THE EFFECT OF CORPORATE GOVERNANCE ON CORPORATE SOCIAL RESPONSIBILITY IN FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE

BY

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DECLARATION

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

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

ANOVA Analysis of Variance

BOD Board of Directors

CEO Chief Executive Officer

CG Corporate Governance

CSR Corporate Social Responsibility

CMA Capital Market Authority

CMC Cooper Motor Corporation

GDP Gross Domestic Product

KPMG Klynveld Peat Marwick Geordeler

KPLC Kenya Power and Lightening Company

NHIF National Hospital Insurance Fund

NSE Nairobi Securities Exchange

SMEs Small and Medium-sized Enterprises

SPSS Statistical Package for Social Sciences

TMT Top Management Team

VIF Variance Inflation Factor

WB World Bank

ABSTRACT

The current study sought to assess the effect that CG has on CSR in Kenyan organizations. It carries out a quantitative study using secondary data, and performs various statistical tests to arrive at key conclusions. Correlation analysis showed that independence of the board, its size, and the size of the firm all exhibited significant and positive correlations with expenditure on CSR, meaning that companies with larger boards are likely to spend more on CSR and the ones with more non-executive directors are more likely to spend more on CSR. Larger companies are also expected to spend more on CSR. Since correlation is not causation, the study also used regression analysis to investigate causation, and it was established that larger board sizes are associated with more spending on CSR spending by an organization, and that a larger number of non-executive directors on the board are associated with more spending on CSR. Firm size showed Beta = 0, which indicated no relationship between CSR spending and firm size. Analyses, in general, discovered relationship that was positive and significant between CG and CSR, since important measures of CG showed a significant causal effect on CSR spending.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

There appears to be no clear and decisive conclusion on the importance of CSR, and even with studies such as Sánchez, Sotorrío and Díez (2011) justifying the important relationship existing between CG and CSR, many more researchers have argued on the contrary, especially in terms of the irrelevance of CSR in the organization's bottom line. The general lacking of a consensus and the mixed argument on the relationship between CSR and CG, and by extension, the overall financial performance of an organization warrants the carrying out of this study. This is because, by highlighting the relationship, this study will clarify the importance of CSR in an organization.

Corporate governance encompasses the various aspects of leadership of organizations, including effective utilization of resources to maximize shareholder wealth (Khanchel, 2007). CSR, on the other hand involves integrating the environmental concerns with the social ones in a firm's business operations as the business interacts with its stakeholders (Germanova, 2008). These two concepts are linked, and the current study hypothesizes that CG directly and positively impacts CSR. CG and CSR help an organization maintain a good balance of various aspects with itself (Pintea, 2015). The ability of a company to develop its control mechanisms is supported by CSR and CG, which also plays a critical role in promoting satisfaction with shareholders and ensuring that the shareholder value sees a positive appreciation (Verma & Kumar, 2012). To understand the interrelationship between these key variables, it is critical to understand the conceptualization of CSR, which initially, was purely viewed through philanthropic lens, but this model has now shifted to a stakeholder- participation based model. Sánchez, Sotorrío & Díez (2011) further reiterate that both CSR and CG focus on the ethical side of business and how responsible a given organization is to its stakeholders, as well as the environment within which it operates in. Studies such as Pintea (2015) have emphasized on the significance of both CSR and CG in the performance of an organization, where CSR improves the relationships between stakeholders and the company and while CG ensures proper governance and efficient utilization of company resources.

The theoretical lens through which this researcher examines the research problem is the agency theory. According to this theory, the agent is expected to act on the behalf of the principal and ensure that the goals and interests of the principal have been furthered as effectively as possible (Germanova, 2008). CG is fundamentally a principal-agent relation and as such, any problems are likely to cause what is referred to as the agency costs. In the context of this study, CSR could also be viewed as principal-agent relationship, where businesses could be viewed as agents or principals depending on the characterization of the association. The stakeholders include, among others, employees, the local community and the general society, the public, the customers, and the state (Germanova, 2008). Other theories that underpinned this study were the stakeholder theory and the CSR theory.

1.1.1 Corporate governance

Kolk and Pinkse (2010) defined CG as the procedures and policies that are applied by organizations with the aim of achieving given objectives, visions, and corporate missions with regard to employees, stockholders, different regulatory agencies, suppliers, customers, and the community in general. Jo and Harjoto (2012), similarly defined CG as a system of practices and rules, as well as processes controlling and directing and organization. CG can also be defined as a system of rules that dictates how the board of directors of a company manage and oversee operations in a particular organization (Kolk & Pinkse, 2010). Therefore, CG as a system directing and controlling companies.

The role of corporate governance is aligned with the main objective or the bottom line of every for-profit organization, and this is to maximize shareholder wealth (Khan, Muttakin & Siddiqui, 2013). The success of CG is largely dependent on managerial performance, which sometimes, involves the consideration of social responsibilities as well as the consideration s of socio- cultural-environmental dimensions of a given organization's business. As far as the functioning of a company is concerned, CG is fundamental, its main objective is to maximize shareholder wealth, and this is what complicates its relationship with CSR. Researchers such as Kaplan and Kinderman (2019) argue that CSR negatively affects shareholder wealth since organizations spend shareholders' money on social activities, which is a contradiction to what the organization should be striving for. This is why CG is an interesting area, and one that warrants further empirical investigation.

To measure CG, the current study used proxies such as board size, composition and independence. These factors represent various aspects of the quality of CG in an organization, and this is why this study uses them as proxies for CG. Studies such as Garg (2007) and Belkhir (2009), among many other studies on CG, used board composition, board independence, and board size (numberof directors) as measures of corporate governance.

1.1.2 Corporate social responsibility

Henderson (2001) define CSR as philanthropic gestures by wealthy businesses, while Sánchez, Sotorrío and Díez (2011) defined it as an ethical behavior of a business towards a given society. Pintea (2015) defines it as the responsible acting by management, especially as far as the relationship with other stakeholders interested in the business is concerned. The World Bank defined CSR as the commitment and determination of an organization towards its contribution to sustainable economic development, while focusing on the improvement of the quality of life of all other stakeholders. From these definitions, CSR can be defined as model that self-regulates the business to be socially accountable, not only to itself, but also the public and all its stakeholders.

Until now, there is no formula for measuring CSR, while different scholars have applied different methodology in measuring CSR. Márquez and Fombrun (2005) operationalized CSR by using the BITC Responsible Business Tracker, where Turker (2009) developed a scale to measure CSR while acknowledging that there is limited literature on how CSR can be measured. Other studies such as Wood (2010), among others, also developed scales that are not generalizable since they focus on particular studies carried out at that particular time. However, for the purposes of this study, CSR was measured by the amount of resources or money that were directed towards CSR activities which is the total expenditure ratio on CSR to the total firm expenditure on annual basis.

Sweeney (2006) and Nicolosi, Grassi and Stanghellini (2011) also investigated the importance of CSR in the modern organization. Both studies measured CSR by estimating the amount of resources and expenditure on sustainable and socially responsible activities. The measurement of CSR in the current study was influenced by the operationalization of CSR by these authors. This is because the more a company spends of socially responsible activities, the more likely it si to stay committed to CSR.

