Abstract

Numerous studies have been conducted to find the relationship between corporate social responsibility (CSR) activities and their financial performance within the international level for large firms but very little analysis has been undertaken to determine any relationship between these two variables in the Kenyan SME sector. For the little work that has been undertaken at international level on the relationship, the research suffered from poor research design, inappropriate statistical method and inadequate data and thus less weight can be placed on their findings.

In this study the attempt is to overcome the weaknesses in previous studies and to provide better insights into these issues by examining the relationship between this variable from Kenyan SMEs perspective by identifying drivers of CSR in the Kenyan sector in explaining the voluntary adoption of CSR activities by SMEs. The research survey consisted of active top 100 SMEs in the year 2012 in Kenya and questionnaire used to collect data regarding corporate social responsibility while companies’ financial statements used to collect data for the financial performance variable. Return on assets ratio was used in measuring firm’s financial performance with regression analysis will been applied for data analysis of financial variables.

The study further revealed that there was a positive and significant correlation between ROA, other variables under study and net income. This also implies that there is a positive relationship between net income, CSR, financial performance and growth in the total assets. Results also indicate that the correlation between ROA and growth in CSR and net income was significant. The correlation between ROA, growth in income, growth in CSR and net income was positive and significant (r=0.556 and p value =0.000).