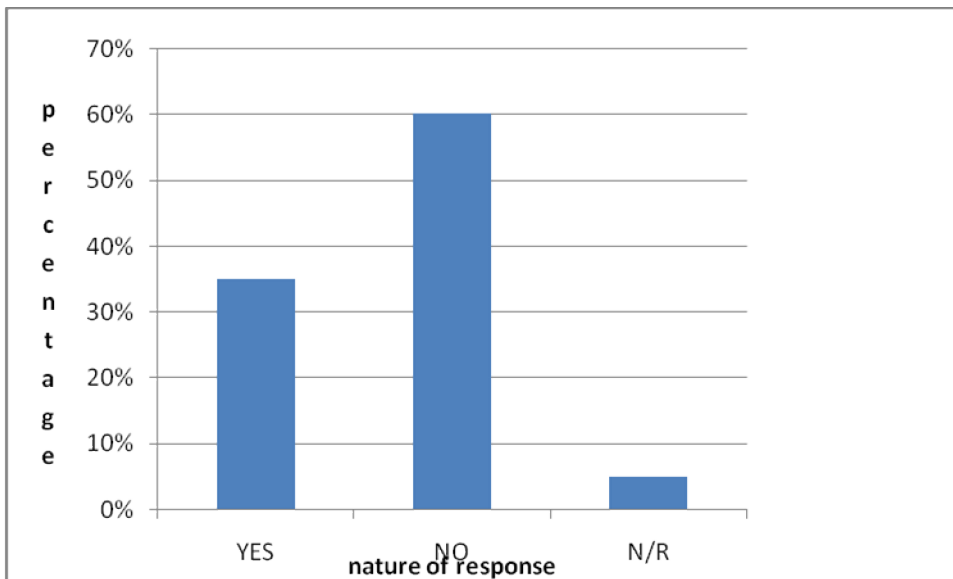
In relation to the age group of the respondents, 30% of the respondents said they fall in the age bracket of between 45 to 55 yrs, 26% of the respondents said they fall in the age bracket of between 35 to 45 yrs, 20% of the respondents said they fall in the age bracket of up to 25 years, 15% of the respondents said they fall in the age bracket of the age bracket of 25 to 35 years, 9% of the respondents said they fall above 55 years of age.

4.2.2 Gender of the respondents



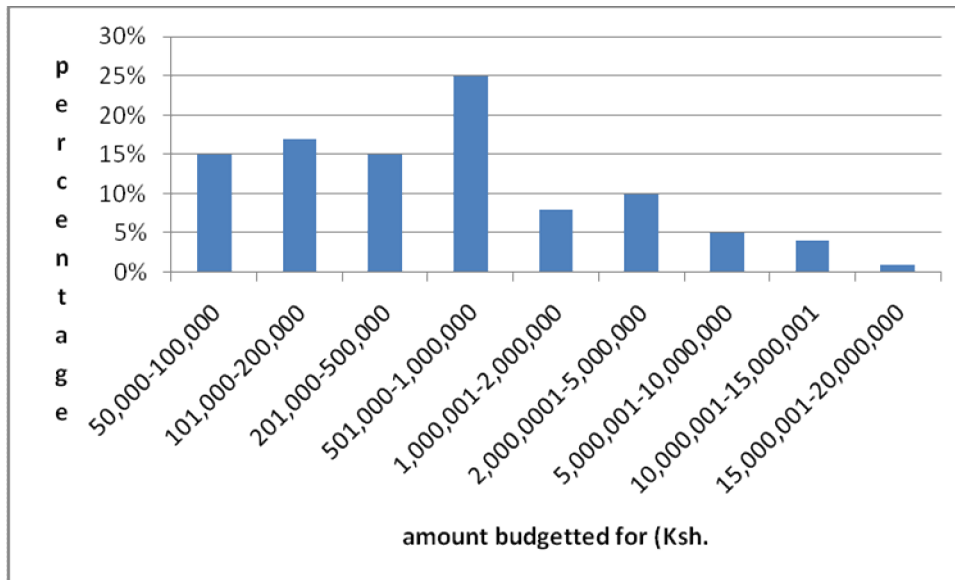
In relation to the gender of the respondents, 60% of the respondents said they are male, 35% of the respondents said they are females and 5% of the respondents gave no response.

4.3 Budget for philanthropy



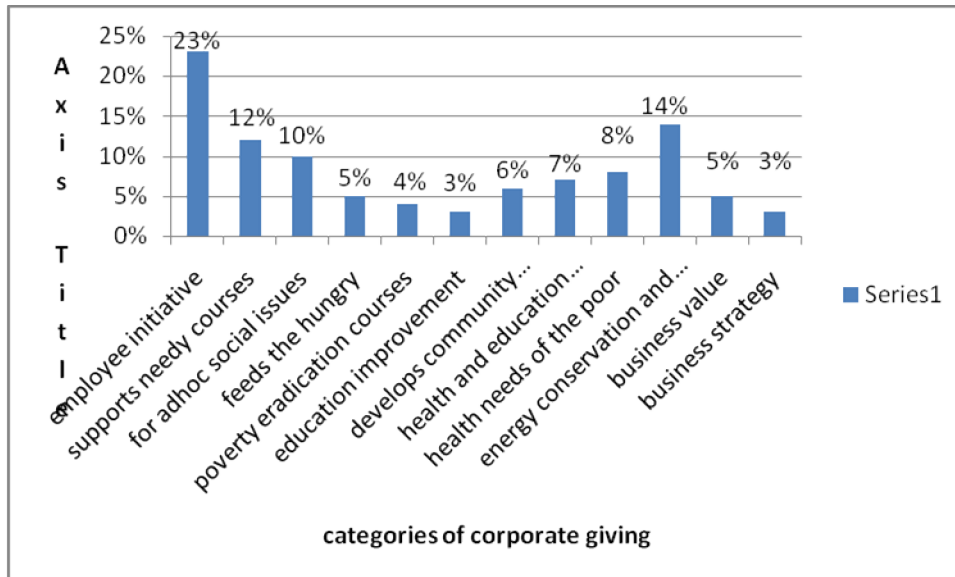
On whether the organization had a budget for the philanthropy, 60% of the respondents said they don't have a budget, 35% of the respondents said they have a budget allocation for the philanthropy, and 5% of the respondents gave no response.

4.3.1 Amount budgeted for philanthropy per annum (In Ksh.)



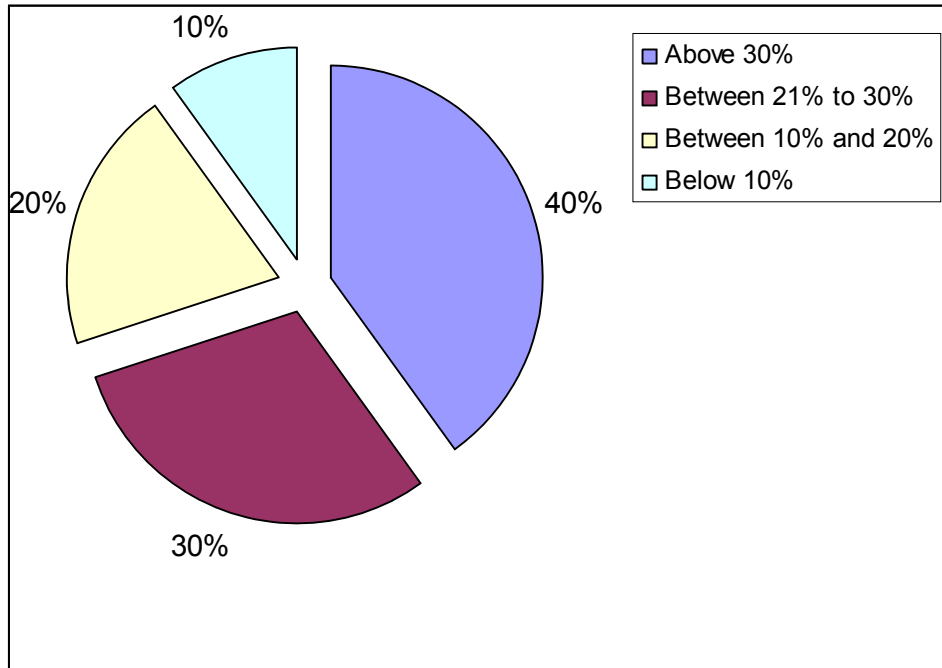
In relation to the amount which is budgeted for 15% of the respondents said 50,000-100,000 Ksh, 17% of the respondents said 101,000-200,000 Ksh, for Ksh 200,001-500,000 there were 15% of respondents, 25% of the respondents said 501,000-1,000,000 Ksh was allocated, 8% of the respondents said 1,000,001-2,000,000 Ksh was allocated, Ksh 2,000,001-5,000,001 was selected by 10% of the respondents and a cumulative tally of above 5,000,000 million was selected by 30% of the respondents.