1.1.3 Corporate Social Responsibility and Corporate Governance

CG mainly deals with appropriate establishment of legal, economic and institutional environment facilitating and allowing organizations to thrive and grow. According to Milosevic et al. (2015), effective and efficient corporate governance needs the government to put in place and maintain a conducive environment that enables well-managed organizations to thrive. Studies show that the responsibility of the owners of the firms is to appoint competent managers to ensure effective governorship that relates to their stewardship. Effective corporate governances guide the board of directors to govern an organization ensuring it maximizes the shareholders' value and, in the community's, best interest. On the other hand, CSR is mainly concerned about the values and standards by which the organization operates. In line with Unit et al. (2015), CSR is about the commitment of an organization to act and operate ethically, legally, contributing to economic development while at the same time ensuring the upliftment of the quality of life of both the employees and the surrounding community. Most previous studies such as Verma and Kumar (2012) solely concentrated on the theoretical relationship that exists between CSR and CG, empirical studies to acknowledge the researcher, are lacking thus far, especially in the Kenyan context.

Verma and Kumar (2012) emphasized and reiterated the importance of CSR in corporate governance effectiveness, and as such, the overall financial performance of an organization. Studies such as Kaplan and Kinderman (2019) and Henderson (2001) among many others, however, argued that CSR is a waste of money and that since shareholders are the owners of businesses, resources are geared towards CSR are theft of property belonging to the rightful owners. They also associate CSR with poor financial performance, and also emphasize on the need to focus on the bottom line.

1.1.4 Companies listed at the Nairobi Securities Exchange.

The NSE is the key market for listing firms in Kenya. Established in 1954 and remains the main securities exchange market of the country and among the leading securities in East Africa (Kioko,2015). The NSE was established under the Companies Act (CAP 486) and is regulated by the CMA where CMA where compliance of the listed Companies is ensured.

Recent studies show that despite the rapidly increasing interest in corporate governance and CSR, their role in developing countries is yet to be determined clearly. As pointed out by Wang et al. (2016), developing countries face several challenges such as political instability, lack of adequate funds, poverty, extreme climate change making the role of corporate governance and CSR challenging. Kenya, for instance, is a developing country that acts as a trade and finance regional hub. The country has a population of about 49 million people and a Gross Domestic Product (GDP) of approximately 101.05 billion dollars with an annual growth of 5.7 percent. Kenya has good infrastructural facilities and services with agriculture making approximately 25 percent of GDP, industry 20 percent and services making almost 55 percent.

Kenya has extraordinary political, social, cultural and regulatory conditions that are relevant to corporate governance and CSR. As explained by Cheruiyot and Tarus (2016), Kenya has a positive economic outlook but the socio-economic aspects of the country face vital challenges characterized by unprecedented political intolerance, insecurity, poverty, high rates of unemployment and rapid urbanization. Additionally, climate change, social decay, environmentaldegradation, inequality and corruption are factors affecting the socio-economic aspects of the country.

In Kenya, CG and CSR are governed by the Companies Act of 2009, the CMA, and the Capital Market Act (CAP. 485A). As stated by Cheruiyot and Tarus (2016), these acts strike a balance between the corporate governance and CSR in Kenya. For instance, the Companies Act states that the director of corporation must personally liable for accountability within the firm and the society. The CMA provides guidelines on minority representation in corporation and social responsibility to the society. In Kenya, the corporate governance and CSR relate in way that CG provides the structures and processes used by corporation to direct and manage a company's business affairs and enhance society prosperity. The two strike a balance between the economic and social goals of the corporation while contributing to a better society and a conducive environment (Magalla 2018).

1.2 Research Problem

CG and CSR are business concepts that are not just related, but also interwoven and deeply embedded in almost every business operation (Verma & Kumar, 2012). This is because the decision by an organization to engage in socially responsible activities is made by its leadership, and as such, the type of leadership or governance in an organization will determine whether or not that particular organization engages in CSR.

According to Beltratti (2005), corporate governance has significantly positive effects on CSR where both are positively associated with an organization's market value. Findings from the researcher show that in Indonesia, apart from the duties of the commissioners, shareholders rights and the protection of their interest, together with other indicators such as transparency, and disclosure are part of what significantly forms the practice of CG in country's public companies. Wise and Ali (2009) observed that new firms, absorbed in 1999, failed to make disclosures to its CSR and, consequently, concluded that the mechanisms of corporate governance in the organization were likely to be unsophisticated.

In the Kenyan context, corporate governance has been marred with problems such as unethical practices and questionable corporate governance policies from which most Kenyan firms have succumbed. Researchers have termed CSR as a firm's long-term commitment to the economic, social, legal, and environmental rights to sustain humanity (Cheruiyot & Tarus, 2016). Additionally, it has been characterized by the voluntary actions of its philanthropic nature that is weakly regulated (Garriga & Mele´, 2004). This is detrimental to the economic progress of a country since it soars unemployment and as such, standards of living are adversely affected. Understanding how CG can impact CSR could be an important basis upon which policy and strategic recommendations can be made for Kenyan organizations. It would be possible to understand how specifically the leadership of an organization influences its social responsibility.

At the same time, there is no clear and decisive conclusion on the importance of CSR in the examined studies, with many mixed arguments arising on not just the importance of CSR, but also on whether or not there is any relationship with CG. These mixed arguments and an overall lack of consensus on the link between CSR and CG from previous studies, especially in the Kenyan context, is the reason why this study is carried out, so as to fill the named gaps. This is because, by highlighting the association, the study will clarify the importance of CSR to an organization, and since thus far, no studies have empirically investigated the relationship between the two variables. As such, the researcher seeks to answer the question: What is the association between CG and the CSR of companies listed in the NSE?

1.3 Research Objective

The objective is to assess the effect that CG has on CSR in Kenyan organizations named in the NSE.

1.4 Value of the Study

Owing to the lack of or few studies highlighting the association between CG and CSR in the developing countries, studies that provide empirical evidence about this phenomenon make important theoretical contributions towards understanding the relationship in the developing countries. By understanding the effect CG has on the CSR of developing countries, Kenya in particular, this study will have made significant theoretical contributions.

In practice, the decision by an organization to engage or not to engage in CSR could depend on the perceived value of CSR in relation to the effectiveness of CG and the financial performance. A plethora of studies have argued that CSR improves stakeholder-company relationship and that it is equally good for the community. This study seeks to provide evidence that good corporate governance could have an effect on CSR, and as such, the findings will be an important basis upon which managers can made decisions.

The findings will benefit policy makers by helping them develop policies that will ensure firms participate in CSR from a strategic point of view. Companies can adjust their policies surrounding CG depending on the impact it has of CSR and how it impacts the bottom line. The regulation of corporate governance in Kenya, for instance, could benefit from the knowledge on how CG, in particular, affects CSR.

The findings will act as a reference to future researchers and student that would want to conduct research in similar fields. They will be able to identify further research gaps. Also, higher learning institutions can identify knowledge gaps thus forming a basis for future research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discuses theories underpinning the study and contains literature that has beenreviewed and relates to the problem. The review is done to provide necessary reinforcement by providing documentary support and evidence to the ideas raised. It aids in identifying previous studies done in the field and an opportunity to evaluate them in terms of limitations, strengths andweaknesses. It also highlights empirical studies previously conducted on effects of CG on CSR. The concept of the study has also been developed under the section of the conceptual framework highlighting the independent and dependent variables that the study will use to address the researchobjectives.

