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Doctoral Thesis

**Corporate Social Responsibility (CSR) in the Banking
Industry: A Model for Increasing Financial
Performance**

**Corporate Social Responsibility (CSR) v bankovním průmyslu:
model zvyšování finanční výkonnosti**

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ABSTRACT

The banking sector is considered to be an important component in the financial services' industry while banks are spending millions of dollars on corporate social responsibility (CSR). Many banks have created task teams to introduce the CSR concept properly so that to guarantee higher profits through CSR practices. However, a common CSR framework that can be adapted and implemented by commercial banks to achieve financial returns is still lacking, thus subjecting CSR as a philanthropic activity that is mostly applicable to developing countries. The dissertation uses two sets of data: primary data collected from bank customers, employees and managers and secondary data collected from banks' financial statements and annual reports so that to develop a model that can be used to increase financial performance by banks through CSR. Using the IBM SPSS Modeler 22.0 and NVivo software, the dissertation provides the model, taking into account three pillars of CSR (economic, environmental and social) and three accounting based measures (ROA, ROE and PPE). The findings indicate a positive relationship between CSR and financial performance in commercial banks based on accounting measures. Therefore, better CSR practices lead to higher financial performance in commercial banks. Moreover, there is a moderating effect of the control variables on the relationship between CSR strategies and financial performance of commercial banks. Financial performance is dependent on solid socially responsible performance and investments in CSR positively affect profitability growth. Banks have specific departments responsible for CSR implementation. In addition, the results indicate that banks communicate their CSR practices via bank websites and annual reports and have significant budgets allocated for CSR-related activities. To better practice CSR, these banks observe professionalism, are shareholders-oriented and make their CSR practices completely voluntary. Relationship creation is the main objective of practicing CSR by banks. Image creation; financial returns; increase customer loyalty/base; contribution to sustainable growth; product and service quality; employees' welfare; talent management; health management; community development; partnerships' development; education development; advocacy for equality; life improvement and environmental management are the other objectives of banks' involvement in CSR. The results indicated that CSR initiatives are mostly philanthropic. Furthermore, the dissertation's contributions to scientific and practical fields are discussed in the penultimate chapter. Finally, limitations of the research and suggestions for future research are presented in the last chapter (chapter 8).

ABSTRAKT

Bankovní sektor je považován za důležitou součást finančního průmyslu a banky investují miliony dolarů do společenské odpovědnosti firem (CSR). Výsledkem tohoto je, že mnoho bank vytvořilo pracovní týmy, jejichž úkolem je vytvořit koncept CSR za účelem zvyšování zisků prostřednictvím využití principů CSR. Nicméně takovýto rámec, jenž by mohl být převzat a využit komerčními bankami za účelem zvýšení finanční výkonnosti, chybí a je tedy považován za dobročinnou aktivitu, která je typická pro rozvojové země. Tato dizertační práce vychází ze dvou typů informací: primární údaje získané od zákazníků, zaměstnanců a manažerů bank, a sekundární data získaná z finančních výpisů a výročních zpráv bank za účelem vytvoření modelu, jenž může napomoci ke zvýšení finanční výkonnosti bank využitím CSR. S použitím softwaru IBM SPSS Modeler 22.0 a NVivo tato práce představuje model, ve kterém jsou zahrnuty tři pilíře CSR (ekonomický, environmentální, společenský) a tři míry vycházející z účetnictví (ROA, ROE a PPE). Výsledky studie poukazují na pozitivní vliv CSR na finanční výkonnost komerčních bank na základě zmiňovaných mír vycházejících z účetnictví. Lze tedy konstatovat, že využití principů CSR vede k vyšší finanční výkonnosti komerčních bank. Navíc je evidentní mírný vliv řídicích proměnných na souvislost mezi strategiemi CSR a finanční výkonností komerčních bank. Finanční výkonnost je závislá na silné a stálé společensky odpovědné prezentaci a investice do CSR pozitivně ovlivňují růst ziskovosti. Banky si již vytvořily určitá oddělení, která jsou zodpovědná za zavedení a využití CSR. Kromě tohoto výsledky ukazují, že banky již zahrnuly jejich CSR praktiky do jejich webových stránek a výročních zpráv a tedy mají vyčleněný patřičný finanční zdroj na pokrytí veškerých aktivit spojených s CSR. Banky se tak soustředí na profesionalitu, jsou orientované na akcionáře a tyto praktiky jsou zcela na dobrovolné bázi. Vytvoření vztahu je hlavním cílem CSR praktik u bank. Dalšími cíli je vytvoření image, finanční výsledky, zvýšení věrnosti zákazníků (podstata), přispění k udržitelnému růstu, kvalita výrobků a služeb, blaho zaměstnanců, rozvoj talentu, péče o zdraví, pocit sounáležitosti, rozvoj spolupráce, rozvoj vzdělanosti, podpora rovnoprávnosti, zlepšení života a životního prostředí. Výsledky potvrzují, že CSR iniciativy jsou založeny na dobrovolné bázi. V předposlední kapitole jsou zmíněny přínosy dizertační práce ve vztahu k vědě a praxi. V poslední kapitole (Kapitola 8) jsou zmíněna omezení výzkumu a návrhy pro další výzkum.

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ACRONYMS AND ABBREVIATIONS

1. ATMs	Automated Teller Machines
2. CFP	Corporate Financial Performance
3. CSP	Corporate Social Performance
4. CSR	Corporate Social Responsibility
5. E.g	For Example
6. ET al	And Others
7. Fperf	Financial Performance
8. GRI	Global Reporting Initiative
9. GSI	Growth Strategies International
10.ILO	International Labor Organization
11. KCB	Kenya Commercial Bank
12.KLD	Kinder, Lydenberg, and Domini
13.LP	Labor Productivity
14. NSE	Nairobi Securities Exchange
15.OCF	Operating Cash Flow
16.OECD	Organization for Economic Cooperation and Development
17.P/PP	Pages
18.PPE	Profit Per Employee
19.ROA	Return on Assets
20.ROE	Return on Equity
21.ROI	Return on Investment
22.SRI	Socially Responsible Investing
23.TBL	Triple Bottom Line
24.UN	United Nations

1. INTRODUCTION

According to (Sharif and Rashid, 2014, p. 2502), corporate social responsibility (CSR) is an essential requirement for survival and growth of companies. CSR is associated with trust which has the influence of satisfaction and retention (Kombo and Paulík, 2015, p. 666). Retention and satisfaction, in turn, are the key drivers of profitability and increased market share. Luo and Bhattacharya (2006, pp. 1) describe CSR as direct or indirect contributions to the society by performing socially responsible behaviors and/or engaging in actions that advance some social good and/or welfare.

CSR is also used as a pre-emption strategy to save corporations from unforeseen risks and corporate scandals, possible environmental accidents, governmental rules and regulations and also for promoting better relationship with employees based on volunteerism (Akanbi and Ofoegbu, 2012, p. 375). Furthermore, CSR contributes to sustainable development by means of building a dynamic; competitive and cohesive economy (Polychronidou, 2014, p. 193-194). Also, Porter and Kramer (2006, p. 78-80) mention that CSR is a source of opportunity and innovation.

Based on the findings of Wu and Shen (2013, p. 3529-3546) altruism is the main motive for CSR practices in commercial banks. Pomeroy and Dolnicar (2009, p. 285-289) argue that CSR initiatives promise strategies for rebuilding stakeholder relationships, particularly, with employees and consumers in the banking industry. This is due to competitive pressure within the banking sector, which results in-banks being seen as more consumer-friendly. In addition, these authors state that CSR is a competitive frontier by which banks can position their brands and services. CSR merits mentioned above are achieved due to integration of social, environmental, ethical, consumer concerns and human rights into business operations and the core strategy in close collaboration with stakeholders (Ostalecka and Swacha-Lech, 2013, p. 425). These authors further argue that implementing CSR into banks' activities involves commitment to local economy, shareholders, customers, employees, society and the environment. As a result, banks have allocated millions of American dollars into CSR practices. A notable example is the Bank of America which according to their annual report (as of August 2012), allocated \$1.5 trillion for community lending and investing on a ten-year plan; \$2 billion more were used with philanthropic investment goals for the same period, and the \$50 billion more on the environmental issues (Cornett et al., 2014, p. 3).