4.3.2 Corporate giving fitting into various agenda



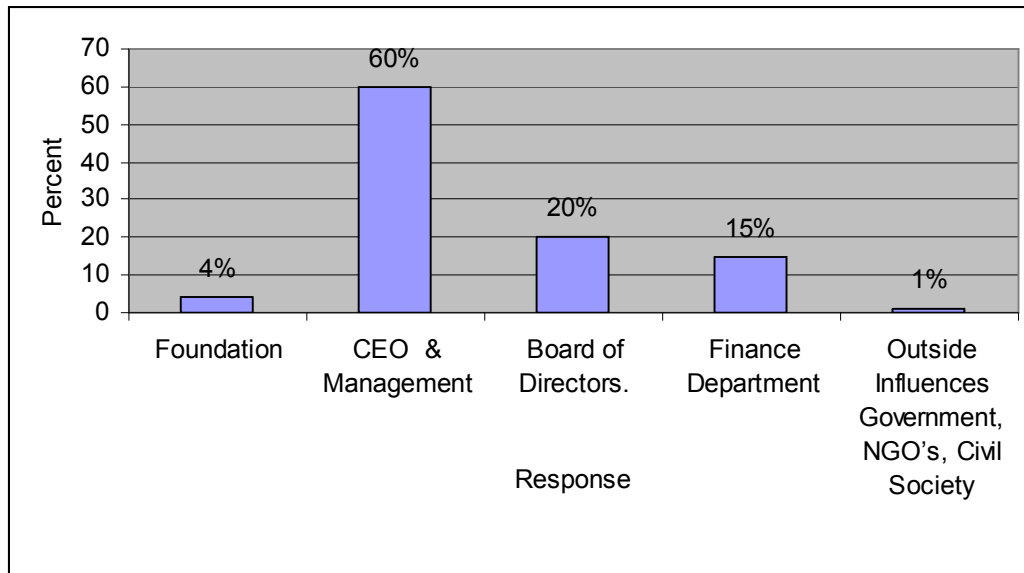
In relation the various categories of corporate giving , 23% of the respondents said it was geared towards employee initiatives, 12% of the respondents said it was part supporting needy courses, 10% of the respondents said it was an adhoc social issue, 5% of the respondents regard it as a way of feeding the hungry . 4% of the respondents viewed SCP as aimed at poverty eradication, 3% of the respondents viewed SCP as a means of availing education for the poor , 6% of the respondents understand that SCP developed capabilities of communities, 7% of the respondents understood that SCP contributes to research in health and education, 8% of the respondents said that SCP benefits health needs of poor, 14% tied SCP to conservation energyand cost cutting, whereas 5% urged that it created business value and 3% that it was part of business strategy.

4.3.3 Percentage of resources that is allocated to corporate philanthropy



40% of the respondents urged for the allocation of above 30% of total budget to SCP initiatives, 30% said that 21-30% the budget went to SCP, 20% urged that 10-20% of the budget went to SCP and only 10% said that below 10% was dedicated to SCP.

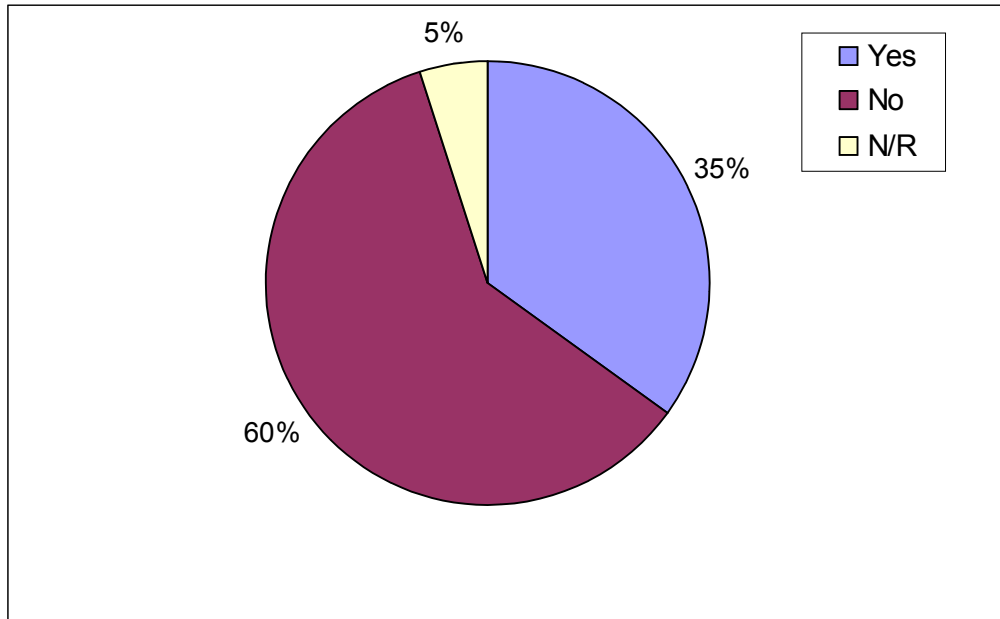
4.3.4 The planners and controllers of Corporate Philanthropy activities and budgets



60% of the respondents said CEO and management determined the corporate philanthropy activity and budget, while 20% of the respondents said the board of directors was in-charge, 15% of the respondents said finance department allocated budgetary and activities of CP, while 4% of the respondents said foundations were the responsible for determining CP and budgetary allocations, and lastly 1% of the respondents said outside influence, government NGOs and the civil society determined the kind of engagement and amount of resource banks allocated to CP.

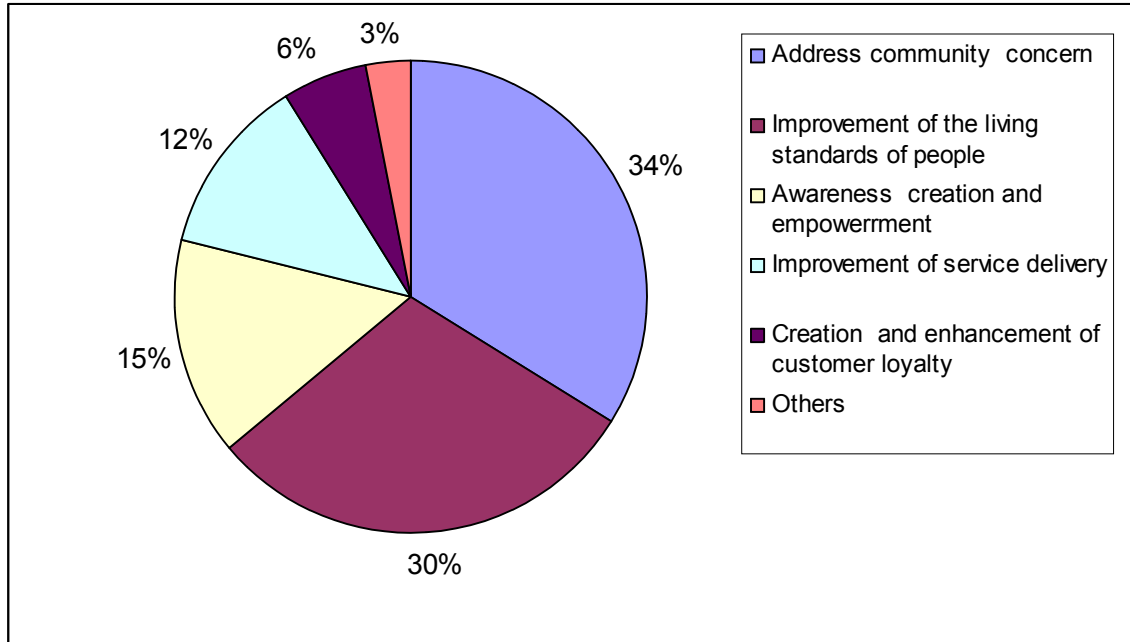
4.4. Link between Philanthropy and Profitability

Businesses have a Strategic Corporate Philanthropy linked to Mission



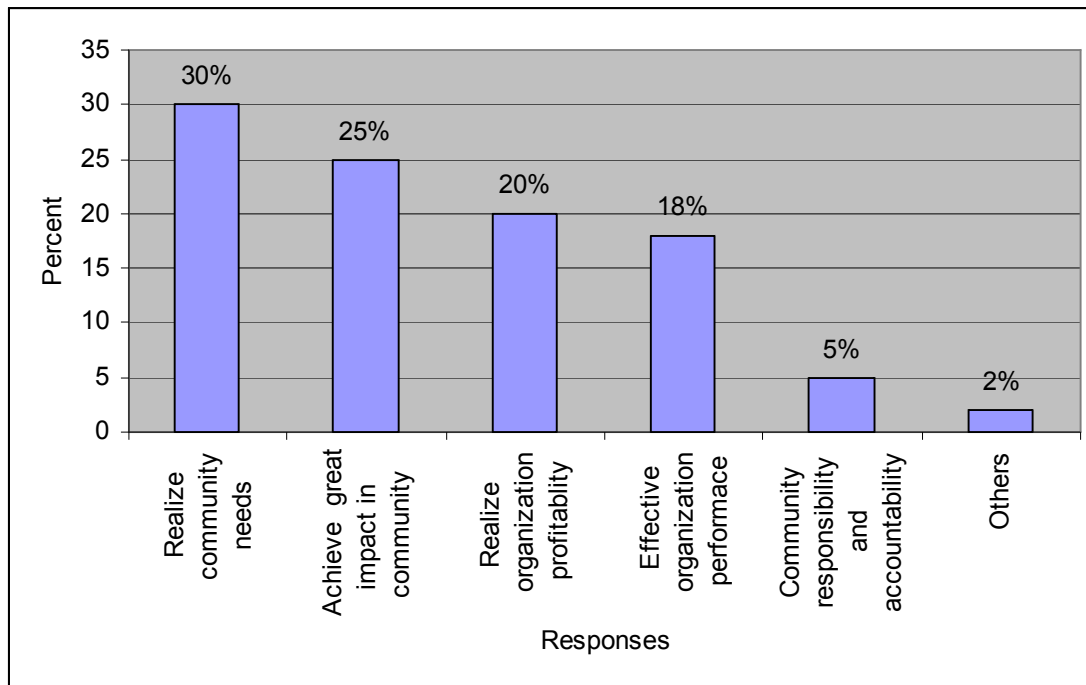
On whether the organization have a strategic corporate philanthropy linked to their mission, 60% of the respondents said they don't have, 35% of the respondents said they do have, and 5% of the respondents gave no response.