2.2 Theoretical Review

The theoretical review is a structure holding or supporting the theory(ies) in a study by introducing and describing why the problem exists. Torraco (1997) believes that these theories are created to understand, explain and anticipate phenomena and also challenge and expand existing knowledge, within the limits of the assumptions that are critically binding. According to Kennedy (2007), the framework connects a researcher to existing knowledge. In order to achieve the objectives, the Stakeholder Theory by Fredman (2010), the Agency theory by Meckling & Jensen (1975) and the CSR Theory are considered the main theories.

2.2.1 Stakeholder theory

The term 'stakeholder' was coined in the late 70s to challenge the notion that only a particular group of the company were responsible for responding to high risks and uncertainty (Friedman & Miles, 2002). The stakeholder concept, therefore, shifts responsibility from stockholders to individual groups that are affected or can influence business objectives and outcomes. The stakeholder theory analyzes these relationships between individual groups, which include the community, customers, employees, and other actors in the organization, and how they can influence or be affected by the organization. The theory was first introduced by Freeman in 1984 to build a framework that explains conflicts that arose within strategic management. It aimed at analyzing the business environment and how its changes were influenced by the concerns of managers. Freeman (1984) observed that the business environment lacked theories that analyzed the impact of stakeholder relationships in the success of organizations. The stakeholder theory recognizes the dynamic stakeholder relationships and the interdependency of the internal and the external environments. According to Phillips (2003), the theory focuses on the stakeholder's needs and demands and how management decisions may influence their involvement and performance to enhance the success of the organization. There has been evidence from literature attempting to refute or support this theory. Dorobantu and Nartney (2014) and Harrison et al., (2010) concluded that integrating the framework in strategic management ensures value maximization, promotes social and financial performance, improves company-stakeholder relationships, and focuses on the interests of all stakeholders where conflicts may arise.

The stakeholder approach has been criticized for ambiguity in its definition as a theory as it lacks testable propositions. Jensen (2002) noted that the theory makes it easier for managers to argue that their actions benefit different groups of people hence increasing their opportunism. He argued that the theory encourages self-dealing as compared to the shareholder theory which ensures that management focuses on the needs of shareholders hence judging their performance. Key (1999) adds that the stakeholder theory fails to meet the conceptual requirements of theoretical frameworks and is therefore not applicable in modern business. He added that the theory is unrealistic and lacks specificity hence it fails to meet the requirements of scientific theory. This research incorporates stakeholder theory because of the influence of stakeholder relationships on business ethics. This includes aspects of corporate social responsiveness, CG and corporate accountability which are the responsibilities of the company when meeting stakeholder interests.

2.2.2 Agency theory

The Agency Theory was first discussed by Barry Mitnick and Stephen Ross when they introduced the concept of agency problems and compensation. These concepts were built on by Jensen and Meckling (1976) who focused on the self-interests of managers that resulted in conflicts with shareholders. The idea of agency problems was first introduced by Adam Smith who argued that managers with self-interests were likely to neglect the needs of shareholders. Jensen and Meckling (1976) argue that the theory explains the influence of the ownership structure in creating agency problems. This includes how much information company insiders have and the concentration of outside directors and shareholders. Agency problems include the conflicts of interest that arise between managers and shareholders influenced by corporate decisions. According to Laiho (2011), agency problems are observed in small shareholders compared to large shareholders as they have little influence on corporate decisions hence interest may fail to align. The separation of ownership as observed in joint-stock companies, has led to shareholders assigning managers as the principal authority in the business. This authority causes managers to use the firms for their own end hence acting as the agents while the shareholders become the principals. The principals invest in the business with the hopes of maximizing their capital through the agents who in turn, are concerned with maximizing the capital for their private benefits.

The theory has been criticized, especially in its focus on the agents rather than the principals. Perrow (1986) argued that the theory ignores the actions of principals which may be deceiving and exploitative. He believed that principals take advantage of agents for their gain by dragging them into a business environment with not enough compensation. Pepper and Gore (2012) argued that modifications needed to be made to the agency theory to include risk averseness, compensation, and the ability and motivation of agents. This suggests that the theory should incorporate aspects of the behavioral agency model to understand the internal and external benefits and comprehend the relationship between agency costs and performance. This research will integrate the agency theory to comprehend how incentives and agency problems influence the likelihood of managers engaging in CSR and good corporate governance practices. In other words, by examining factors such as board independence and board size, the researcher will attempt to determine if there is a causal relationship with engagement in CSR.

2.2.3 CSR theory

This theory was introduced in management by Archie Carroll in the 70s. The theory argues that corporations have a larger responsibility in ensuring that the surrounding community is positively impacted by business activities. The term was introduced by Howard Bowen in 1953 to challenge businesses to support social causes (Kuhn & Deetz, 2008). The obligations of CSR include legal, economic, philanthropic and ethical responsibilities. This also includes the responsibility of the business to make profits, to meet the regulations that promote social goods, to be valuable and meet the environmental and social needs, and to contribute to projects in the society. There have been arguments on the drivers of CSR on whether it is ethical to conduct or whether it is a distraction offered to the society to mask the company's operations. However, Jamali et al. (2007) noted that ethical consumerism, globalization, social awareness and education, and global corporate behavior are contemporary trends that have required businesses to focus on social welfare. The CSR is limited to the social understanding of CSR and how their expectations influence corporate decisions. The activities of up taking social responsibility are extended beyond legal obligations and include voluntary actions by the company to promote quality life for the community, shareholders, employees, and consumers. The approach aims at reducing capitalism and promotes business ethics.

There have been critics of CSR and each from a different perspective. Nwagbara and Reid (2013) state that CSR theories influence value creation by integrating standards that fail to align with business objectives. This especially affects small businesses which are bound to fail after CSR integration. Yunis et al. (2017) contend that there is a lack of clear concepts that guide the theories and therefore can be interpreted differently by the society. This vagueness influences the perceptions of the society and the way the company might translate what social welfare is. The concept also focuses on the long-term financial outcomes of the business over long-term social benefits. Despite the emphasis on principles that will ensure social and financial benefit to the community, CSR prioritizes profits over social responsibility. The research will adopt the corporate social responsibility theory to translate the theoretical framework into practice that can be adopted in today's business environment. It will relate how CSR can be used to shape corporate decisions and ultimately promote good corporate governance.

2.3 Determinates of Corporate Social Responsibility in Listed Firms

CSR can be defined as when a company on its own accord decides to contribute to improve society and make the environment clean, this is according to the European Union (Hartman et al. 2007). CSR is managing the impact of a firm's activities on the society and its operating environment, and being accountable to all stakeholders in every activity to achieve sustainable development not only economically but socially and environmentally (Makokha, 2008). Previous studies on CSR have ended up with varied findings, Kweyu (1993) in a study on managerial attitudes concerning CSR in 31 Banks, concluded that in as much most banks involve CSR in their activities, pursuing high profits remains their main target. A study on the awareness and attitudes of executives in medium-sized manufacturing companies in Nairobi discovered that executives were aware of the need to take part in CSR activities and also take part in social activities (Kiarie, 1997).

The negative effects of globalization like increased social inequalities, increased income differences, the rise of the global environmental challenges, and skilled operation sourcing to developing nations have resulted to the need to protect the free market from anarchy (Levy and

Kaplan, 2007) and according to Moon & Vogel (2008), firms ought to be responsible for the effects their activities have on the environment and the society in general. The thought that firms have a responsibility to the society is not foreign as according to Bowen (1953), it is traced back to the seventieth century despite the changing of the views of different individuals towards the relationship existing between a company and the society. CSR is a prominent activity in both local and international businesses.