Professionalism through observation of the code of ethics, transparency, cooperation and maximizing shareholders' value are important aspects of social responsibility in the banking sectors that make CSR successful (Graafland and Van de Ven, 2011, p. 605-617). In addition, shareholders tend to fully support companies that engage in CSR activities (Kombo and Paulík, 2015, p. 666). Chatterjee and Lefcovitch (2009,

p. 24-28) state that commercial banks are strongly focused on profit-making and other financial aspects. Provision of socially responsible products and services has further contributed to achieving financial benefits for banks and companies. Banks and companies involved in socially responsible performances are able to retain and attract more customers and staff thereby increasing their financial performance. Therefore, basing on the literature review, we can conclude that CSR is a program used to maximize profits.

The significance of CSR actions for financial performance has been a hot topic for many years by now. Furthermore, the impact of CSR on financial performance is of more importance than ever to both researchers and policy makers. Despite the many years of the related research, there is no common understanding how exactly CSR increases financial performance in the banking industry. Basically, majority of the empirical studies on CSR focus only on its merits (Senthikumar et al., 2011; Akanbi and Ofoegbu, 2012; Polychronidou, 2014; Porter and Kramer, 2006; Wu and Shen, 2013; Pomering and Dolnicar, 2009 and Meena and Dangayach, 2012) and implementation (Podnar and Golob, 2007; Fernández-Feijóo Souto, 2009; Angus-Leppan et al., 2010; Justyna, and Saniuk, 2014; Ratajczak, 2014) while ignoring the model that can be used to ensure successful implementation geared at increasing financial performance. This study is focused on investigating the banking sector in Kenya, with data collected from Kenyan bank customers, bank employees and bank managers.

2. THEORETICAL FRAMEWORK

2.1 Definitions and Evolution of CSR

2.1.1 Definitions of CSR

According to Gössling and Vocht (2007, p. 363), CSR rests on the basic idea of how companies strive to meet the society's expectations in relation to their practices. The definitions of CSR are generally consistent with sustainable development that involves economic, social and environmental goals (Hediger, 2010, p. 518). Besides, Ratajczak (2014, pp. 110) also reiterate that these definitions need to be compliant with ethical, moral and legal standards of doing businesses. On the other hand, Bondy et al (2012, pp. 287) argue that CSR has six core characteristics that are in line with most definitions of CSR. First of all, they state that, CSR is voluntary. **Second**, CSR focuses on internalization or management of externalities of products or services provided, **third**, it is a multiple stakeholder orientation whereby, apart from the business, groups are important. **Four**, alignment of social, environmental and economic responsibilities in daily activities and decision-making, **five**, it must be embedded in both activities and values. Finally, CSR is beyond philanthropy and it also focuses on operational considerations. Besides that, Carroll and Shabana (2010, pp. 89), state that CSR have over thirty seven (37) different definitions.

Therefore, CSR is:

- *Taking into account the interests of the society, environment, relationships with key stakeholders by integrating social and environmental concerns of a company's business strategy and operations based on a voluntary basis (Justyna, and Saniuk, 2014, pp. 71). The authors describe the features of good CSR practices and also provides the two pillars of CSR (social and environmental concerns). In addition, they outline the objectives of CSR activities.*
- *"Open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment. It is designed to deliver sustainable value to society at large, as well as to shareholders", (Tencati et al., 2004, pp. 175-176: Adapted from Prince of Wales International Business Leaders Forum. The definition highlights the acceptable norms and values of CSR practices and the need to include stakeholders (employees, communities and environment) in CSR activities. Moreover, objective of CSR implementation is mentioned in the definition.*
- *A company's activities that are in line with stakeholders obligations (Bhattacharya and Sen, 2004, p. 9). The definition touches on the objectives*

of the CSR, however, no mention of the characteristics of a good CSR practices and any pillars of CSR (economic, social and environmental).

- *Sacrificing profits in the social interest through legal, contractual obligations or voluntary basis (Bénabou and Tirole, 2010, p. 2).* CSR entails philanthropic objectives as stated in the definition. Furthermore, the authors provide the characteristics of good CSR practices which are in line with this study.
- *“A program of action where a firm’s objective is to maximize its profits and, at the same time, to contribute to the improvement of social welfare”, (Hediger, 2010, p. 520).* Profit making is the motive of every business. Although CSR involves costs, the end results is to make profits through focusing on the stakeholders as mentioned in the definition.
- *The scenario whereby businesses are not only focused on their own economic and financial profitability performance but for the society as well through provision of goods and services (Carroll and Shabana, 2010, pp. 89).* This definition is reiteration of the definition by Hediger (2010) and thus critical in achieving the objective of this study.

This study will use the definitions of **Justyna, and Saniuk, (2014); Luo and Bhattacharya (2006); Tencati et al (2004); Bénabou and Tirole (2010); (Hediger 2010)** and **Carroll and Shabana (2010)** to achieve the main objective as the authors are the most referenced in literature. In addition, **Luo and Bhattacharya (2006)** and **Carroll and Shabana (2010)** are experts in the field of CSR.

2.1.2 Evolution of CSR

Linfei and Gu Qingliang (2009, pp. 219) state that CSR was first formalized by Bowen as simply an **“obligation”**. Later, Drucker proposed a new meaning for CSR with special attention to the role of third sector **“society”**. According to the authors (Linfei and Gu Qingliang, 2009, pp. 219), this is evident from Carroll (1999) who has discussed over 25 different conceptual definitions for CSR. Table 2.2.2 indicates the revolution of the concept (CSR) from **obligations** to **society**, then to **international social issues** and **corporate social performance**.

According to Alafi and Hasonah (2012, p. 104), in 1990’s, CSR was perceived using both stakeholder and business ethics theories and not profit alone. Furthermore, Linfei and Gu Qingliang (2009, pp. 219) mention that in the 21st century, the concept has shifted to **“strategy”** and **“competitive advantage”** as indicated in table 2.2.1. This is due to the fact that strategic CSR enables a company to ‘do well’ by making profits and the world a better place too. Furthermore, CSR is considered as an investment into the company’s future, crucial in company success, enhancing company reputation, which is necessary to attract, retain and motivate quality

employees, increasing value of the brand and goodwill. All these are part of the 21st century of the evolution of CSR to strategy and competitive advantages which as well brought opportunities and innovations to companies (Linfei and Gu Qingliang, 2009, pp. 219).

Matten and Moon (2008, pp. 411) also discuss the reasons why explicit CSR (discussed in chapter 2.4) has spread globally. The spread is based on two ideas: **Neoinstitutional Theory** and **Institutional Legitimacy**. Both are known as “**new institutionalism**”. New institutionalism is categorized into three processes namely coercive isomorphisms, mimetic processes and normative pressures Matten and Moon (2008, pp. 411-412). The authors describe coercive isomorphisms as sets of externally codified rules, norms and laws that assign legitimacy to new management practices. They give examples of organizations such as United Nations (UN), the Organization for Economic Cooperation and Development (OECD), the International Labor Organization (ILO) and the Global Reporting Initiative (GRI). In addition, they describe compliance with environmental standards and growth of socially responsible indexes are examples of coercive isomorphisms.