4.4.1 Strategic corporate philanthropy mission



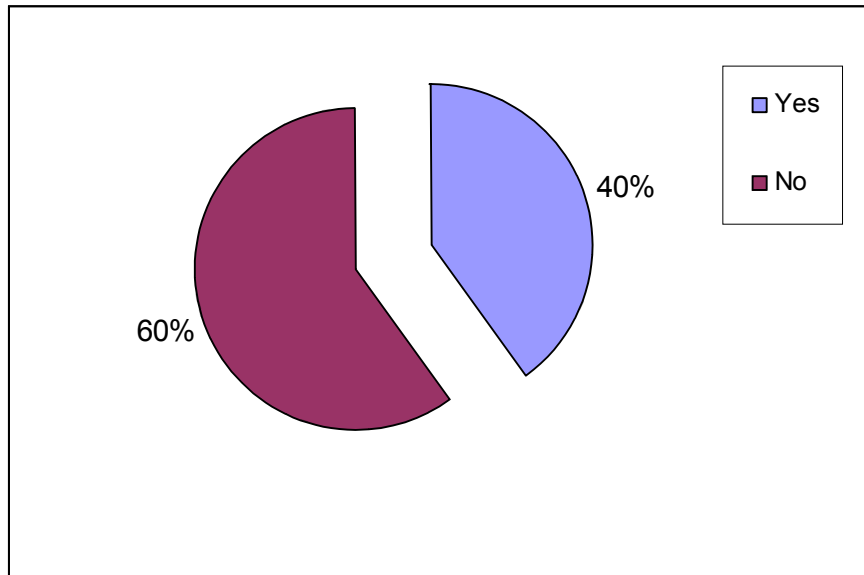
In relation to the strategic corporate philanthropy mission, 34% of the respondents said it helped in addressing community concerns, 30% of the respondents it led to improvement of the living standards of the people in the community, 15% of the respondents it was effective as an through awareness creation and empowerment activity, 12% of the respondents said it led to improvement of service delivery, 6% of the respondents said it led to creation and the enhancement of the customer loyalty, 3% of the respondents gave outlying responses.

4.4.2 Perceived Strategic corporate philanthropy linkage to business vision



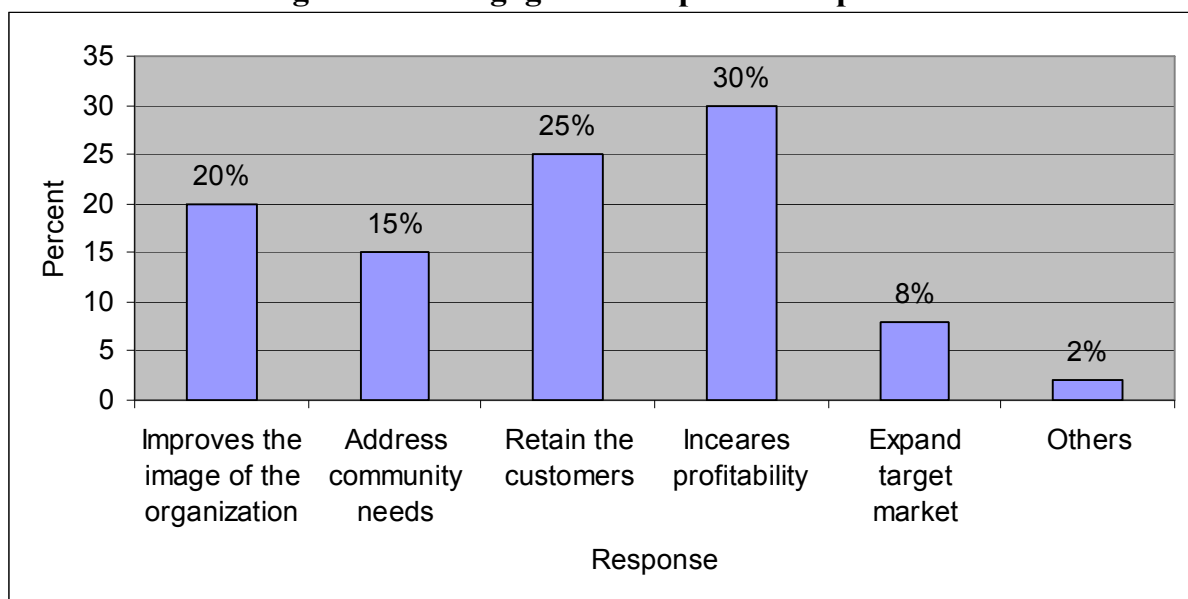
In relation to the strategic corporate vision, 30% of the respondents said the activities led to realization of community needs, 25% of the respondents it led to achievement of great impact in the community, 20% of the respondents said SCP ensured organization profitability was sustained, 18% of the respondents identified effective organization performance as an outcome of SCP, 5% of the respondents said SCP ensured community responsibility and accountability, and 2% of the respondents said held other views.

4.4.3 The effect of Strategic Corporate Philanthropy on both vision and mission



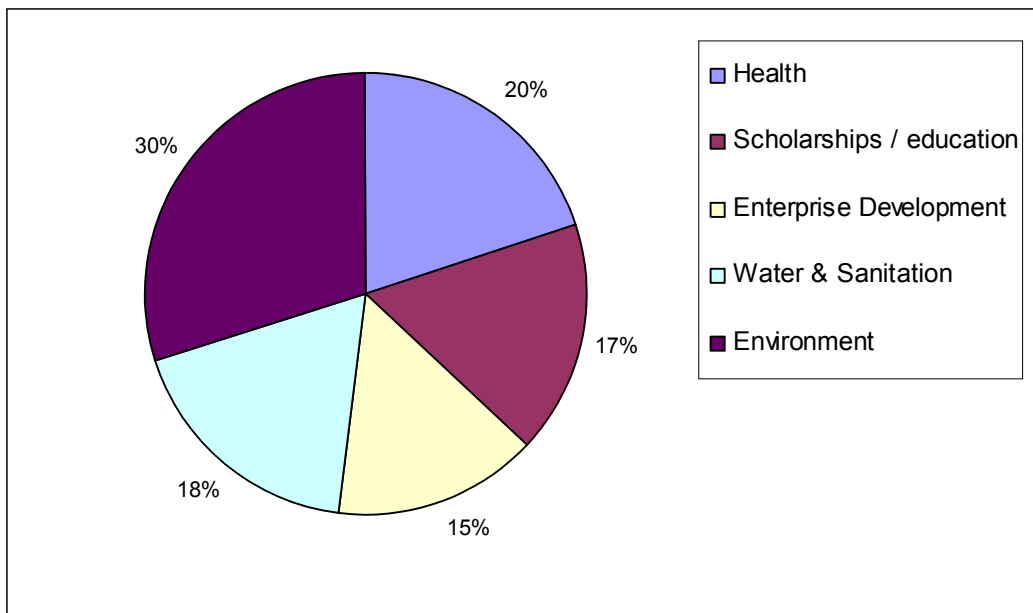
As to whether there was an effect of the business vision by the strategic corporate philanthropy vision and mission, 60% of the respondents said No, and 40% of the respondents said Yes.

4.4.4 Reasons for organization engagement in philanthropic activities



20% of the respondents viewed SCP as tool of improving the banks image, whereas 15% of the respondents saw it as a means of addressing community needs. In addition, 25% of the bank officials interviewed viewed it as a way of customer retention, 30% viewed it as a way of increasing profitability. For 8% of the respondents SCP was perceived as a means of expanding target markets.

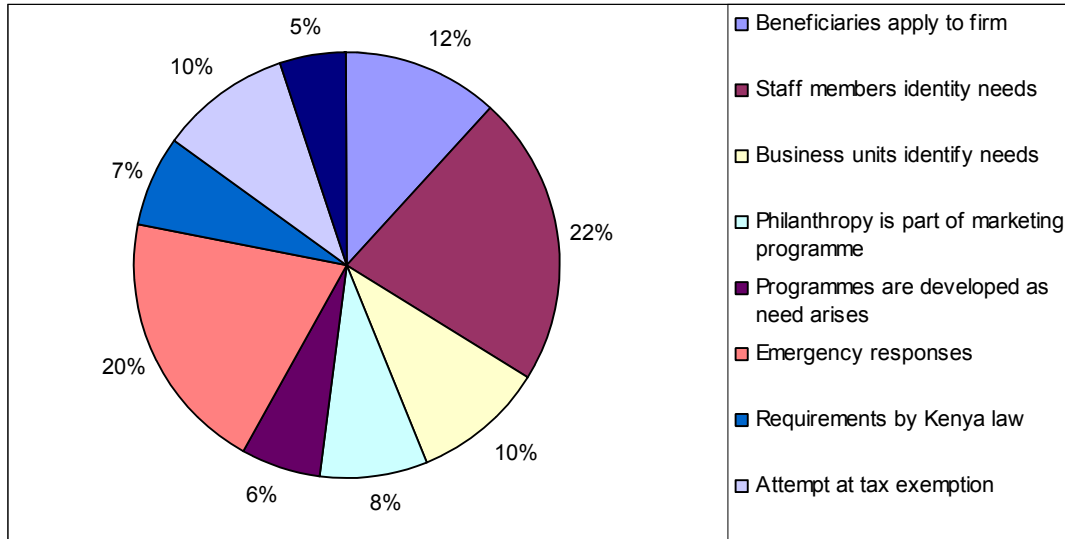
4.5 The indicated responses of the total profits on budgetary allocation



In relation to the percentage of the total profits in the budgetary allocation indicated, 30% of the respondents allocated it to Scholarships and education, 20% of the respondents said SCP was more endeared to enhancing the environment, 20% of the respondents said it was channeled to enhancing health standards, 18% of the respondents said it was possible to achieve SCP through water and sanitation activities,

17% of the respondents said environment issues were their main SCP activity, and lastly 15% of the respondents said through enterprise development SCP was achieved.