Kenyan companies show various understandings and different CSR commitment levels as shown by the issues they give priority to and the range of activities they involve in. A philanthropic take is exercise on the priority in Kenyan CSR activities as opposed to Carroll's (1991) pyramid where legal responsibilities are given a priority. If the CSR activities in Kenya are to be put in a pyramid, economic responsibility takes priority, followed by philanthropy, ethics and then legal responsibilities which according to Visser (2006) is an outline of an African pyramid. Both local and international Kenyan companies involved in CSR activities while taking a philanthropic basis while foreign companies innovatively implement CSR activities to align them to their important business strategies (Mirvis & Googins, 2006).

2.3.1 CSR and financial performance in Kenyan organizations.

Earlier studies were inconsistent because they used one or a few parameters to analyze the financial performance of a firm. After all, it is based on the convenience of the researcher in terms of data collection ease for examination as opposed to objective data. Net income was used by Steiner (1970), earnings per share used by Vance (1975), return on investments by Abbot & Monsen (1975) and return on equity by Bowman & Haire (1975). According to a study by (Fombrun & Shanley, 1990) reports that companies that have a high CSR use it as an information sign that the stakeholders use to gauge the reputation of the company in conditions where information is lopsided. A good CSR rating improves the relationship between the banks and the investors therefore helping them to easily access credit attracting better employees and also boosting current employee goodwill which leads to better financial outcomes.

To link CSR and financial performance, a study by Mwangi & Jerotich (2013) on CSR and investment performance on the NSE discovered that no relationship existed between CSR and the performance of the portfolio, and that the highly ranked companies based on CSR had a better performance compared to lowly ranked. Okeyo (2004) argued that companies mostly involve in

CSR activities for public visibility while Okwoma (2012) based on social responsibility and performance in banks concluded that challenges of finance, attitudes and presence of specific managers limit banks to involve in CSR. A similar study by Mutuku (2006) concluded that no relationship existed between CSR and a better financial outcome of a company. Managerial attitudes and strategic aspects of CSR were subjects of other studies which concluded that the successful implementation of a CSR project entirely depends on the attitude and strategies employed by the managers (Odhiambo, 2006; Gichana, 2004).

There have been several studies based on data derived from the USA and Europe seeking to test the extent which economic drivers of CSR lead to a better financial outcome. These studies use different methods to examine CSR and financial performance therefore delivering different results. A study by Orlitzky, Schmidt, and Rynes (2003) involving 30 years of research based on 52 earlier studies, by use of the meta-analytical technique, concluded that CSR and a firm's financial performance showed a positive correlation and the relationship was statistically significant. They further discovered that the financial performance of a company is even better the CSR project is mostly based on the social impact by the management than on the environment.

CSR describes how a company responds to the needs of society over and above its pursuit of the core purpose of existence. Studies have shown mixed reactions with Friedman (1962) arguing that companies only exist to make profits. This brought in another challenge for scholars to do more studies verifying the real association between CSR and the firms' financial performance. In as much as many studies have been done on this subject, there is no conclusive and definite outcome on the relationship.

Waddock & Graves (1997) discovered a positive correlation between CSR and financial performance. McWilliams & Siegel (2000), however argue that the findings of Waddock & Graves omitted a very important variable that is closely related to CSR. Additionally, more recent studies have used bigger samples collected over a longer time frame such as Zhao & Murrell (2016) who agree with the original findings that financial performance relates to the corporate social performance but is skeptical on the relationship between the two. Most firms use CSR to address specific needs of the society so as to sustain their market presence therefore increasing their market value and gaining a competitive advantage. For instance, many Kenyan companies build classrooms in schools, conserve the environment through garbage collection or partner in facilitating the police with resources in their areas of operation.

However, many studies show that both the investors and companies benefit from CSR activities when CSR is assessed in specific contexts. Involvement in CSR lowers risks and builds the reputation of the company (Godfrey, Merrill, and Hansen, 2009). CSR projects that highly involves stakeholders' transparently help companies to easily access credit (Cheng et al., 2014) and this helps the company in having a better financial outcome.

2.3.2 Board Size

Shakir (2006) defined board size as the total number of directors in a firm's board including the Chairman and the CEO, outside directors, and non-executive and executive directors in each passing financial year. The classification corresponds to the one used by Bhagat & Black (2002) and Hermalin & Weisbach (1991).

Hermalin and Weisbach (2003) postulated that the efficiency and size of the board were negatively correlated and agency challenges predicted to arise when a board has too many members. The researchers argued that a large board size takes a more symbolic responsibility instead of fulfilling its management mandates. In terms of CSR, Giannarakis (2014) argued that board size positively affects the extent to which an organization involves itself in CSR, meaning that a board considered to be large is more likely to take part in CSR activities.

2.3.3 Board Composition

Velte (2019) explains that board composition is a reflection of a mix of the director skills, diversity, independence, and tenure. Individual personalities and how people interact as individuals, as well as how they interact with the management are also some of the important aspects of board composition.

In investigating whether or not board composition influences CSR, Velte (2019) established that factors such as the number of non-executive directors, the diversity of the gender of the board, and its independence significantly influence CSR. However, the researcher acknowledges that the findings are mixed from previous empirical investigations.

2.3.4 Board Independence

Board independence, as defined by Ahmad, Rashid & Gow (2017) is a state where majority or all members of the board lack a relationship with the firm except directors. The researchers similarly investigated its influence on the involvement of an organization in CSR activities, and concluded that different industries produced different results, and thus, the agency theory is partially supported.

Other researchers, such as Al Fadli, et al. (2020) also investigated how the independence of the board members affected CSR, and established that board independence positively and significantly influenced CSR, which meant that independent directors would most likely lead to more involvement in CSR activities. These findings show that different research contexts also gave mixed results on the role of board independence, and this is one of the reasons why this study examines this phenomenon in the Kenyan context.

2.4 Empirical Studies

According to Zikmund, et al (2010), an empirical review is directed research of published work including periodicals and books. Miller and Yang (2008) state that it allows a researcher to place his work into an intellectual and historic context therefore enabling the researcher to declare why the study matters.

The post-liberalization phase has witnessed a shift in CSR from the traditional concept of philanthropy and charity to a shareholder-participation-based concept. Since cases of malpractices, financial crisis, and corporate corruption have increased the interest in an organization's transparency and accountability (Sánchez, et al., 2011), CG and CSR are now focusing on the responsiveness and ethnic practices of a firm to its operating environment. The relationship noticed between CG and CSR can influence positive results, and organizations are now working under immense pressure to improve best practices with an aim of enhancing relationships with their stakeholders. The largest attraction where attention on sustainability can be directed is its ultimate capability to improve the ability of an organization to thrive and prosper. As CG is considered an important element in governing organizations, it is necessary to analyze its contribution towards increasing the social responsibility of an organization.

Transparency, sustainability, disclosure, and ethical behavior are the central theme in both CG and CSR. In India however, CSR has been made optional under Clause 49 of the listing agreement that stipulates the necessary disclosure for many corporate actions (Verma & Kumar, 2012). Europe is a leader in environmental and social responsibility, as the region has been recording the highest environmental standards worldwide (Crifo & Rebérioux, 2016). The 2012 Environmental Performance Index, for example, by Columbian and Yale Universities saw Europe produce 18 out of 20 universities, each from different European countries. The basic drivers of this change include the increased size and influence of firms, trade globalization, government repositioning, and the rise of stakeholder relationships risk in relation to their strategic importance. Firms are now struggling to become, or at least appear socially responsible. Generally, almost two-thirds of the largest organizations in industrialized nations have published reports on sustainable development policies or CSR (KPMG, 2011).