Mimetic processes is associated with ‘best practices’ from managers such as quality management and business reengineering (Matten and Moon (2008, pp. 412). These practices are based on leadership-focused approach. Moreover, according to the authors, normative pressure is linked to legitimate organizational practices (e.g standardized MBA degree). Mark-Ungericht and Weiskopf (2007, pp. 285) also argue that the evolution has been due to factors such as corporate scandals, unethical business activities, changes in the public views on specific societal aspects and changes in the overall political, economic and social frameworks. Furthermore, they state that globalization has also played its fair share on the evolution of CSR. This study is in line with new institutionalism theory (coercive isomorphisms, mimetic processes and normative pressures as they reflect the values for successful implementation of CSR. These values are transparency, ethical standards, professionalism and altruism and are used to achieve the main objective of this study.

2.2 Pillars of CSR

Companies have different ways of defining their CSR practices. For instance, the most common practice is the inclusion of the Triple Bottom Line (TBL) framework (Shnayder et al., 2015, p. 1). TBL refers to people, planet and profit. The three entities are also known as the 3P’s. Shnayder et al (2015, p. 6) describe the three entities as follows: **people** refers to how firms carry out their business with regards to the affected labor force; **planet** is how firms take responsibility towards

environmental parameters and **profit** refers to how firms economically generate benefits to society.

Other authors' state that CSR should include; the economic value added, the societal value added, the brand value added and the reputational value added (Weidman and Platz, 2006). Carroll and Shabana (2010, pp. 90-91) mention four expectations of CSR namely legal, economic, ethical and philanthropic. However, according to Hemphill (2004, p. 339-342), CSR consists of four components namely: striving to make profits (economic), obeying the law (legal), being ethical (ethics) and being a good corporate citizen in its relationship with stakeholders (philanthropic). Later pillars like that of Belás et al (2013, p. 48) modified the above pillars into three namely: economic, social and environmental. The same pillars are also mentioned by Paulik et al (2015, p. 66).

According to Castka et al (2004, p:142-146), CSR can be categorized into two dimensions: **Internal** and **external** dimensions. **Internal** dimensions consist of socially responsible practices primarily aimed at employees on issues such as: *human capital management; working environment and health & safety; quality of management; adoption to change and innovation; managing environmental impacts and natural resources and managing finances* **External** dimension is focused on a company's activities into the local community, stakeholders, for example business partners, suppliers, NGOs representing different community groups, public authorities and customers. Most common areas of focus are: *stakeholder relations (business partners, consumers, suppliers, community etc); corporate governance structure; human rights and global environmental concerns*

However, Alafi and Hasonah (2012, p. 105), argue that CSR can be categorized into three streams. They are **stakeholders** (companies responding to demands from external stakeholders to alleviate broad and general social concerns that are usually tackled by governments and NGOs), **performance** (effectiveness of the link between external expectations and companies' actual actions that produce appropriate responsible actions that are expected of a good corporate citizen) and **motivation** (provide essential reasons for CSR engagement, for example, enhancing reputation that translates to customer loyalty). Angus-Leppan et al (2010, pp. 190) state that CSR can be grouped into two roles depending on institutional influences. These are '**implicit**' and '**explicit**'. Matten and Moon (2008, p. 409) provide definition for implicit and explicit CSR. Implicit CSR is, "understanding corporations' role within the wider formal and informal institutions for society's interests and concerns" while explicit CSR is, "referring to corporate policies that assume and articulate responsibility for some societal interests". According to Angus-Leppan et al (2010, pp. 190), implicit CSR is usually included in a political system that want to foster relations among three parties namely government, society and businesses. This can result from strong norms that parties what to be

associated with. The norms are defined by democratic context or prevailing approaches on policy making that are also guided by values and rules. Explicit is based on voluntary, deliberate and strategic decisions made by companies (Angus-Leppan et al (2010, pp. 191).

According to Justyna, and Saniuk (2014, pp. 78-79), CSR has four levels and stages namely, stage 1: legislation binding, stage 2: compliance with ethical norms, stage 3: participation of CSR activities that create competitive advantage for the company and stage 4: inclusion of values, procedures and practices for business strategy. They further state that stages 1 and 2 are the key traits for a company to be perceived as socially responsible. Stage 3 is the top one because CSR activities should go beyond basic needs of stakeholders and entrepreneur aims to build new quality. CSR is based on voluntarism win-win-relations/competitive advantage, emphasis on the locals, little relativity to the core-business and emphasis on philanthropy (Mark-Ungericht and Weiskopf, 2007, pp. 288). Tencati et al (2004, pp. 176-177) also identifies four factors behind the growing success of CSR. These factors are: *new concerns and expectations from citizens, public authorities, consumers and investors; social criteria that are highly influencing investment decisions; increased concerns on damage as a result of economic activities to the environment and transparency of business practices*

Kakabadse et al (2005, pp. 284-286) provides eight elements of CSR. The first element is **CSR vs Philanthropy**. This is supporting the society financially through the wealth created as a result of business practices. **Long-term perspective** is the second element that is focused on assets and social power in the long term. Third, **beyond the law** (going beyond the requirements such as economic, technical and legal), fourth, **accountability to stakeholders** (accountability to various stakeholders who can be identified and are able to make a claim either legally or morally on the business practices that affect them. Fifth, **social contract** (licence to operate), sixth, **notion of power** (based on power at disposal, companies are able to cause both direct or indirect effects in society). Seventh, **legitimacy of business activity** (ability to engage in social responsibility freely) and eighth, **contextual process** (CSR is regarded as a process and not a set of outcomes and very sensitive to environmental organisations).

Maignan et al (2005, p. 961) state that CSR impact varies per shareholder. The authors further provide the impacts of each shareholder group in a contemporary society as follows: **customers** (management of complaints, provision of safety and quality products and provision of services to the disabled); **employees** (employee diversity, trainings and development, communication with management, occupational health and safety and offering compensation and benefits); **suppliers** (encouragement of both minority suppliers and suppliers from developing countries); **investors** (shareholder rights and transparent communication);

community (support of local organizations, public health and safety and conservation of energy and materials) and **environmental groups** (minimizing use of energy, emissions, waste and adverse environmental impacts of products and services).

2.3 CSR in the Banking Industry

Banks are key players in any economy, more so the financial markets and as a result key contributors of ensuring the economy runs smoothly. The recent financial crisis further demonstrated the role of banks and their irresponsible behaviors in causing the huge decline of global economy (Paulik et al., 2015, p. 112). Moreover, commercial banks have attempted to reclaim this damaged reputation and trustworthiness through implementation of among others socially responsible principles into their CSR strategies. Furthermore, companies have been encouraged by customers, employees, suppliers, community groups, governments and shareholders in recent years to undertake additional investments on CSR (McWilliams and Siegel, 2000, p. 5). The credit crisis has further demonstrated the need for banks to embrace CSR. The corporate world is increasingly tailoring its products and services, towards the “green consumers”.

The business environment is faced with challenges of maximizing value to the shareholders and meeting the industry standards in order to remain competitive. The most notable industry standards are the engagement in activities that serve the stakeholders. As a result, many banks have embraced CSR practices and therefore, most banks have poured millions of dollars into different kinds of CSR strategies (McDonald and Rundle-Thiele, 2007, p. 171-173). This is because of benefits such increased profits, customer loyalty, trust, positive brand attitude and fighting negative publicity (McDonald and Rundle-Thiele, 2007, p. 170).