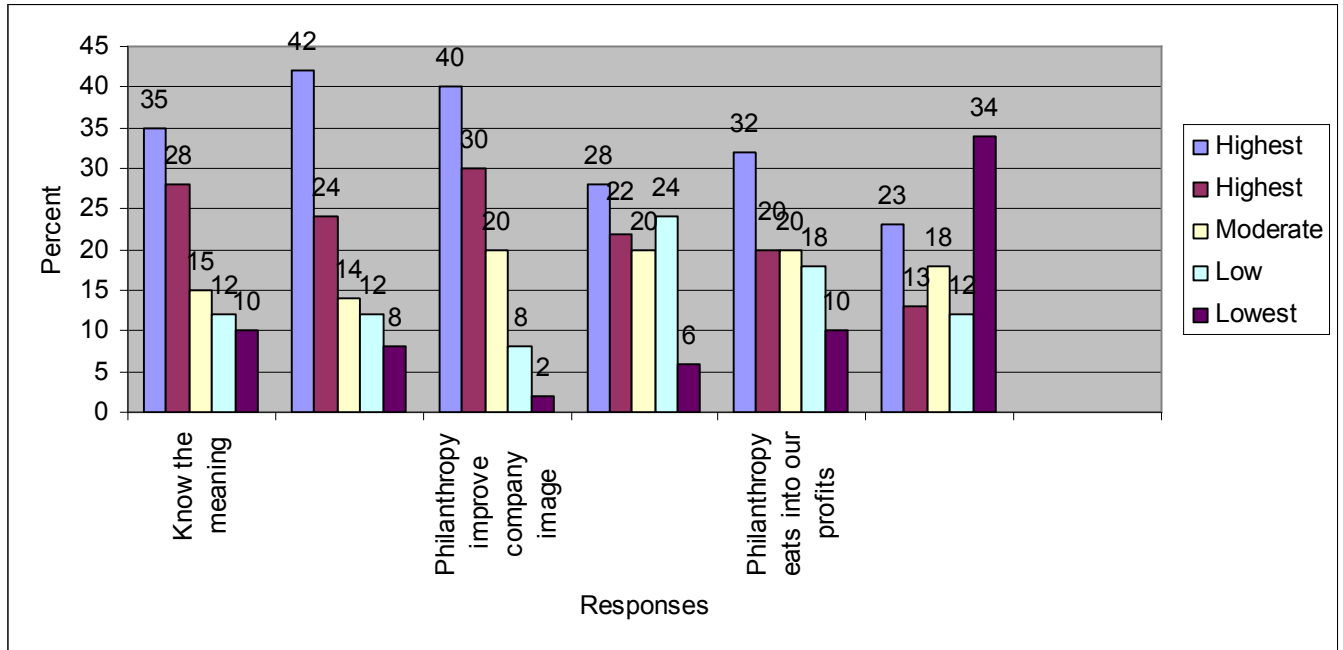
4.5.1 How banks come up with corporate philanthropy agenda



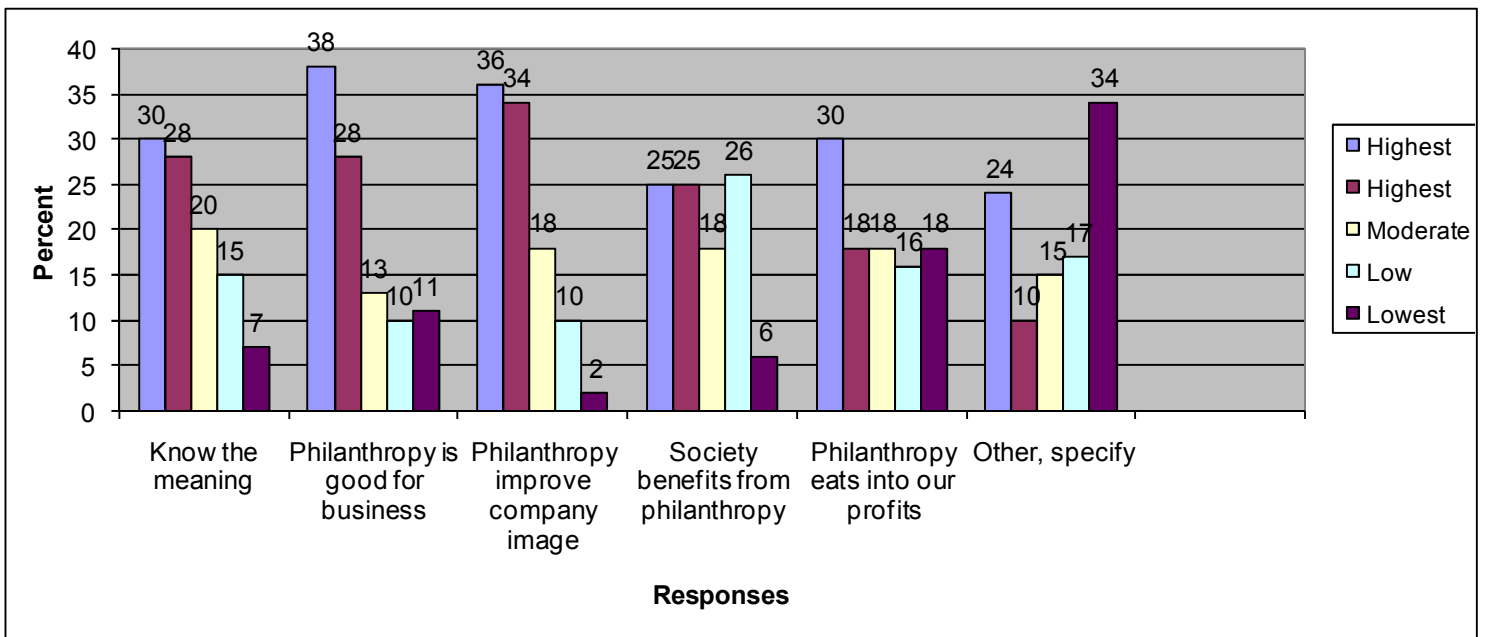
In relation to how the firm came up with its corporate philanthropy programme, 22% of the respondents said staff members identified the needs and activity, 20% of the respondents said through the establishment of the emergency response banks developed the SCP agenda, 12% of the respondents said beneficiaries who applied to the firm determined the banks agenda, 10% of the respondents said through the business units identifying the needs, and attempting at tax exception, 8% of the respondents said philanthropy is part of the marketing programme, 7% of the respondents said requirements by the Kenya law, 6% of the respondents said programmes were developed as need arises.