2.4.1 Global Studies

According to Beltratti (2005), corporate governance has positive effects on CSR where both are significantly associated with an organization's market value. Findings from the study show that in Indonesia, apart from the duties of the commissioners, shareholders' rights and the protection of their interest, disclosure and transparency are significant indicators forming the practice of CG in the country's public firms. Wise and Ali (2009) observed that new firms, absorbed in 1999, failed to make disclosures to its CSR and, consequently, concluded that the mechanisms of CG in the organization were likely to be unsophisticated. Ali & Atan, in 2013, investigated the association between CG and CSR disclosure in Malaysia and global firms. After a multiple regression analysis, the findings specified that ownership concentration, board size, and its independence were positively related to the extent of CSR disclosures. However, the size of an organization and leverage recorded a negative relationship.

An empirical review by Wang, et al. (2013) revealed that among corporate governance, CSR, and financial performance, CG appeared to be the pivot. Feedback from financial performance influenced successor selection while CG, human care, and morality were basic factors. Both CSR and CG had a positive influence on the reputation of an organization. Li (2014) investigated 384 responses from small corporations in Australia. According to the results, CG negatively affected the CSR of startups and small corporations and is best explained by the Resource-Dependency and the Stakeholder theories. Poudel (2015) in attempting to explain the association between CG and CSR in the commercial banks of Nepal, discovered that CG practices positively and significantly correlated with the level of CSR initiatives with the results urging organizations to implement good governance thus contributing more to CSR.

2.4.2 Local Studies

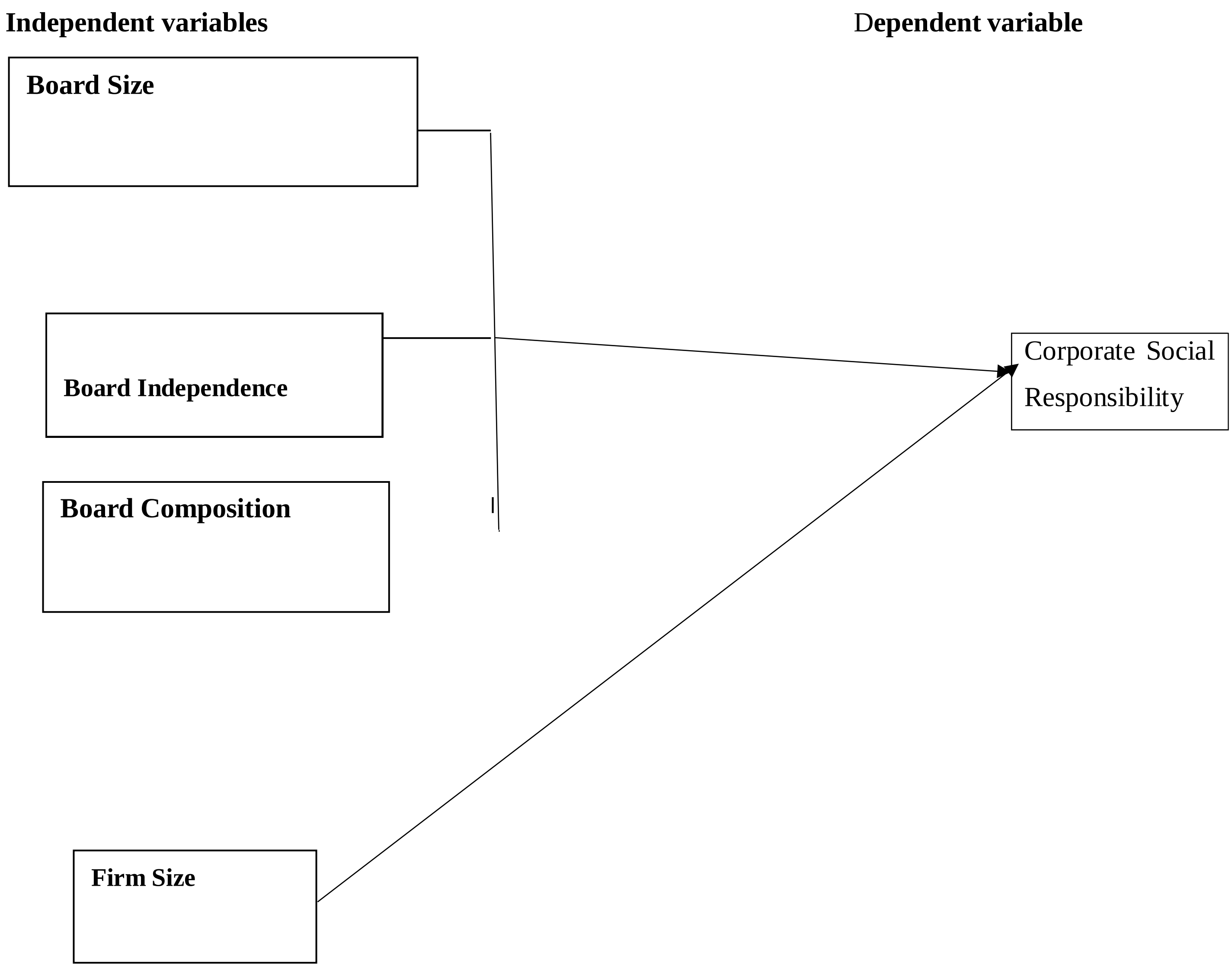
Kenya has been categorized as a middle-income country in the lowest class, the growth is far from reaching takeoff levels that are necessary in transforming the lives of ordinary citizens and the country into a modern market economy (World Bank, 2016). When compared in international standards, companies in Kenya are relatively small. As a result, their participation in social activities may not be based on their financial capability, rather on its desire and willingness to gain a strategic position in the society for future economic and competitive advantages (Ponnu & Okoth, 2009). In Kenya, CG and CSR are governed by the CMA, the Companies Act of 2009, and the Capital Market Act (CAP. 485A). The CAP 485A strikes a balance between an organization's social and economic goals by stating that "between individual and communal goals and encouraging resourceful use of resources, responsibility is the use of power and stewardship, and as far as possible sides with the interests of individuals, corporations and society," and according to Magalla (2018), contributes to an even better society and a cleaner environment.

The corporate failure of private and public organizations in the country has resulted in the great prominence of corporate governance. Regulatory initiatives and corporate failures have similarly placed the country under great scrutiny, taking the examples of NHIF and CMC Motors and according to the 2014 Capital Market Steering Committee report, there has been a number of boardroom wars and scandals among the large companies of the country. Kenyans have termed CSR as long-term commitment of firms to the economic, environmental, social, and legal rights to sustain humanity (Cheruiyot & Tarus, 2016). Additionally, Garriga & Mele´ (2004) highlighted that CSR is characterized by the voluntary act of its philanthropic nature that appeared to be weakly regulated. Omwenga (2013) analyzed the energy sector of the country and discovered that the activities of an organization implicate different stakeholders. According to the researcher, an organization is pressurized by its stakeholders and directors into engaging or continuing to engage in CSR.