Banks being important institutions in any economy (Beck et al., 2010, p. 77) and key players in the financial market, social responsibility has become a well-established notion in the financial services industry (Scholtens, 2009, p. 159). By embracing social initiatives, banks add and retain the portfolio of its clients and other stakeholders thus stay competitive given that the social initiatives can be used to differentiate product offerings (Becker-Olsen and Hill, 2005, p. 2). The positive influence as a result of CSR enhances competitiveness in areas such as enhancement of public image, reputation, ethical behaviors, relations with employees, community engagement and improving organizational governance (Ostalecka and Swacha-Lech, 2013, p. 425). They further state (Ostalecka and Swacha-Lech, 2013, p. 429) that competitiveness occurs in three dimensions (areas) as follows: *competitive potential (includes available resources which can be used, also described as competitive ability)*; *competitive strategy (instruments of competition, for instance price, quality*

products, sales and promotions, image, brand and size of product range) and competitive position (results of competitiveness)

According to Gössling and Vocht (2007, p. 363), CSR simply refers to the obligation of the business world to be accountable to all of its stakeholders and not just its financial ones and also meeting the society's expectations in their practices. This statement underpins CSR strategy of most banks, as they try to position themselves in the banking industry. Moreover, the financial industry is among the industries which have taken the lead to embrace CSR initiatives as a way of gaining confidence to it's the society. Loureiro et al. (2012, p. 173) argue that the overall importance of CSR is satisfaction. According to McWilliams and Siegel (2001, p. 7), employees are the source of stakeholders' demand for CSR. Furthermore, employees are important stakeholders (Greenwood, 2007, 320-321) and they possess the power and legitimacy to fully influence a company. As a result, employees expect employers to demonstrate their social responsibility (Maignan et al., 2005, p. 959) in different ways, for instance by giving rewards and recognitions, offering development opportunities, ensuring work-life balance, ensuring health and safety in work places and offering retirement benefits (Maignan et al., 2005, p. 961) to ensure employee satisfaction. Satisfied employees positively affect customer satisfaction and organizational productivity (Potterfield, 1999, p. 5). The above arguments are further reiterated by Weber (2008, p. 248-249) who states that apart from employees satisfaction, CSR also enhance company image, reputation, cost savings, increase market share through higher sales and risk management.

Bank clients are important individuals in commercial banks because of the simple fact that they bring profits and promote competitiveness of banks (Belás et al., 2014, p. 220). Arbore and Busacca (2009, p. 272) mention quality of the core services and quality of the relationships as the main dimensions affecting customer satisfaction in banks. According to the authors, quality of core services include reliability, security, functionality, accuracy, and speed while quality of relationships include responsiveness, competences, assurance, trust, friendliness, courtesy, availability, commitment, flexibility, and communication. The relationships mentioned are important sources for improved performance in the banking sector because they help to reduce costs, increase quality, improve products and services, bring in useful knowledge that assist in product innovation and create long-term customer loyalty (Gritti and Foss, 2010, p. 1811). Chakrabarty (2006, p. 2-7) on the other hand, mentions speed of services at branches, ATMs availability and reliability, bank charges, responsiveness to enquiries, opening hours and privacy as the other factors that can be used to measure customer satisfaction.

2.4 Criticisms of CSR

According to Blowfield and Frynas (2005), CSR has its own share of criticisms. They state that since the 1980s, numerous complaints have emerged of companies exploiting social and environmental conditions of CSR in developing countries. Also, they state that CSR criticism falls into two camps: ‘**bad capitalism**’ and ‘**weak CSR**’. The authors further argue that ‘**bad capitalism**’ is associated with the idea that businesses use their resources and engage in activities designed to increase profits. As a result, by pursuing social and environmental objectives, companies hurt shareholders through generating lower profits. This camp further state that companies lack expertise to engage in solving social problems.

The camp for ‘**weak CSR**’ argue that companies are supposed to take responsibility for broader impacts of business activities but current CSR practices are simply inadequate for this purpose (Blowfield and Frynas, 2005, pp. 504-506). In addition, they mention that planning and implementation of social programmes by companies is generally deficient. Researchers such as (Blowfield and Frynas, 2005, pp. 506) disagree that capitalism contributes to social and environmental objectives and instead view CSR as capitalism that is not worth of any attention.

Despite resulting to positive outcomes (reducing costs and risks, building legitimacy and reputation, creative competitive advantage, generating win-win outcomes and positively building the society, the main objectives for companies practicing is to protect themselves from unforeseen risks or outcomes (Bondy et al., 2012, pp. 291). They further argue that as much as companies are regarded as agents of social change, they sometimes take the activities of governments agents or individuals in their role as agents.

Bondy et al (2012, pp. 292-293) mention that focusing on CSR as a good practice for any business is naive and this notion does not take into considerations the complexities of different motivations and practices that are part of CSR within any business. Ratajczak (2014, pp. 109) on the other hand states that companies exist only for obtaining profits. As a result, only few companies will link business practices with ethics and duties to the environment.

Carroll and Shabana (2010, p. 88-90), also provide five arguments against CSR. **First**, social issues should be isolated as concerns for business people and therefore, should be resolved by workings of free market systems. This task is for the government and legislation to take responsibility. **Second**, business are not equipped to handle social practices. Managers are specialized towards finance and operations and as a result do not have the expertise to participate and make social orientated decisions. **Third**, CSR dilutes the primary purposes for businesses. Objection is adopting some CSR practices put businesses on fields of endeavors that are not part of their objectives. **Fourth**, businesses have enough power and no reasons for them

to have additional ‘**social power**’. **Fifth**, business implementation of CSR will make it less competitive globally.

But why do citizens and companies practice CSR despite all the criticisms? Why are they (citizens and companies) substituting for elected government? Apart from the advantages discussed in chapters 1, 2 and 3, Bénabou and Tirole (2010, p. 2) provide the reasons as:

- *Governments do fail. These can be due to the reasons such as capture by lobby or interest groups for failure to correct externalities as per Pigovian principles, territoriality of jurisdiction (for example failure to rule against child labor which makes consumers to boycott and investor activism to oppose such practices) and combination of poor information, high transaction and delivery costs and inefficiency which pave way for pressure from interest groups.*
- *Economic agents might want to promote values that are contrary to expectations of lawmakers. As a result, activists push for these values to be reflected and adapted.*

Based on the studies of Justyna, and Saniuk (2014, pp. 71): CSR involves taking into account the interests of the society, environment, relationships with key stakeholders by integrating social and environmental concerns of a company’s business strategy and operations based on a voluntary basis and studies from In addition, Tencati et al (2004, pp. 175-176) states that: CSR activities are open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment. As a result, this study considers CSR as an obligation to any company irrespective of existing governments. The governments are there to provide support on CSR activities as they uplift the economy and also formulate rules that guide the voluntary practice from companies.

2.5 Financial Performance

Financial Performance refers to the measurement of financial position of a company over a specified time period, to know how efficiently a company is using its resources to generate income (Malik and Nadeem, 2014, p. 11). The measurement is critical for effective management of companies and process improvement (Al-Matari et al., 2014, p. 25). Financial performance (profitability) is measured through account based measures and market based measures. The financial measures are based typically based on profit and return on capital employed (Aliabadi et al., 2013, pp. 22). Margolis and Walsh (2001,); Tsoutsoura (2004, p. 12) and Cornett et al (2014, p. 12) state that return on asset (ROA) and return on equity (ROE) are used for measuring financial performance of firms. For example, Khrawish (2011, p. 148)

mentions that higher ROE enables firms to have more profits and ROA shows the effectiveness of how firms generate income through their resources. Besides, Malik and Nadeem (2014, p. 12) state that ROA is an indicator of how a company is earning over its total assets while ROE measures the return earned on both preferred and common stockholders' investment in the financial institution annually.

In addition, Aliabadi et al (2013, pp. 23); state that apart from ROA and ROE, revenues, operating income, earnings before interest and tax, net income, comprehensive income, earnings per share, or ratios such as return on investment (ROI) and return on sales (ROS) are the other accounting measures. Accounting based measures are used to determine profitability in the short term. Table 1 depicts the accounting based measures that can be used to measure financial performance.