4.6 Stakeholder understanding of strategic corporation philanthropy effects on profits.

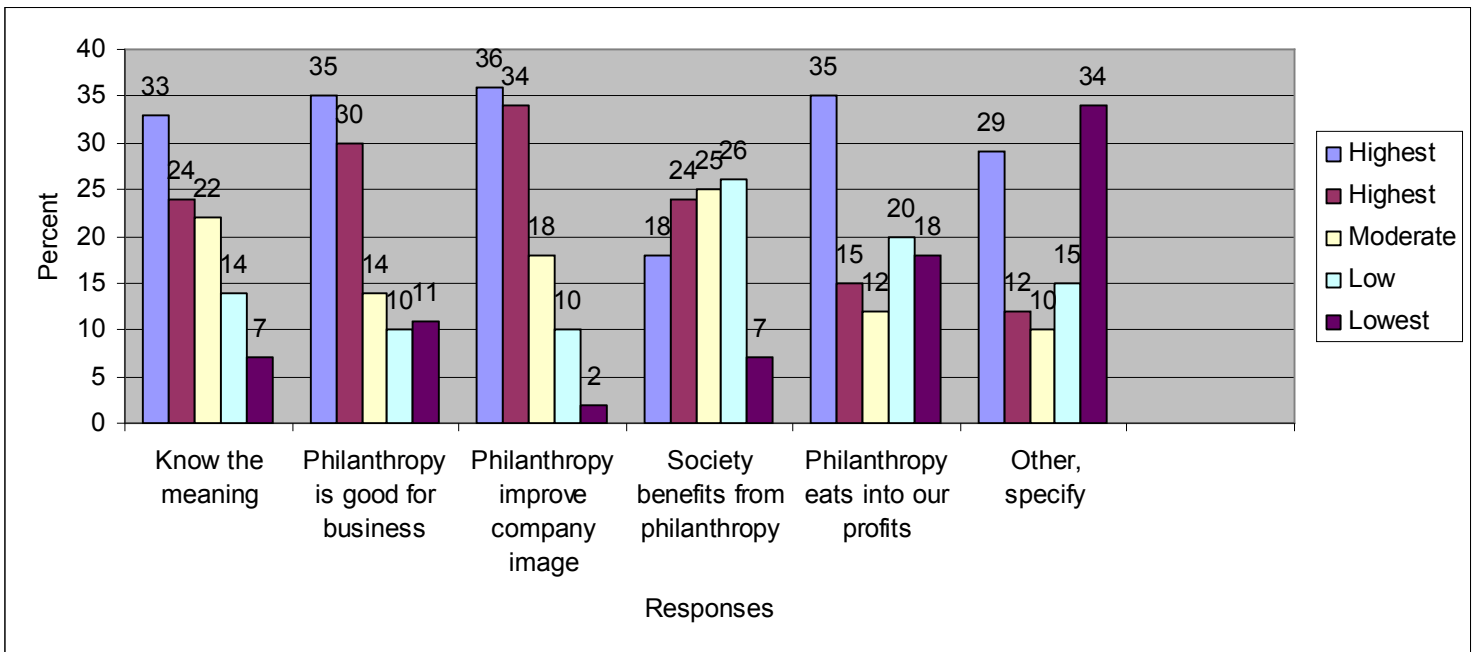
4.6.1 Board of Directors



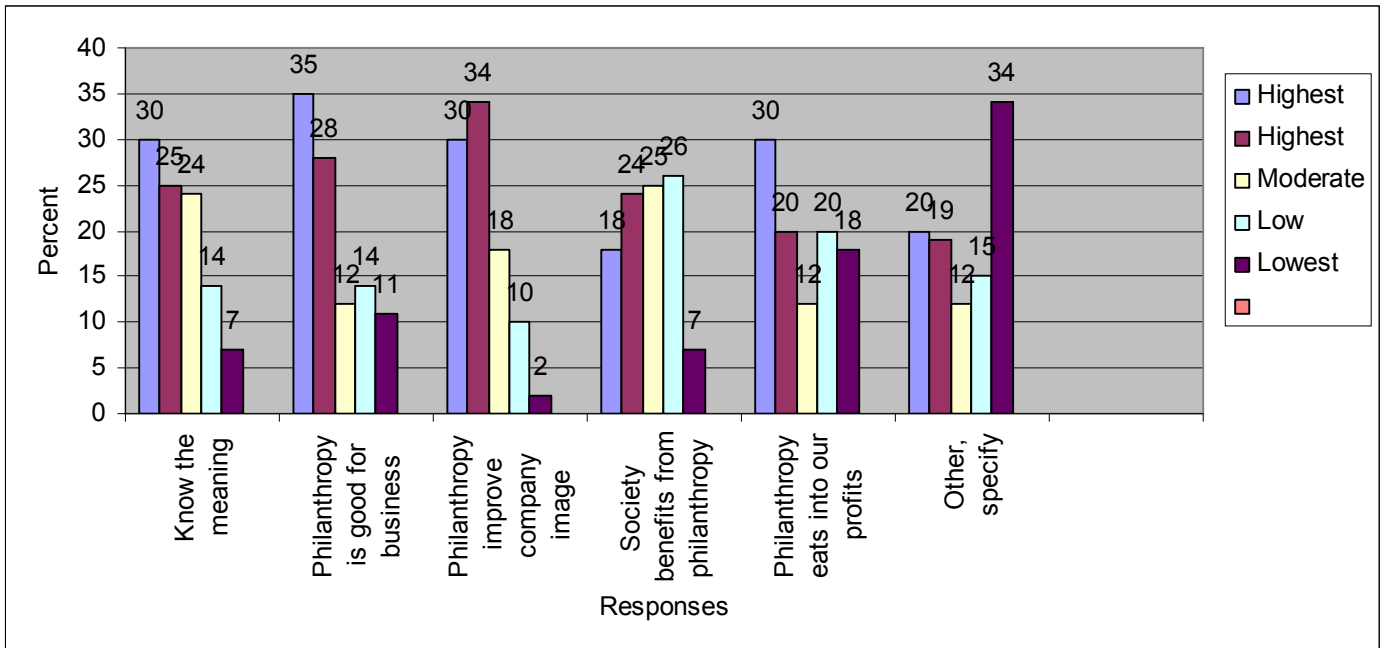
4.6.2 Middle Management



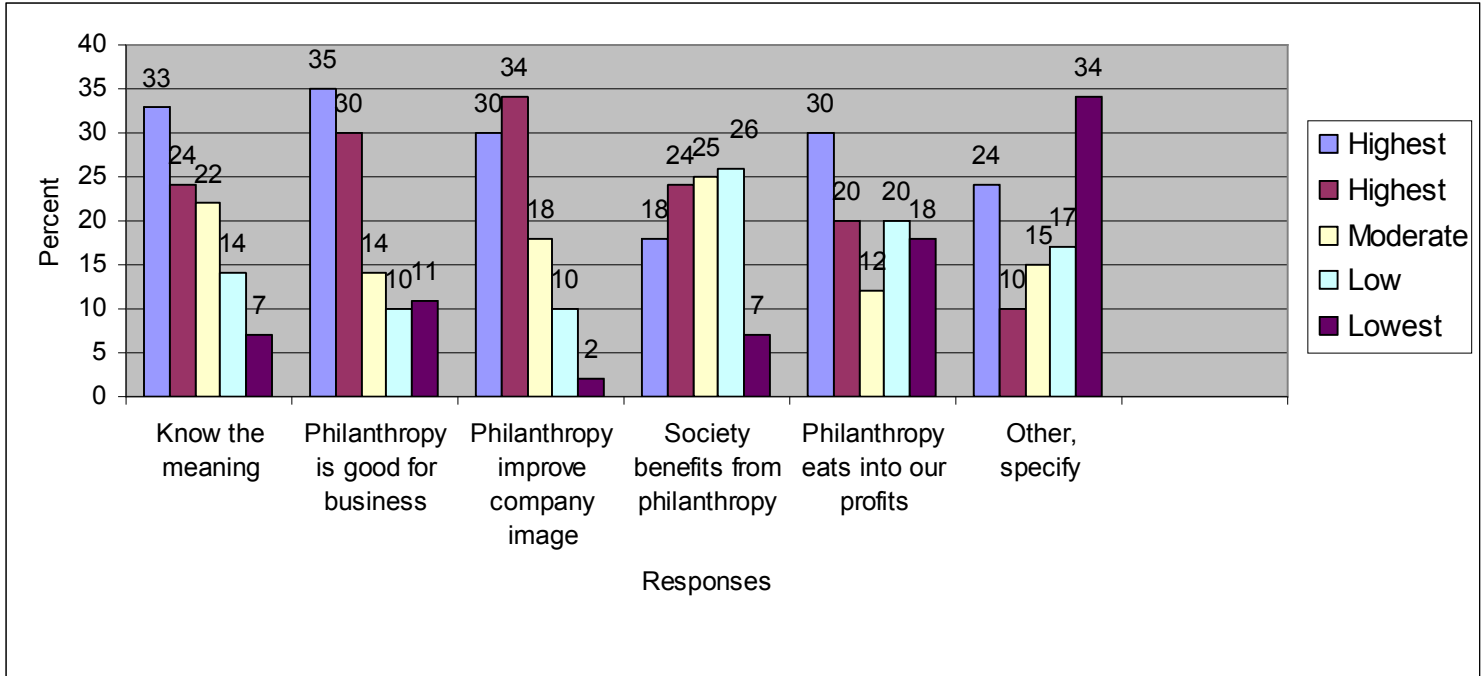
4.6.3 Employees



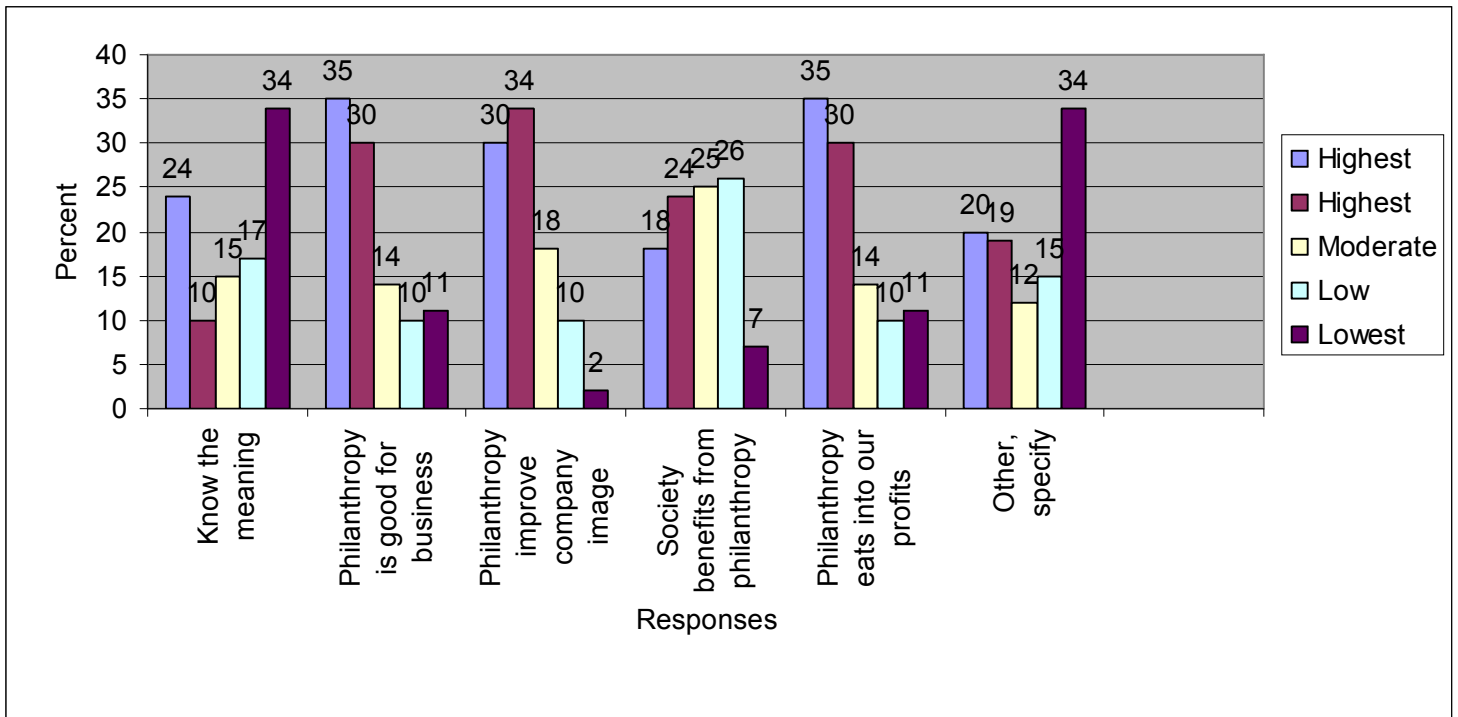
4.6.4 Senior management



4.6.5 Foundation, Trustee and partnership

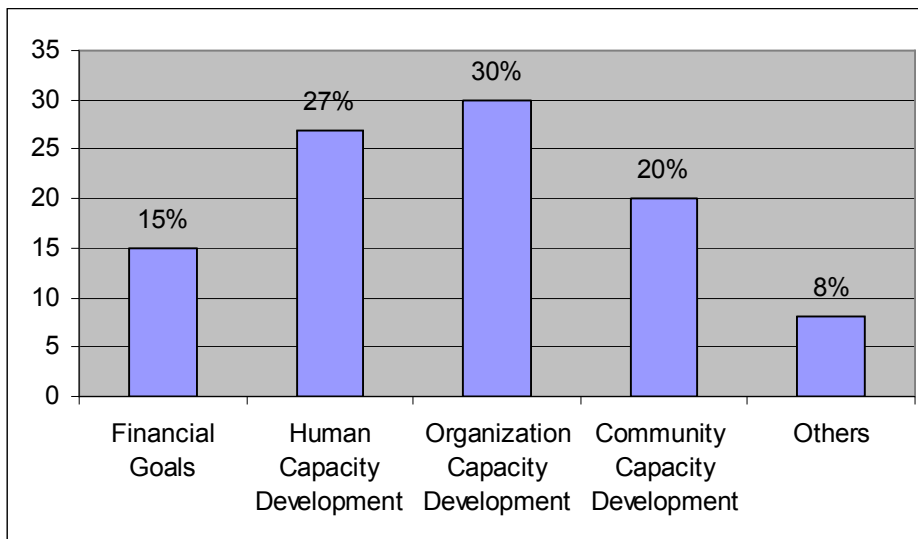


4.6.6 Investors



4.7 General Information

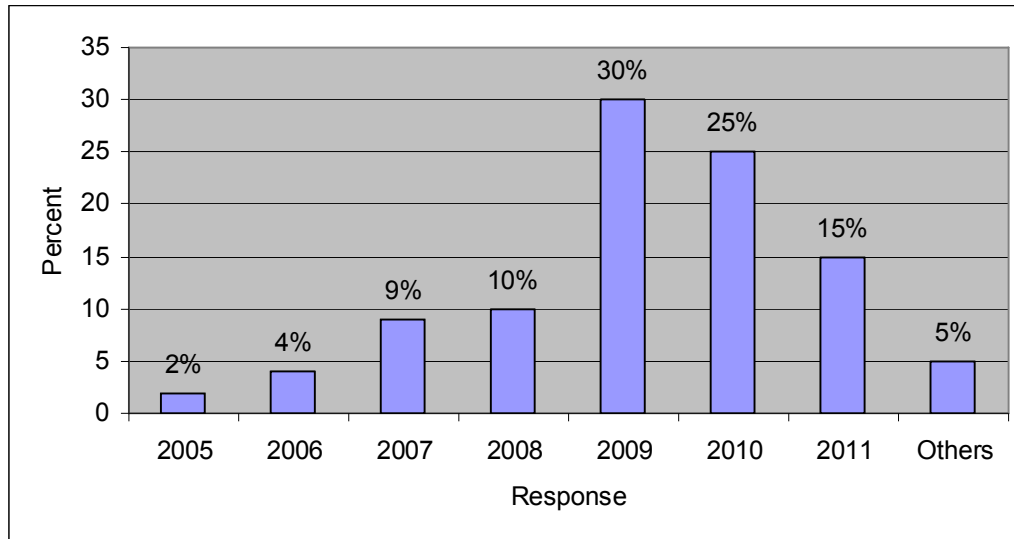
The CSP goals that were set up by the various banks are as reflected below:



In relation to the types of SCP goals are set 30% of the respondents said organization development capacity, 27% of the respondents said human capacity development, 20%

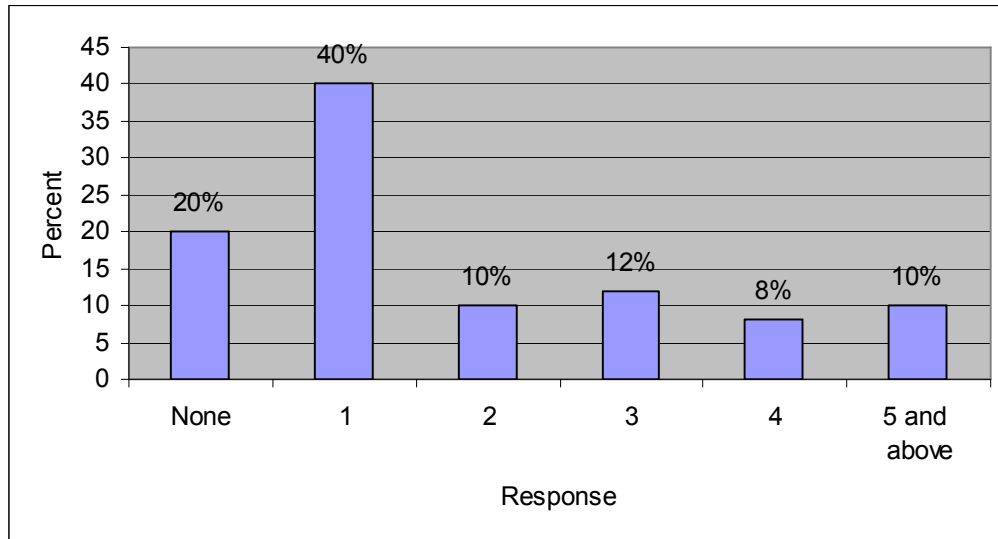
of the respondents said community capacity development, 15% of the respondents said establishment of the financial goals, and lastly 8% of the respondents said others.