From a 2011 KPLC report, the value of CSR is disregarded and management of various sectors get into conflicts with shareholders on the level of CSR engagement. However, as a consideration of the interests of the shareholders' interests is expected, the management of an organization will continue to engage in CSR. This exhibits a positive correlation between CG and CSR. In the manufacturing industry, Mungwang'a, et al. (2018) assessed data from 56 large manufacturing firms in the country and discovered a positive correlation between the Top Management Team (TMT) and CSR. A significant relationship between CSR, CG, and TMT was noted, one that was statistically significant. The relationship, however, was not highly correlated. The study showed that corporate governance, TMT, and CSR were present in large organizations and to a great extent. In the tourism industry, a study by Njeri, et al. (2017) has shown how five-star hotels in the country have embraced CSR as a tool for enhancing their performance to the economic, legal, business, and societal demands. In relation to CG, the hotels engaged in CSR under the influence of their stakeholder and managers. Based on the review, there is a strong correlation between CG and CSR, where, in most cases influences the performance of the organization.

2.5 Conceptual Framework

The section represents a synthesis of literature by the researcher on explaining a phenomenon mapping out the required actions throughout the study while considering the works of previous researchers, their perspectives and observations on the related subjects. In this study, the framework identifies variables that once put together explain the effect of CG on CSR in firms listed at the NSE.



2.6 Summary of Literature Review

The review of literature demonstrated a possible connection between CG and CSR, especially in terms of the role of leadership and involvement in socially responsible activities. The review of literature also shows that the means in which organizations are governed directly influences their attitude towards CSR. However, in the reviewed literature, no study decisively and empirically investigates the relationship between CG and CSR for NSE firms, which was the main gap in literature.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter explicitly highlights the procedures used for the collection and analysis of data. It focuses on the design, population, methods of data collection and the analysis of the collected data.

3.2 Research Design

This is considered a blueprint guiding researchers throughout their study. Similarly, it creates a basis for assessing the outcomes of the study and developing conclusions.

This study adopts a descriptive research design because of its efficiency in investigating the relationship between the variables. Data collection in this study utilized secondary sources, where the researcher obtained data from company reports, publications and other records that was accessed with the permission of the respective companies.

3.3 The population

Sekaran and Bougie (2010) defined population as a set of individuals or objectives that the researcher is interested in for data collection. On the other hand, Mugenda & Mugenda (2003) defined it as aggregated elements that share common attributes. The common features in this study will be listing firms existing in the NSE. The firms are differently grouped depending on their industries and as at December 2020, are 66 in number.

As the size of the population was small and secondary sources provided data, the study adopted a census study. All firms were analyzed in terms of their CG and CSR. Studying all the firms ensured that the NSE was properly covered thus ensuring a comprehensive study with better results.

3.4 Data Collection

The study used secondary sources due its availability at the NSE and CMA. Information was acquired from relevant annual reports and downloaded from the company websites. The researcher targeted data between 2016 and 2020, a 5-year period. The Board Composition, Board Size and Board Independence was obtained from reports to the shareholders while CSR expenditure was acquired from the firms' financial statements.

3.5 Data Analysis

Data analysis breaks down data in a meaningful manner using statistical tools. To establish the relationships between variables, inferential statistics was used. The inferential statistics was regression analysis. Descriptive statistics was also used using measures of central tendency such as medians and the mean, and measures of dispersion such as standard deviations and variance. Correlation analysis was also used to describe the data.

3.5.1 Diagnostic Tests

Before carrying out regression analysis, regression assumptions were tested. The regression assumptions included homoscedasticity, multicollinearity and normality. The study will undertake several diagnostic tests to assess the applicability of the research structure and test the validity and reliability of the data.

Multicollinearity was tested using the Variance Inflation Factor (VIF), that helped in establishing correlation and its extent between independent variables. VIF from one to ten was an indication that correlation was lacking and one that was above five shows correlation therefore the need of removing closely related independent variables. Heteroskedasticity was assessed using the Levene test plotting a residual graph and assessed for serial correlation (autocorrelation) using the Durbin Watson test where a 2.0 to 2.5 value indicates the lack of autocorrelation (Burns & Burns, 2008).

Normality test was measured by skewness and kurtosis to identify whether the collected data set was modeled for normal distribution. If skewness failed to measure near zero, it meant that the data set is not normally distributed.

Another test to be performed was the test for stationarity, which in this case, was the Dickey-Fuller Test, a test that used to determine the existence of the unit root. The test determines whether or not the time series data being used is stationery.

As far as the model fitting is concerned, ordinary least squares would be used, and this would be done by investigating the relationship between the predictor and an outcome variable using OLS.

3.5.2 Analytical model

The model for the study was the regression model with the general regression model being;

$Y=\alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3 \ldots\ldots \beta_nX_n + \varepsilon$

The specific regression model after variables have been plugged is as follows;

Y (CSR) $=\alpha+\beta_1$ (Board size) $+\beta_2$ (Board Diversity) $+ \beta_3$ (Board independence) $+ \beta_4$ (Firm size) $+\varepsilon$

$X_{1=}$ Board size will be measured by the natural log (ln) of total number of directors on the board

$X_{2=}$Board Diversity will be measured as a ratio of female directors and Board size. Other measures in the literature include gender and age diversity

$X_{3=}$ Board independence will be measured by the proportion of independent board directors (Number of independent directors divided by total number of directors).

$X_{4=}$ Firm Size, which will be measured by the natural log of total assets.

3.6 Tests of Significance

Parametric tests were carried out to determine the model and the statistical significance of individual parameters. The F-test was used in assessing the general model's significance and it will be given by ANOVA while a T-test will determine the significance of individual variables.

CHAPTER FOUR: DATA ANLYSIS, RESULTS AND DISCUSION

4.1 Introduction

This chapter entails the assessment and findings of the study as outlined in methodology chapter. The analysis is subdivided into four main sections; descriptive statistics, correlation analysis, diagnostic tests, and regression analysis. This chapter was critical in answering the overarching research question.

4.2 Descriptive statistics

In this study, data was readily available through the CMA and the websites of the firms and also their company reports.

The mean board size for the firms included in the study was about 9 (8.90), with a standard deviation of 3.775, an indication that board size did not vary too much among the companies in the sample. Board independence had a mean ratio of 2.71 with a relatively large standard deviation of 1.885. This is an indication that board independence varied greatly among the organizations included in the sample. The mean CSR expenditure was at .13963, with a large standard deviation of .27253, an indication that the expenditure on CSR varied greatly among the NSE listed companies. The rest of the results are summarized in the table below;

Table 4. 1 Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Board Size	62	3	26	8.90	3.775
Board Independence	62	1	10	2.71	1.885
Board Composition (m:f)	62	.330000000000000	14.000000000000000	3.435161290322581	2.198444861629360
Firm Size (Amount in bn ksh)	62	.102000000000000	2823.400000000000000	92.503860000000000	415.349058190667730
CSR expenditure (billions)	62	.000050000000000	1.000000000000000	.139626451612903	.272534965650202
Valid N (listwise)	62				

Source: Author 2021

4.3 Correlations

As shown in the correlation matrix below, board and firm size, and board independence showed significant positive correlations with expenditure in CSR. This means that companies with larger boards are likely to spend more on CSR, and that companies with more non-executive directors are more likely to spend more on CSR. Larger companies are also expected to spend more on CSR.