Table 1: Account based measures of financial performance. Source: Al-Matari et al (2014, p. 28-31)

Factor	Measurement
Return on assets (ROA)	Net income over total assets at the end of the year
Return on equity (ROE)	Profit after tax / Total equity shares in issue
Return on sales (ROS)	Dividing net profit by sales
Return on investment (ROI)	Benefit of investment divided by cost of investment
Profit Margin (PM)	Profit after tax / Turnover
Operating cash flow (OCF)	Net income depreciation expense / Total assets
Operating profit (OP)	Operating income before depreciation to total asset
Return on revenue (ROR)	Net profit after taxes / revenues
Labor productivity (LP)	Ratio of sales to the number of workers employed
Sales to assets	Total sales / Total assets
Profit per employee (PPE)	Total sales less costs over total number of employees

Accounting based measures are simple to apply; easily understandable and most importantly are based on audited figures (Aliabadi et al., 2013, p. 23). However, based on the authors, these measures encourage short term decisions; can be distorted during inflation; can be manipulated in accounting policies; are based on historical data and are therefore historical and backward looking. These factors and among others make the measures a risky way of determining financial performance. Corporate value drivers such as return, growth and risk directly affect the indicators of account based measures (Aliabadi et al., 2013, p. 27).

Share price, stock return, price to book ratio, market to book ratio (market value of equity / book value of equity), price to earnings ratio, Tobin Q (ratio of the market capitalization plus total debt divided by total asset), dividend yield (dividend per share / price per share), price earnings growth (PEG) and dividend payout ratio are the commonly used market measures (Aliabadi et al., 2013, pp.23-36).

2.6 CSR and Financial Performance

Empirical studies on the relationship between CSR and financial performance is categorized into two types. According to Tsoutsoura (2004, p. 8-9), first type assesses the short run impact (abnormal returns) when companies engage in CSR practices. Second type focuses on the relationship between CSR and financial performance based on account measures. Windsor (2006, p. 101) proposes the link between CSR and financial performance based on visualization of four scenarios. First, *when financial performance and CSR increase at the same time, the outcome is a win-win situation irrespective of governmental intervention or moral reflection.* Second, *when both financial performance and CSR decline, the outcome is a lose-lose situation and as a result, government intervention is considered a success.* Third, *when financial performance increases as CSR decreases, a conflict between fiduciary responsibility and CSR arises, whereby negative externalities occur since the welfare is transferred from the society to the firm.* Fourth, *when financial performance decreases and CSR increases, a conflict between fiduciary and CSR arises, whereby the welfare is transferred from the firm to the society.*

Besides, Bénabou and Tirole (2010, p. 9-13) describe three visions of CSR with regards to financial performance. **Vision 1:** Win-win (doing well by doing good), whereby, being a good corporate citizen can also make a firm more profitable. **Vision 2:** Delegated philanthropy (the firm as a channel for expression of citizen values), whereby, some stakeholders (investors, customers, employees) are often willing to sacrifice money (yield, purchasing power, and wage, respectively) so as to further social goals. Under this vision, stakeholders have some demand for corporations to engage in philanthropy on their behalf. The corresponding CSR profit sacrifice is passed through to stakeholders at their demand. This vision is entrusted to maximizing profit because of demand from stakeholders thereby making CSR and profit maximization consistence since it is the long term objective of firms. **Vision 3:** Insider-initiated corporate philanthropy, whereby, corporate social behavior is reflected by the desires of the management to engage in philanthropy. This vision does not necessarily maximize profit but rather call for achieving of competitive advantage and long-term value creation.

Observation of ethical standards in the financial industry is key (Chatterjee and Lefcovitch, 2009, p. 25-26). This is because banks are operating with money from customers and there is need to safe guard interest of both parties to avoid any loses. This states the reason why corporate social performance has gained equal importance as corporate financial performance. Furthermore, Birindelli et al (2015, p. 306-308) argue that credit granting and asset management are the two forms of CSR in banks. Yeung (2011, p. 105-108) mentions risk assessment, effective and efficient audit process to maximize shareholders value as elements of CSR in the banking industries. She further reiterates that for banks to maintain competitiveness

while undertaking CSR practices, they need to understand economic situation, re-focus marketing strategy with prudent risk management system, identify the concerns of customers and implement fair operation procedures to protect customers and the community as a whole.

However, it should be noted that other researchers have been able to find negative relationship between CSR and financial performance. A notable example is by Patten (2002, p. 23). This is because social responsible involves costs that can easily be avoided thus taken up by other institutions, notably the government or individuals. If costs are incurred, they reduce wealth and profitability, which results to negative association. Henderson (2001, p. 29) states that embracing CSR results to cost escalations and therefore should highly be considered to have a negative effect to profitability. Reich (2008, p. 1-9) further states that CSR involves sacrificing of profits for the purpose of attaining social goods. Therefore, this negative affects the existing relationship between CSR and financial performance.

Other researchers such as Fombrun et al (2000, p. 245) saw no relationship (positive or negative) due to intervening variable between CSR and financial performance. Furthermore, Fombrun et al (2000, p. 245-251) argue that a simple correlation between CSR and financial performance is impossible due to the fact that CSR impacts the bottom line via intermediary routes. In addition, Mackey et al (2007, p. 833) found a neutral relationship between CSR and financial performance since social responsible funding does not maximize present value of firms' future cash flows but rather the market value of firms. Soana (2011, p. 133) on her investigation of the connection between CSR and financial performance in the banking industry using a sample of national and international banks based on correlation between social performance (proxied using ethical ratings) and financial economic performance (proxied using market and accounting ratios) found no statistically significant link indicating any positive or negative correlation between CSR and financial performance. According to Chih et al (2010, pp. 115-132), based on their research on conducted on financial markets (520 financial firms in 34 countries found an insignificant relationship between CSR and financial performance. According to the authors: *larger companies are more oriented on CSR and in the same time, the financial performance and CSR is not related with each other; in an environment of intense competition on the market, companies should make more socially responsible businesses to gain a competitive advantage; financial companies in countries with stronger legislative regulative tend to have more CSR activities, but paradoxically, companies from countries with stronger application of shareholder rights tend to have less CSR activities and higher level of self-regulation of the financial sector has a significant positive effect on the CSR: companies.*

Due to stiff competition in the banking sector, banks have thrived in satisfying employees and customers with the aim of making profits. Some of the merits of

satisfaction are increased productivity from employees and this increases profitability through improved team work (Meena and Dangayach, 2012, p. 79). They also provide other merits as reduced turnover; recruiting and training costs; employee retention and commitment. Satisfaction positively affects retention which translates to greater profits (Alafi and Hasonah, 2012, p. 103). The authors further state that, 5% increase in retention due to satisfaction results to an average of 50% increase in profits. Also, satisfied customers are also able to positively communicate their experiences with potential customers (Narteh and Kuada, 2014, p. 356). This increases profitability of firms since satisfied customers who positively communicate their experiences in banks are regarded as best ambassadors and salesmen and women for commercial banks since they bring in 100 new customers (Gupta and Dev, 2012, p. 617). Elements of customer satisfaction in the banking industry include service quality, pricing, situational and personal factors (Kombo and Paulík, 2015, p. 672). Coldwell (2001, p. 193) based on a research by Growth Strategies International (GSI) on over 20,000 customer surveys conducted in 40 countries by InfoQuest, mentions that a totally satisfied customer contributes 2.6 times as much revenue to a company as a somewhat satisfied customer, a totally satisfied customer contributes 17 times as much revenue as a somewhat dissatisfied customer and a totally dissatisfied customer decreases revenue at a rate equal to 1.8 times what a totally satisfied customer contributes to a business. Therefore, a positive relationship exists between satisfaction and financial performance (Kanning and Bergmann, 2009, p. 379).

3. OBJECTIVES OF THE THESIS

3.1 Introduction

This chapter outlines the research questions. Furthermore, it provides the research objectives to assist in answering the research questions.

3.2 Objectives

Based on the research gaps discussed in chapter 1 and also literature review in chapter 2, one main and four research sub-questions are used in this study. The research questions are answered through extensive literature review, interviews with bank managers, questionnaire surveys of bank employees and customers. Therefore, both qualitative and quantitative research methods have been used to achieve the research objectives.