4.7.1 Year of commencement of Strategic Corporate Philanthropy Activities



In relation to the period when the SCP activities started, 30% of the respondents said in the year 2009, 25% of the respondents said in the year 2010, 15% of the respondents said in the year 2011, 10% of the respondents said in the year 2008, 9% of the respondents said in the year 2007, 5% of the respondents said others, 4% of the respondents said in the year 2006 and 2% of the respondents said in the year 2005.

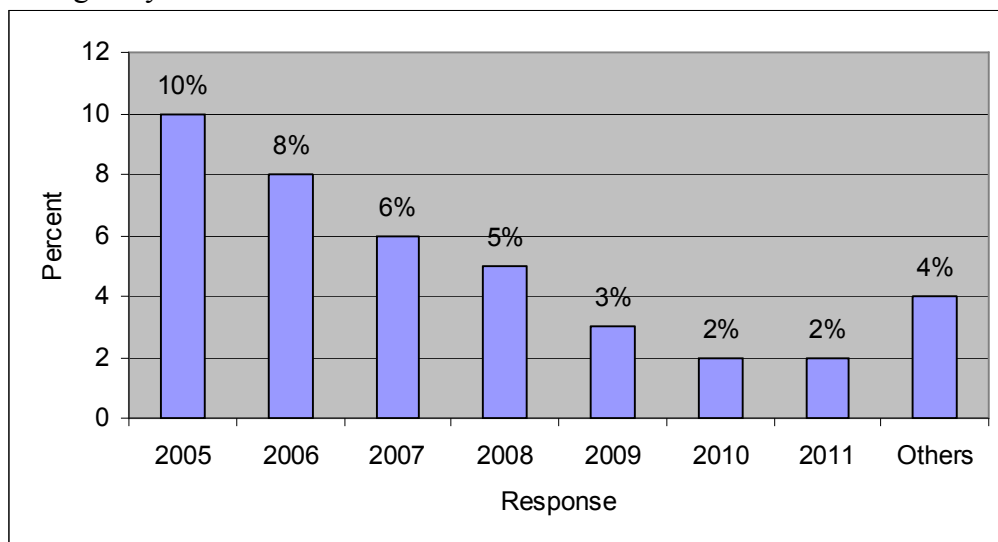
4.7.2 Number of projects sponsored by bank



In relation to the number of projects sponsored by the organization, 40% of the respondents said 1, 20% of the respondents said they don't have projects which they are sponsoring, 12% of the respondents said 3 projects, 10% of the respondents said 2 projects, and 5 projects and above, 8% of the respondents said 4 projects.