Table 4. 2 **Correlations**

Correlations

		Board Size	Board Independence	Board Composition (m:f)	Firm Size (Amount in bn ksh)	CSR expenditure (billions)
Board Size	Pearson Correlation	1	.565**	.307*	.070	.411**
	Sig. (2-tailed)		.000	.015	.590	.001
	N	62	62	62	62	62
Board Independence	Pearson Correlation	.565**	1	.122	.012	.404**
	Sig. (2-tailed)	.000		.344	.925	.001
	N	62	62	62	62	62
Board Composition (m:f)	Pearson Correlation	.307*	.122	1	-.008	.033
	Sig. (2-tailed)	.015	.344		.951	.800
	N	62	62	62	62	62
Firm Size (Amount in bn ksh)	Pearson Correlation	.070	.012	-.008	1	.617**
	Sig. (2-tailed)	.590	.925	.951		.000
	N	62	62	62	62	62
CSR expenditure (billions)	Pearson Correlation	.411**	.404**	.033	.617**	1
	Sig. (2-tailed)	.001	.001	.800	.000	
	N	62	62	62	62	62

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Author 2021

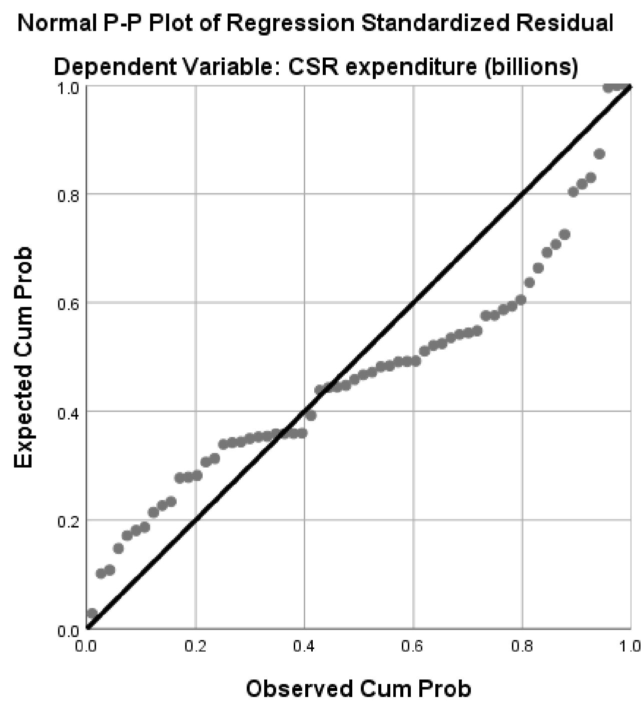
4.4 Diagnostic Tests

Before analysis, data was tested for regression assumptions to ensure that it was fit for regression and probably take corrective to avoid violating regression assumptions. The section in this chapter outlines the various tests which were performed to the data together with their results and conclusions. The following are tests,

4.4.1 Normality

To test whether the data was well distributed, the skewness and kurtosis tests were performed. As shown in the P-P plot below, the plots roughly conform to the diagonal line of normality, and as such, it can be concluded that the normality assumption is met.

Figure 4. 1 Normality Test Results

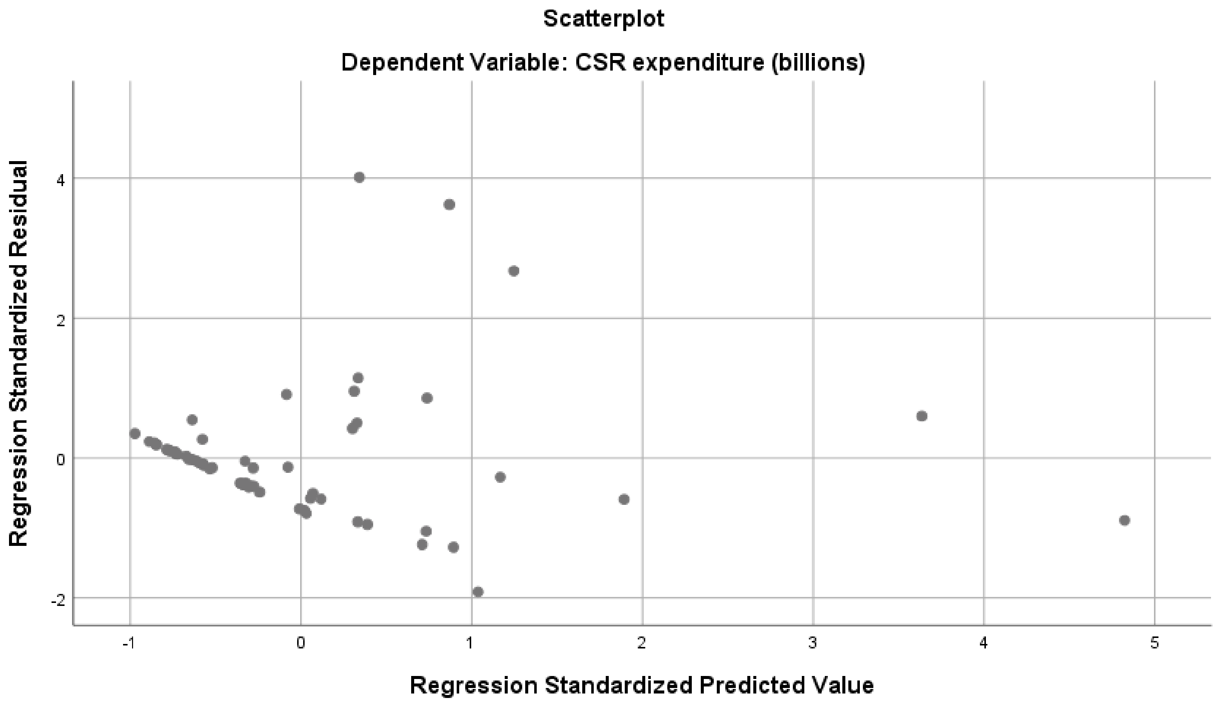


Source: Author 2021

4.4.2 Homoscedasticity

In the scatterplot below, it can be concluded that the data is generally homoscedastic as the error term appears to be mostly the same across most values of the independent variables. This is indicated by the general spread of the plots on the scatterplot below. As such, it can be concluded that this assumption has been met.

Figure 4. 2 Homoscedasticity



Source: Author 2021

4.4.3 Collinearity Diagnostics

There is a collinearity problem if VIF <1 or is >10, and in the case below, none of the variables showed VIF values that are <1 or >10, and as such, the collinearity assumption has been satisfied.

Table 4. 3 **Coefficients**

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.126	.064		-1.967	.054		
	Board Size	.017	.008	.236	2.148	.036	.619	1.615
	Board Independence	.039	.015	.272	2.584	.012	.677	1.477

	Board Composition (m:f)	-.008	.011	-.068	-.747	.458	.901	1.110
	Firm Size (Amount in bn ksh)	.000	.000	.596	6.860	.000	.993	1.007

a. Dependent Variable: CSR expenditure (billions)

Source: Author 2021

4.5 Regression Analysis

In the model summary below, R = 0.757, an indication of a strong correlation between the predictors and the dependent variable, which in this case, is CSR expenditure. The predictors can sufficiently account for 57.2% of CSR expenditure (R square = 0.572).

Table 4. 4 Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.757[a]	.572	.542	.184352050317576

a. Predictors: (Constant), Firm Size (Amount in bn ksh), Board Composition (m:f), Board Independence, Board Size

b. Dependent Variable: CSR expenditure (billions)

Source: Author 2021

As shown in the ANOVA table, F (4, 57) = 19.079, sig = 0.000, and as such, we can conclude that the current model can significantly predict the outcome.