The **central research** question is highlighted below:

- **Which model can be used to increase the financial performance of commercial banks through corporate social responsibility (CSR) activities?**

Therefore, the following research sub-questions are derived:

1. *How are CSR and financial performance measured in commercial banks?*
2. *What are the merits of banks' involvement in CSR initiatives in relation to customers, employees and the society?*
3. *What is the relationship between CSR and financial performance (positive, negative or neutral) in the banking industry?*
4. *Which key CSR elements can be incorporated in a CSR framework to increase financial performance in the banking industry?*

The **overall objective** is as follows:

- **To determine the model that can be used to increase financial performance of commercial banks through corporate social responsibility (CSR) activities.**

The **sub-objectives** are highlighted below:

1. *To investigate how CSR strategies and financial performance are measured in commercial banks.*
2. *To determine the merits of banks' involvement in CSR initiatives in relation to customers, employees and most importantly - the society.*
3. *To examine the relationship between CSR and financial performance (positive, negative or neutral) in the banking industry.*
4. *To identify the key CSR elements that can be incorporated in a CSR framework to increase financial performance in commercial banks.*

Face-to-face interviews were conducted and those were semi-structured. In addition, published annual reports and financial statements of the banks were used as part of data for qualitative study.

The quantitative research tools have been used to analyze the banks' customers' and employees' answers to the questionnaire. Chapter five provides a detailed explanation of both research methods.

Triangulation is applied for data analysis (quantitative and qualitative). Content analysis is employed to analyze the data obtained in the course of face-to-face interviews conducted with bank managers. Additionally, NVivo software is used in the analysis. According to (Oliviera, 2016, pp. 72), content analysis is used in qualitative research in three approaches: lexical analysis (nature and richness of the vocabulary), syntactic (verb tenses and modes) and thematic (themes and frequency). This research will apply all three these approaches to data analysis. Multiple regression and inference statistics will be also applied to analyze data from customers and employees.

As a result, the expected findings are as follows: ***highlighting the activities that are considered as CSR in commercial banks; understanding the main and other motives of banks' participation in CSR; understanding the mediating effects and linkages between CSR and financial performance; identifying other constitutes of CSR and financial performance in banks and understanding the growth rate of commercial banks as a result of investment and involvement in CSR.***

4. SELECTED PROCESSING METHODS

4.1 Introduction

This chapter explains the framework used to achieve the main objective of this study along with the hypotheses which assisted in resolving the central research question. Furthermore, the chapter illustrates the steps, procedures and approaches used in executing this study to test the relationship between CSR and bank's financial performance. Specifically, this chapter discusses the research philosophy, the research design, the study population, sampling and the respondents' selection, data collection and data analysis procedures and also the pilot study. The chapter equally presents an operationalisation of the study variables and the data analytical techniques for testing the research hypotheses.

4.2 Conceptual Framework

This sub-chapter provides the working model used in this study as shown in Figure 1. CSR is presented as an independent variable that includes three pillars (**economic, social and environmental**) as discussed further in chapter 2. Financial performance is the dependent variable that incorporates three accounting-based measures, namely, return on assets (ROA), return on equity (ROE) and profit per employee (PPE).

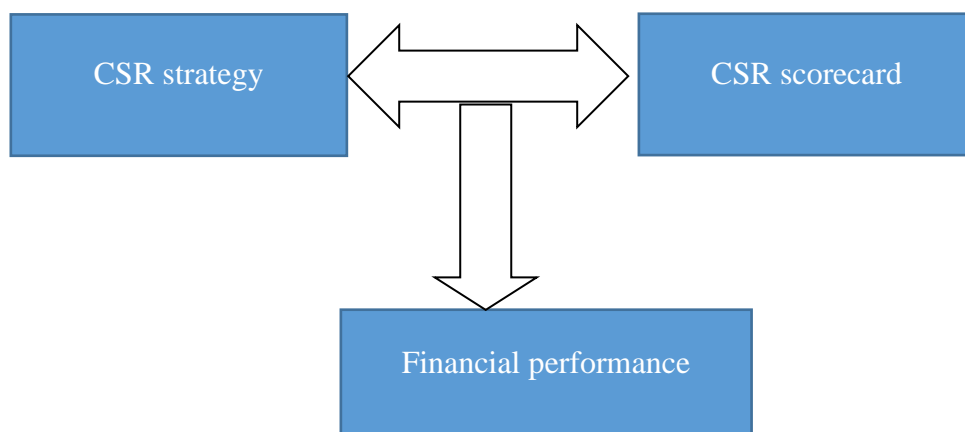


Figure 1 Operational conceptual model. Source: Own graph

To achieve the main objective: determining the model that can be used to increase the financial performance of commercial banks through CSR activities, sub-chapter 4.3 below formulates the hypotheses used in this study.

4.3 Development of Hypotheses

There is a positive association between CSR and financial performance (Orlitzky et al., 2003, p. 405-406). The study used contingencies market measures of CFP (Corporate Financial Performance) and CSP (Corporate Social Performance) disclosures. Tsoutsoura (2004, p. 12- 18) conducted a research to test the relationship between CSR and financial performance using extensive data on the majority of S&P firms from 1996 to 2000. This author has found that CSR has a positive relationship with financial performance of these firms.

The existence of positive relationship between CSR and financial performance has also been supported by the researchers such as Hediger (2010, p. 520) and Saleh et al (2008, p. 229). Wu and Shen (2013, p. 3544) found that CSR is positively associated with financial performance through return on assets (ROA), return on equity (ROE), net interest income and noninterest income. Margolis et al (2007, p. 9-33) in their study on the link between CSR (using Kinder, Lydenberg, and Domini, KLD, firm-level index of social performance) and financial performance (ROA), using 167 studies between 1972 and 2007 found that the overall correlation between CSR and financial performance is positive but minimal. Basing on the above arguments, the following hypotheses have been developed:

H₁: There is no positive synergy between CSR and financial performance in commercial banks based on accounting measures

H₂: Better CSR practices do not lead to higher financial performance of commercial banks

Different research works have pointed size, age and revenue as having significant effects in determining CSR and firm performance (Galbreath and Shum, 2012, p. 213-225; Weber, 2008, p. 250-254). Size has significant since the bigger the firm, the more likely it's able to engage in CSR practices than smaller firms (Luo and Bhattacharya, 2006, p. 1-2; McWilliams and Siegel, 2001, p. 4). Also, larger firms adopt CSR principles frequently. Researchers have also stated that year-dummy variables are also key controllers. Year-dummy variables are used to express effects of any year, for instance on economic trends.

Financial performance as a result of CSR is achieved through reduction of costs and increasing of productivity (Loureiro et al., 2012, p. 172). CSR safeguards the reputation of banks by lowering unpredictability during events of harmful effects such as withdrawal of products and by doing so, protects profits and financial returns (Soana, 2011, p. 134). Therefore, the perception of the firms' CSR activities is important not only for investors' and customers' risk assessment, but also for

regulators' good-will and for the public's confidence in the financial system (Jizi et al., 2014, p. 602-604).

In addition, firms that have a strong and solid financial performance are able to have more resources that can further be used in social performance domains, which include employee relations, environmental concerns, or community relations (Imnsn, 2004, p. 6-9). Scholtens (2008, p. 46-52) support Tsoutsoura (2004) by mentioning that the connection between social and financial performance plays an important role in the analysis of socially responsible investing (SRI). The author further states that SRI eliminates securities from the universe of investable assets and also reduces diversification. Therefore, firms can achieve advanced levels of financial performance if they engage in social activities (Saleh et al., 2008, p. 1).

Each bank has its own of implementing CSR. The implementation involves costs. The costs might be short term or continuous outflows (Tsoutsoura, 2004, p. 5). She further states that these costs might be as a result of purchase of new environmental friendly equipment, change of management structures or adapting of stricter quality controls which are geared towards generating benefits for sustainable business practice. Implementing CSR in banks involves commitment to the economy; shareholders; customers; employees, society and environment as stated by Ostalecka and Swacha-Lech (2013, p. 428-429). The authors describe the commitments as follows: economic commitment involves complying with both regulatory and supervisory legal norms. Commitment to shareholders involves achieving satisfactory rate of return, increasing effectiveness, risk management and improving of corporate governance to create shareholder value. Customers' commitment involves enhancing innovation, efficient customer service, creating good customer relationship and delivering of quality services and products. For employees, it involves creating of opportunities basically for career development and also improving both work-life balance as well as corporate culture development. To the society, it includes undertaking projects within the society that are for instance related to education, innovation, and environmental consciousness. Environmental commitment is supporting and contributing to green economy development, for instance by coming up with environmentally friendly products and financing ecological projects.