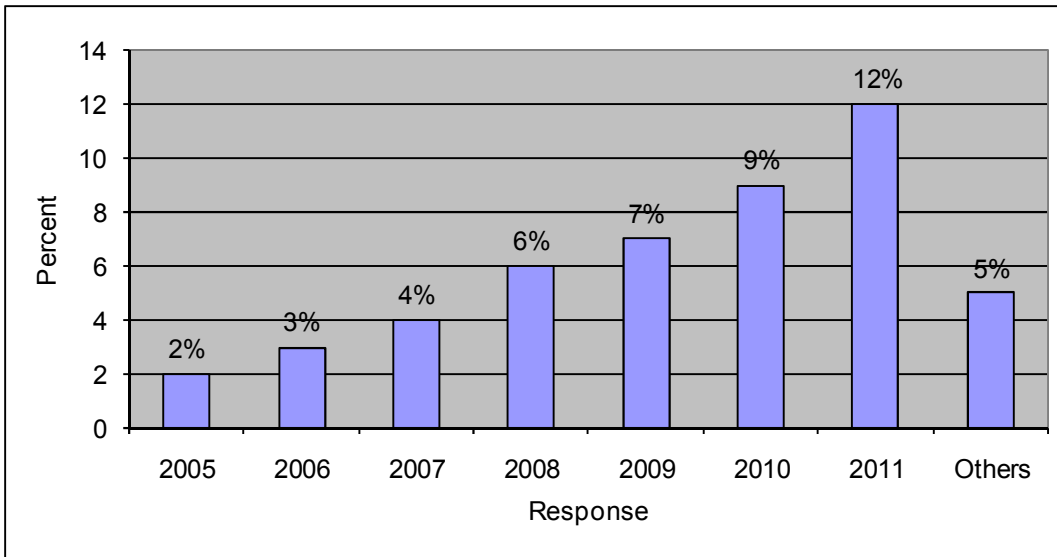
4.7.3 Frequency of loss declaration in the last 5 years

Stating the years in which loss was incurred.



In relation to the year in which the organization incurs losses, 10% of the respondents said 2005, 8% of the respondents said 2006, 6% of the respondents said 2007, 5% of the respondents said 2008, 4% of the respondents said others, 3% of the respondents said 2009, 2% of the respondents said 2010 and 2011 respectively.

4.7.4 Frequency of registered profits in the last 5 years



In relation to the year in which the profits were registered, 12% of the respondents said the year 2011, 9% of the respondents said 2010, 7% of the respondents said 2009, 6% of the respondents said 2008, 5% of the respondents said others, 4% of the respondents said in the year 2007, 3% of the respondents said in the year 2006, and 2% of the respondents said the year 2005.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The research study aimed at corporate philanthropy as a determinant of profitability among commercial banks in Kenya. The research study focused on two objectives in the process of determining the effectiveness of the practice of philanthropy activity. These objectives are as follows; identifying corporate philanthropy practices in the banking industry in Kenya, and secondly determining the role of corporate philanthropy as a basis for profitability among the Kenyan banks. The population of the research study comprised of the selected banks in the banking industry. The sample size of the research study was 86 respondents of which the researcher was able to realize 56 respondents. The analyzed data was presented with the use of the frequency tables, pie charts and the bar graphs.

The discussions of the various objectives of the research objectives are as follows;

5.1.1 Objective one; To identify Corporate philanthropy practices in the banking industry in Kenya.

The first objective of the research study is the identification of the corporate philanthropy in the banking industry in Kenya. Pedersen and Huniche (2006) posit that philanthropic responsibility in Europe tends to be more compulsory through the legal framework than discretionary acts of successful companies or rich capitalists like in the USA. In this respect, Africa has more in common with the American model, although philanthropy generally gets an even higher priority as a manifestation of corporate social responsibility in Africa.

Furthermore, there are different categories of responsibilities as pertains to the philanthropic activities undertaken by the selected banks. The first category by Carroll (1991) delineated economic responsibility, which involved return on investments, innovation and discovery of new resources. The second category was the legal responsibility; where laws circumscribe the limits of tolerable behavior.

The third category is the ethical responsibility, which is rooted in religious convictions, human principles and human rights commitments (Lantos, 2001, p. 246). The final category is the discretionary judgment responsibility, where firms have the widest scope of deciding on philanthropic activities and contribution in giving back to society.

In relation to the types of SCP goals are set by your organization, 30% of the respondents said organization development capacity, 27% of the respondents said human capacity development, 20% of the respondents said community capacity development, 15% of the respondents said establishment of the financial goals, and lastly 8% of the respondents said others.

In relation to the percentage of the total profits in the budgetary allocation indicated, 30% of the respondents said Scholarships and education, 20% of the respondents said enhancing the environment, 20% of the respondents said enhancing health standards, 18% of the respondents said through water and sanitation, 17% of the respondents said environment, and lastly 15% of the respondents said enterprise development.

In relation to organization engage in philanthropic activities, 30% of the respondents said because there is an increase in profitability, 25% of the respondents said they would want to retain the customers, 20% of the respondents said they would want to improve the image of the organization, 15% of the respondents said interested in addressing the community needs, 8% of the respondents said the expansion of the target market, and lastly 2% of the respondents said others.

In relation to the strategic corporate vision, 30% of the respondents said realize community needs, 25% of the respondents said Achievement of great impact in the community, 20% of the respondents said realize organization profitability, 18% of the respondents said effective organization performance, 5% of the respondents said through community responsibility and accountability, and 2% of the respondents said others.

5.1.2 Objective two; To determine the role of Corporate Philanthropy as a basis for profitability among Kenyan banks.

The second objective of the research study is the determination of the role corporate philanthropy as a basis for profitability among the Kenyan banks.

The literature review postulates that, the independent variable which measures activities like high product quality, high innovation and development of products to meet the needs of the disadvantaged on positive side. On negative side, the company is graded for practices like low product safety, controversial advertisements and other product related consumer or community concerns.

Finally a company obtains a positive score as a result of environmentally sound practices such as pollution prevention and recycling. Negative scores can arise as a result of practices such as producing hazardous waste environmentally unfriendly products. Environment is the fifth variable.

The selected banks for the research study shows that they do engage in philanthropic activities, 30% of the respondents said because there is an increase in profitability, 25% of the respondents said they would want to retain the customers, 20% of the respondents said they would want to improve the image of the organization, 15% of the respondents said interested in addressing the community needs, 8% of the respondents said the expansion of the target market, and lastly 2% of the respondents said others.

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In relation to the findings above, Carroll (1991) delineated economic responsibility, which involved return on investments, innovation and discovery of new resources.

The second category was the legal responsibility; where laws circumscribe the limits of tolerable behavior. The third category is the ethical responsibility, which is rooted in religious convictions, human principles and human rights commitments (Lantos, 2001, p. 246). The final category is the discretionary judgment responsibility, where firms have the widest scope of deciding on philanthropic activities and contribution in giving back to society.

In relation to the strategic corporate philanthropy mission, 34% of the respondents said helps in addressing community concern, 30% of the respondents said improvement of the living standards of the people in the community, 15% of the respondents said through awareness creation and empowerment, 12% of the respondents said improvement of service delivery, 6% of the respondents said creation and the enhancement of the customer loyalty, 3% of the respondents of the respondents said others.

In relation to the types of SCP goals are set by your organization, 30% of the respondents said organization development capacity, 27% of the respondents said human capacity development, 20% of the respondents said community capacity development, 15% of the respondents said establishment of the financial goals, and lastly 8% of the respondents said others.

The natures of the activities of the corporate philanthropic activities, employee relations were the third measure. According to the KLD Research & Analytics, Inc. (2003) Positive employee relations are indicated by practices like strong worker involvement in the company, generous profit sharing among most employees, good retirement benefits and good safety record. Negative employee relations are indicated by poor union relations, poor safety record or poor funded pension plan.

5.2 Recommendations of the research study

5.2.1 Budget allocation

The banking industry should allocate funds for the implementation of different philanthropic activities to be undertaken. Lack of budget allocation of funds will hinder the effective achievement and the establishment of the set standards.

5.2.2 Identification of the philanthropic activities

There is need for the banking industry to identify specific philanthropic activities which will enable the banks to engage themselves in the philanthropic activities. This will make the banks to be specific in the types of the activities which they are undertaking and the achievement of the desired results.

5.2.3 Establishment of philanthropic department

There is need for the banking industry to identify and set a side the philanthropic department. This will ensure the effective implementation of the different activities in relation to the philanthropic activities in the community.

5.2.4 Trained personnel

There is need for the banking industry to establish and to recruit trained personnel who have skills and ideas in relation to the philanthropic activities. This will ensure that, the philanthropic projects achieve the great impact in the entire community.

5.2.5 Awareness creation and community participation

Through awareness creation and community participation the banking industry will understand the reason behind the effective implementation of the philanthropic activities. This will ensure that the banks develop effective allocation in relation to the nature of the activity to be undertaken.

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APPENDICES

Appendix A: Questionnaire

Introduction of researcher and Questionnaire Problem

Dear Respondent

My name is Naomi K. Zachary, a final year MBA student at the University of Nairobi. As part of my course requirements, I am expected to conduct research in my area of study. In this regard, my research is aimed at finding out **the effect of strategic corporate philanthropy on the profitability of commercial banks in Kenya**. I intend to carry out research across Kenya's banking industry. I hereby do request for your permission to collect information from your company and specifically from the SCP (foundation) manager and Chief financial officer. Your responses will be treated with utmost confidentiality and only be used for this study. Should you require the outcomes of this study, please contact me on mbaquest.ans@gmail.com or contact the MBA administrator UON.

Naomi K. Zachary.

Signature.....

(STUDENT)

Dr. John Yabs.