Table 4. 5 ANOVA

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.594	4	.648	19.079	.000[b]
	Residual	1.937	57	.034		

Total	4.531	61			

a. Dependent Variable: CSR expenditure (billions)

b. Predictors: (Constant), Firm Size (Amount in bn ksh), Board Composition (m:f), Board Independence, Board Size

Source: Author 2021

From the coefficient table below, board size shows Beta = 0.17, and sig = 0.036, and since the sig value is less than the critical value (0.05), and the beta value is positive, it can be concluded that larger board sizes are associated with more spending on CSR spending by an organization. For board independence showed beta = 0.039, and sig = 0.012, and since the sig value is less than the critical value (0.05), and the beta value is positive, it can be concluded that a larger number of non-executive directors on the board are associated with more spending on CSR spending by an organization. Firm size showed Beta = 0, which shows a lack of a relationship between firm size and CSR spending.

Table 4. 6 **Coefficients**

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.126	.064		-1.967	.054
	Board Size	.017	.008	.236	2.148	.036
	Board Independence	.039	.015	.272	2.584	.012
	Board Composition (m:f)	-.008	.011	-.068	-.747	.458
	Firm Size (Amount in bn ksh)	.000	.000	.596	6.860	.000

a. Dependent Variable: CSR expenditure (billions)

Source: Author 2021

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the findings of the researcher under objectives, conclusions and recommendations and offers suggestions for further studies. It additionally concentrates on the limitations of the study throughout the research and suggests areas for future studies

5.2 Summary of findings

The correlation matrix showed that board and firm size and board independence all showed significant positive correlations with expenditure in CSR, meaning that companies with larger boards are likely to spend more on CSR, and that companies with more non-executive directors are more likely to spend more on CSR. Larger firms are also expected to spend more on CSR. Since correlation is not causation, we use regression analysis to investigate causation, and it was established that larger board sizes are associated with more spending on CSR spending by an organization, and that a larger number of non-executive directors on the board are associated with more spending on CSR spending by an organization. Firm size showed Beta = 0, which is an indication that there is no association between CSR spending and firm size.

Analyses, in general, found CG to positively and significantly influence CSR since important measures of CG showed a significant causal effect on CSR spending. The link between CSR and good corporate governance helps to keep things in balance. Also, it supports the company in developing control strategies, hence enhancing share value while maximizing stakeholders' and shareholders' satisfaction. These findings are supported by previous studies, such as Said et al. (2009). CG was established as a necessary pillar for sustainable CSR.

In addition, findings from regression analysis reveal that board independence and board size influence how companies are involved in CSR. Quality of decision was found to improve in the presence of independence on the board, since independent directors are likely to improve a firm’s involvement in CSR and will most likely focus on the greater good. In this sense, firms with a higher number of independent directors are likely to compensate executives in the form of CSR incentives. CSR impacts shareholders and this is due to the active role of non-executives, as their presence guarantees the fulfillment of shareholders' interests. Independent directors put more pressure on companies to disclose CSR information so as to make corporate decisions that are more effective and legitimate from a social perspective.

The findings found that the size of the board influences how companies engage in CSR activities. The board size exhibited a positive correlation to the extent in which a company is likely to engage in CSR reporting, and this was further supported by regression analysis. This implies that larger boards are more likely to get involved in CSR activities. Larger boards have a higher demand for CSR, hence greater transparency; they also tend to have a higher diversity of expertise, stakeholders' representation, and experience, which is likely to boost the firm's image and reputation. The diversity on larger boards can increase CSR demand, and as a result, larger boards are expected to be more engaging in CSR. Moreover, there is a broader sharing of ideas on these boards, leading to better CSR involvement and activity appreciation.

5.3 Conclusions

The researcher arrived at the following conclusions.

Quality CG is required by every firm considering the impacts of a good CG system on ensuring all shareholders are equally treated, which, consequently builds shareholder confidence. A firm with a good CG system provides protection to all its shareholders in reasonably recovering their investments, in an appropriate and efficient manner, CG is for the benefit of its shareholders. Every year, firms make contributions in activities relating to CSR, where mutual funds- in pursuit of an investment strategy- that are solely based on CSR command billions across the globe. An academic debate on whether CG affects CSR, and whether the benefits and costs of CSR are worth the sacrifices made by managers has been spinning around.

It is important to consider that a firm does not only operate to benefit its shareholders, but for the interest of its stakeholders as well. This is done through implementing business practices in the form of CSR. This study sought to assess the effects CG has on CSR in Kenyan organizations using board size, independence and composition as independent variables. According to the findings, board size in Kenyan firms significantly influenced CSR in the sense that a larger board size possesses individuals with different levels of experience, different knowledge capacities, and different backgrounds which may increase the levels of voluntary disclosures in the yearly reports of a firm. Board size has the capability of enhancing the transparency of CSR activities and strategies whereby such information manages the legitimacy of a company and creates an alignment with the expectations of the public. In the concept of size, larger firms were found to be more motivated in CSR, and disclosed more information to the public on their activities compared to smaller firms, which in return, aided in maintaining their reputation.

As stated in the literature review, board independence is a condition necessary for the assessment of measures associated with fulfilling the informational needs of the stakeholders. The current study discovers that board independence positively influences CSR as independent members of the board appeared to report more quality work especially on reduced costs and external audits.

This study has revealed that firms which possess a more effective governance strategy are more involved with CSR and in most cases, exhibit strong relationships with the CSR strategy. It is important to also understand that so far, studies have assumed causality runs from the quality of CG to CSR. This study has shown that this argument can as well be reversed, in the sense that causality runs from CSR to the quality of CG. To sum up, effective CG has a positive and significant impact on CSR reporting quality. CG has a direct impact or influence on how much an organization in the NSE is likely to spend on socially responsible activities.

5.4 Recommendations

The current study revisits the main research problem in this study, which reiterated the bad state of CG in Kenya, largely because of unethical practices and questionable corporate governance policies from which most Kenyan firms have succumbed. Corporate governance in Kenya is also weakly regulated, perhaps because of the lack of a clear understanding of its overall importance. Since the current study establishes that CG is a predictor of how much a company engages in CSR, this study recommends that the government, through relevant authorities, should encourage, through regulation, larger and more diverse boards and more independent boards. This will be key to achieving better CSR in Kenyan organizations.

5.5 Limitations of the Study

The key limitation in this study was data availability. The researcher had to deal with missing data values. In some instances, the researcher was not able to completely carry out data cleaning, and as such, the researcher was forced to use placeholders for some missing values. This might have an impact on the overall results obtained and, therefore, the conclusion of the study.

The study may also have been limited as it only focused on listed firms. Most small and medium enterprises are not listed on the NSE and as such, this phenomenon might have been investigated only from a small segment of organizations in Kenya. The study was also conducted in Kenya during the time when the country firms or companies were facing financial distress and challenges, and perhaps, this could have impacted the amount of money that these companies dedicated to CSR.

5.6 Suggestions for Further Research

From the limitations, the researcher makes the following suggestions for future researchers; future studies on this topic should include a wider scope of data, for instance, instead on focusing only on the NSE listed companies, the studies should include all Kenyan organizations including non-listed firms and SMEs to facilitate a comprehensive analysis of the how corporate governance affects CSR.

More studies covering more than five years need to be considered to ensure results are more generalizable.

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Appendix I: Data Collection Instrument

Year	CSR EXP.	TOTAL EXP on CSR	Board size	Board Independence	Board composition
2016					
2017					
2018					
2019					
2020					

Source, Reseacher,2021