Wu and Shen (2013, p. 3529) on their research on motives and financial performance of CSR from 162 banks in 22 countries state that corporations should adopt CSR because of its perceived benefits to both macro and micro-performances. They explain macro-performance as environmental improvement and reduction in social inequality. Micro-performance includes reputation enhancement, potential to charge a premium price for products as well as the enhanced ability to recruit and to retain high-quality workers (Wu and Shen, 2013, 3529-3530).

Tsousoura (2004, pp. 6) states that socially responsible companies have an added advantage in terms of brand image and reputation since consumers are usually drawn to brands with good reputation in CSR activities. CSR can further be used for promotional or advertising purposes. One of the most prominent example for promotional purposes in banks as a result of CSR initiatives is when a Massachusetts bank successfully promoted new accounts (138 bank accounts amounting to \$11 million) by supporting endangered animal species through donations to the World Wildlife Fund. According to (Becker-Olsen and Hill, 2005, p. 2), low-fit practices negatively impact customers' beliefs, attitudes, and intentions while high-fit proactive practices led to improved beliefs, attitudes and intentions to customers. They further state that customers tend to punish companies that are considered as insincere in their social involvement.

In addition, the following hypotheses are derived:

H₃: There is no Moderating effect of the control variables on the relationship between CSR strategies and financial performance of commercial banks

H₄: Financial performance is dependent on solid social responsible performance. Investments in CSR positively affect profitability growth

Furthermore, Fernández-Feijóo Souto (2009, pp. 40-41), the benefits of CSR include: *building reputation as responsible business. This increases market share, confidence and maintaining key personnel; assuming consumer selective elections that make businesses more competitive; changing relationships along the chain value as a result of based trust with suppliers and customers; improving working climate that lead to increasing employee performance, productivity and motivation; complying with regulatory requirements to reduce legal conflicts ; improving community relations and re-designing processes within CSR, for instance waste management that simplify company operations and saves money.* The above mentioned benefits of CSR contribute to financial performance. As a result, for instance, the larger the company size the more likely its able to adopt CSR (Tsousoura , 2004, pp. 12).

4.4 Redefined Conceptual Framework

Empirical research evidences (Chapter 2) suggest several variables that influence relationship between CSR and financial performance. This study used 3 pillars of CSR: **Social, economic and environmental pillars**. Three accounting based measured are used to measure financial performance as suggested by Al-Matari et al (2014, p. 28-31). These indicators are namely **ROA, ROE and PPE**.

4.4.1 Independent Variables: CSR

Economic CSR is measured by banks' support and guidance to its employees, especially from the management. The support can be for instance via mentorships programs, trainings or in the form of personal development programmes. To customers, it will be based on the quality of services and products, which is an essential element for gaining competitive advantage and as a result increase profitability. Banks' communication of their CSR policies will also be used to measure economic CSR, since knowledge of the CSR strategies is key as mentioned by Pomeroy and Dolnicar (2009, p. 292).

Social CSR is measured through customer satisfaction on the banking services based on study by Chakrabarty (2006, p. 6). Factors to be measured are on in-branch satisfaction, economic satisfaction, remote satisfaction and ATM satisfaction. Also, social CSR is measured by employee satisfaction on their particular bank. Most notable factors that will be used to measure employee satisfaction include working conditions, salaries and bonuses. Employees' satisfaction is essential since it increases productivity (Potterfield, 1999, p. 5). Banks' level of philanthropic activities (investment on education, entertainment, talent management and society building) are used.

Environmental CSR is measured by banks' participation in ensuring the environment safety, through activities such as financing and support environmental projects, offering environmental friendly products and services and purchasing environmental friendly products.

4.4.2 Dependent Variables: Financial Performance

This study uses three accounting based measures of financial profitability based on the studies of Al-Matari et al (2014, p. 28-31). These are ROA, ROE and PPE. The measures are used consistently in all the commercial banks.

4.4.3 Control Variables

This research uses size, revenue, age and year as control variables based on the recommendations from Galbreath and Shum (2012, p. 213-225); Weber (2008, p. 250-254); Luo and Bhattacharya (2006, p. 1-2) and McWilliams and Siegel (2001, p. 4) as discussed in chapter 4.3.

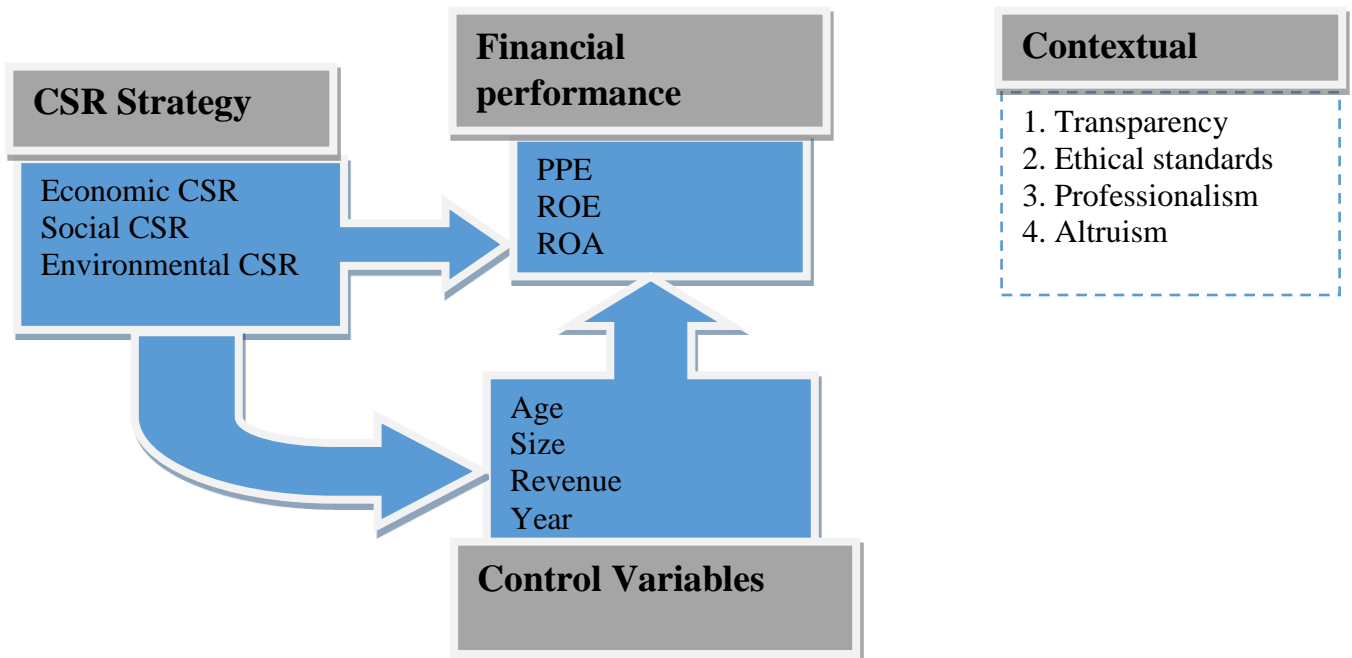


Figure 2 Redefined Conceptual Model. Source: Own

Figure 2 depicts the redefined conceptual model for this study, based on the objectives and research questions. CSR has three pillars namely social CSR; economic CSR and environmental CSR. The control variables used are age, revenue, bank size and year based on suggestions from literature. To measure the financial performance, PPE, ROA and ROE are used. To facilitate successful adaptation and implementation of CSR, transparency, ethical standards, professionalism and altruism have been used as contextual factors.