Signature.....

(SUPERVISOR)

Where choices are provided, *tick the appropriate box* where there are no choices use the *space provided to give your response*.

SECTION A

Background Information (On Respondent) (This is optional)

Name of respondent / bank representative

Name of Co.....

Company role: Finance Manager.....()

Philanthropy Head....()

Contact Phone No.....

Email Address.....

Age: We would like to include all age groups in this study, which age group do you belong?

(i) Upto 25 years ()

(ii) 25-35 years ()

(iii)35-45 years ()

(iv)45-55 years ()

(v) Above 55 years ()

(2) Gender (please tick appropriate box)

Male ()

Female ()

(B) Philanthropy Basics

1. (a) Is there a specific budget for philanthropy

Yes

No

(b) What amount is budgeted for per year (V)

Amount Per Year	Amount / Year
50,000-100,000	10,000,001-15,000,000
101,000-200,000	15,000,001-20,000,000
201,000-500,000	20,000,001-30,000,000
501,000-1,000,000	30,000,001-50,000,000
1,000,001-2,000,000	50,000,001-100,000,000
2,000,001-5,000,000	Above 100,000,000
5,000,001-10,000,000	

(C) Strategic corporate philanthropy is the purposive alignment of organizational giving to business goals. It supports an organizations long-term strategy of creating sustainable economic, political, social and strategic values.

Does your corporate giving fit in any of the following categories ;-(Please tick)

- It is an employee initiative
- Supports needy courses
- Sponsors ad hoc social issues
- Feeds the hungry
- Is aimed at poverty eradication
- Improves education for the poor
- Develops capabilities of communities
- Contributes to research in health and education
- Benefits health needs of poor
- Conserves energy
- Saves energy and energy costs
- Creates business value
- Is part of business strategy

(d) What percentage of your total budget is allocated to Strategic corporate philanthropy?

Above 30%

Between 21% to 30%

Between 10% and 20%

Below 10%

(e) Who determines Strategic Corporate Philanthropy activity and budget? (tick all that apply).

Foundation

CEO & Management

Board of Directors.

Finance Department

Outside Influences Government, NGO's, Civil Society

C) Link between Philanthropy and Profitability

(A) What is your business mission and Vision

1. Business Mission.....

2. Business Vision.....

(B) Does your business have a Strategic Corporate Philanthropy Mission

Yes No

(C) If yes, what is the Strategic Corporate Philanthropy mission and Vision

(i) Strategic Corporate Philanthropy
Mission.....

...

(ii) Strategic Corporate Philanthropy
Vision.....

(D) Is there an effect on the business vision by both Strategic Corporate Philanthropy vision and mission.

Yes () No ()

(E) Why does your organization engage in philanthropic activities;-

- 1.....
.....
- 2.....
.....
- 3.....
.....
- 4.....
.....

(F) What are the main areas of focus for your corporate Philanthropy

Area of Philanthropic Focus	Percentage (%) budget allocation
Health	
Scholarships / education	
Enterprise Development	
Water & Sanitation	
Environment	

(G) What percentage of the total profits is this budgetary allocation please indicate

_____ %

(H) How does your firm come up with its corporate philanthropy programme?

Beneficiaries apply to firm	1	2	3	4	5
Staff members identify needs					
Business units identify needs					
Philanthropy is part of marketing programme					
Programmes are developed as need arises					
Emergency responses					
Requirements by Kenya law					
Attempt at tax exemption					
Other					

Section D: Stakeholder understanding of strategic corporation philanthropy effects on profits.

(5) On a scale of 1 to 5. (5 means high, means low) what is the level of perception of strategic philanthropy among organizations key stakeholders in your opinion.

(a) Board of Directors

	1	2	3	4	5
Know the meaning					
Philanthropy is good for business					
Philanthropy improve company image					
Society benefits form philanthropy					
Philanthropy eats into our profits					
Other, specify					

(b) Senior Management

	1	2	3	4	5
Know the meaning					
Philanthropy is good for business					
Philanthropy improve company image					
Society benefits from philanthropy					
Philanthropy eats into our profits					
Other, specify					

(c) Middle Management

	1	2	3	4	5
Know the meaning					
Philanthropy is good for business					
Philanthropy improve company image					
Society benefits form philanthropy					
Philanthropy eats into our profits					
Other, specify					

(d) Employees

	1	2	3	4	5
Know the meaning					
Philanthropy is good for business					
Philanthropy improve company image					
Society benefits from philanthropy					
Philanthropy eats into our profits					
Other, specify					

(e) Investors

	1	2	3	4	5
Know the meaning					
Philanthropy is good for business					
Philanthropy improve company image					
Society benefits from philanthropy					
Philanthropy eats into our profits					
Other, specify					

(f) Foundation Trustee & Partnership

	1	2	3	4	5
Know the meaning					
Philanthropy is good for business					
Philanthropy improve company image					
Society benefits from philanthropy					
Philanthropy eats into our profits					
Other, specify					

SECTION E: General Information and Evaluation of effectiveness of Strategic Corporate Philanthropy

(6) a) How often do you evaluate the results of your Strategic Corporate Philanthropy programmes?

Every Month () Every Quarter () Semi-annually () Annually () Never ()

(b) Who judges the effectiveness impact of Strategic Corporate Philanthropy on financial status of bank

.....

.....

.....

.....

(7) Are there any projects that are considered more important by your organization and monitored closely (list and explain).

1. _____
2. _____
3. _____

(b) How often are checks on project progress done within the philanthropic activities?

Period	Short Term Projects	Medium Term Project	Long term Projects
Every Month			
Quarterly			
Bi-annually			
Others (Specify)			

(c) What types of SCP goals are set by your organization?

Financial Goals	
Human Capacity Development	
Organization Capacity Development	
Other (Specify)	

(e) When did you commence Strategic Corporate Philanthropy activities.....

(f) How many projects are sponsored by your organization?.....

(g) How many times have you declared losses in the last 5 years?

1) State the years in which you incurred loss..... (Specify).

(h) How many times have you declared profits in the last 5 years?

1) State the years in which you incurred profits..... (Specify).

(END)

Thank you very much for your cooperation and time.

Signature of interviewer.....Date.....

Appendix B: Listing of Banks in Kenya

- 1.ABC Bank (Kenya)
- 2.Bank of Africa
- 3.Bank of Baroda
- 4.Bank of India
- 5.Barclays Bank
- 6.Chase Bank (Kenya)
- 7.Citibank
- 8.Commercial Bank of Africa
- 9.Consolidated Bank of Kenya
- 10.Cooperative Bank of Kenya
- 11.Credit Bank
- 12.Development Bank of Kenya
- 13.Diamond Trust Bank
- 14.Dubai Bank Kenya
- 15.Ecobank
- 16.Equatorial Commercial Bank
- 17.Equity Bank
- 18.Family Bank
- 19.Fidelity Commercial Bank Limited

- 20.Fina Bank
- 21.First Community Bank
- 22.Giro Commercial Bank
- 23.Charterhouse Bank
- 24.Guardian Bank
- 25.Gulf African Bank
- 26.Habib Bank
- 27.Habib Bank AG Zurich
- 28.I&M Bank
- 29.Imperial Bank Kenya
- 30.Jamii Bora Bank
- 31.Kenya Commercial Bank
- 32.K-Rep Bank
- 33.Middle East Bank Kenya
- 34.National Bank of Kenya
- 35.NIC Bank
- 36.Oriental Commercial Bank
- 37.Paramount Universal Bank
- 38.Prime Bank (Kenya)
- 39.CFC Stanbic Bank

40. Standard Chartered Bank

41. Trans National Bank Kenya

42. United Bank for Africa

43. Victoria Commercial Bank

Appendix C: Research Authorization

PAGE 2

PAGE 3

NCST/12/1/SS-011/874

Research Permit No.

Date of issue 23rd JUNE 2011

Fee received KSHS. 1000

THIS IS TO CERTIFY THAT: NAOMI KERUBO

Prof./Dr./Mr./Mrs./Miss. ZACHARY

of (Address) UNIVERSITY OF NAIROBI

P.O. BOX 30197, NAIROBI

has been permitted to conduct research in

ALL Location,

ALL District,

ALL Province


on the topic THE EFFECT OF CORPORATE

PHILANTHROPY ON PROFITABILITY

OF COMMERCIAL BANKS IN KENYA.

for a period ending 31st JUNE 20 11

JUN



Applicant's Signature

Secretary
National Council for
Science and Technology

REPUBLIC OF KENYA



NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

Telegrams: "SCIENCETECH", Nairobi
Telephone: 254-020-241349, 2213102
254-020-310571, 2213123.

Fax: 254-020-310571, 2213123
When replying please quote
NCST/KR/12/1/SS/874/4

P.O. Box 30623-00100
NAIROBI, KENYA
Website: www.ncst.go.ke
23 June 2011

Our Ref: Naomi Kerubo Zachary
University of Nairobi
P. O. Box 30197
NAIROBI

Date:

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*The effect of corporate philanthropy on profitability of commercial banks in Kenya*" I am pleased to inform you that you have been authorized to undertake your research in *Commercial Banks in Kenya* for a period ending **31st July 2011**.

You are advised to report to the **Chief Executive Officers in the selected Commercial Banks** before embarking on your research project.

Upon completion of your research project, you are expected to submit two copies of your research report/thesis to our office.


DR. M. K. RUGUTT, PhD, HSC
DEPUTY COUNCIL SECRETARY

Copy to:

The Chief Executive Officers
Selected Commercial Banks in Kenya