4.5 Research Philosophy

This study applied positivism and interpretivism research philosophies. Positivism assumes that there is a reality that exists beyond the human mind, a reality that is separate from the individual who observes it and that it is a reality that provides the foundation for human knowledge. This reality is perceived as being lawful and orderly through systematic observation and correct scientific methods (being objective) it is possible to explain, control and predict phenomena. Positivists try to stand back and not affect their research findings and by so doing, attempt to identify the key elements that need to be measured and demonstrate the validity of so doing. The strengths of a positivist view lie in its emphasis on careful sampling, specifying what data will be collected and how they are objectively analysed and interpreted.

The main objective of this thesis is to empirically test which model can be used to increase the financial performance of commercial banks through Corporate Social Responsibility (CSR) activities. For this reason, mixed methodology approach would have best answered the research question since it incorporates both qualitative

and quantitative data for use in research studies (Chenail, 2011).The end result of conducting a mixed-method study is the increase in time and data necessary to conduct both a qualitative and quantitative inquiry into the phenomenon (Yin, 2014).

4.5.1 Strengths and Weaknesses of Quantitative Research

One of the common advantage of quantitative research is that data obtained can be used for predictions. The disadvantage is that the data might be too abstract and general to apply to specific situations, contexts and individuals. Table 2 highlights the other strengths and weaknesses of qualitative research.

Table 2: Strengths and Weaknesses of Quantitative Research. Source: Johnson and Onwuegbuzie, 2004, pp.19.

Strengths	Weaknesses
Testing and validating already constructed theories about how (and to a lesser degree, why) phenomena occur	The researcher's categories that are used may not reflect local constituencies' understandings
Testing hypotheses that are constructed before the data are collected. Can generalize research findings when the data are based on random samples of sufficient size	The researcher's theories that are used may not reflect local constituencies' understandings
Generalize a research finding when it has been replicated on many different populations and subpopulations	Researcher may miss out on phenomena occurring because of the focus on theory or hypothesis testing rather than on theory or hypothesis generation (called the confirmation bias
The researcher may construct a situation that eliminates the confounding influence of many variables, allowing one to more credibly assess cause-and-effect relationships	
Data collection using some quantitative methods is relatively quick (e.g., telephone interviews)	
Provides precise, quantitative, numerical data	
Data analysis is relatively less time consuming (using statistical software)	
The research results are relatively independent of the researcher (e.g., effect size, statistical significance)	

May have higher credibility with many people in power (e.g., administrators, politicians, people who fund programs)	
Useful for studying large numbers of people	

4.5.2 Strengths and Weaknesses of Qualitative Research

Qualitative research has both strengths and weaknesses as mentioned by Johnson and Onwuegbuzie, (2004, pp. 20). For instance, complex phenomena can be explained. However, it's difficult to test the hypotheses and theories. Table 3 highlights the strengths and weaknesses of qualitative research.

Table 3: Strengths and Weaknesses of Qualitative Research. Source: Johnson and Onwuegbuzie, 2004, pp. 20.

Strengths	Weaknesses
Data are based on the participants' own categories of meaning	Knowledge produced may not generalize to other people or other settings (i.e., findings may be unique to the relatively few people included in the research study)
Useful for studying a limited number of cases in depth	Difficult to make quantitative predictions
Useful for describing complex phenomena	Difficult to test hypotheses and theories
Provides individual case information	May have lower credibility with some administrators and commissioners of programs
Can conduct cross-case comparisons and analysis	Generally takes more time to collect the data when compared to quantitative research.
Provides understanding and description of people's personal experiences of phenomena (i.e., the "emic" or insider's viewpoint)	Data analysis is often time consuming
Can describe, in rich detail, phenomena as they are situated and embedded in local contexts	The results are more easily influenced by the researcher's personal biases and idiosyncrasies
Researcher identifies contextual and setting factors as they relate to the phenomenon of interest	
Researcher can study dynamic processes (i.e., documenting sequential patterns and change)	

Researcher can use the primarily qualitative method of "grounded theory" to generate inductively a tentative but explanatory theory about a phenomenon	
determine how participants interpret "constructs" (e.g., self-esteem)	
Data are usually collected in naturalistic settings in qualitative research	
Qualitative approaches are responsive to local situations, conditions, and stakeholders' needs	
Qualitative researchers are responsive to changes that occur during the conduct of a study (especially during extended fieldwork) and may shift the focus of their studies as a result	
Qualitative data in the words and categories of participants lend themselves to exploring how and why phenomena occur	
One can use an important case to demonstrate vividly a phenomenon to the readers of a report. * Determine idiographic causation (i.e., determination of causes of a particular event)	

4.6 Research Design

This study sought to investigate the relationship between corporate social responsibility and financial performance, as well as the impact of age, size, revenue and year, by using a mixed research design. The study will adopt a case study design of commercial banks listed in Nairobi Securities Exchange (NSE) between the years 2013 and 2017. NSE is Kenya's principal bourse for six decades now. In addition, NSE is the second self-listed and publicly traded exchange in Africa with over 68 listed companies. Most of these companies are huge contributors to the growth of the Kenyan economy.

In a first step, correlation analysis will determine the relationship between corporate social responsibility and financial performance and control variables. The relationship between CSR and financial performance will then be tested using multivariate regression analysis.

4.7 Population and Sample of the Study

Population of the study is a collection of all individuals or items under consideration in a statistical study (Weiss, 2012). This research targeted commercial banks listed in the NSE in the year of period 2013-2017. There are 46 commercial banks in Kenya, from which the target population is ten banks. The banks under study are: Barclays, Equity, Co-operative, National, Standard Chartered, Kenya Commercial Bank (KCB), Family, Chase, Eco and Commercial Bank of Africa.

4.8 Sampling Technique

Sampling is the process of choosing a manageable number of respondents for the study from the target population. The sample size (minimum) for this study was 10 Banks. The researcher used convenient sampling to select banks with complete annual report and those listed in the NSE throughout the period covered. Content analysis was used to extract information about commercial banks financial performance for a period of 5 years. Categorization of these banks was based on size, age, revenue and year. The main reason for this choice is that these banks are likely to exhibit an elaborate CSR philosophy and have enough resource to be employed in CSR implementation. Furthermore, these banks command huge market shares in the banking industry, data can be accessed to compare periods of time. Also, they have a lot of customers and therefore huge amounts of data and information can be collected. Lastly, their employees and bank customers have access to most internal and external information, particularly on CSR.

4.9 Data Collection

Data for this study was collected from both primary and secondary sources. Data for this study was collected in two steps. The first step concerns collecting of CSR data while the second is about gathering of the financial performance data. The two sources of data are meant to reinforce each other (Stiles, 2003). Data collected to measure CSR for bank employees and customers was done through self-administered questionnaires and via online. Interviews were conducted to the ten bank managers who gave crucial insights about their banks involvement on CSR for the period between 2013 and 2017. With the help of bank managers the researcher collected crucial information from the bank employees with regard to their role and general understanding on their bank's CSR activities. The researcher collected data from customers by distributing the self-administering questionnaires who returned them after completing filling them. To collect financial performance data, the researcher used the websites, annual financial statements from the ten banks for a five year period between 2013 and 2017. For this study, the questionnaire and data forms were the principal tool for collecting primary data and secondary data

respectively. The questionnaire has been developed with the aim of covering the basic research objectives.

The researcher administered the questionnaires personally. A brief introduction letter was made to the respondents before administering the questionnaires with the aim of explaining the questionnaires about the nature and importance of the study to the respondents during pilot and main study. In support, Sharma, et al., (2009) noted that in order to enhance the response rate and quality of data collected, it is better to administer the data collection tools in person and using the official request.

4.9.1 Questionnaires

To achieve the objectives of this research, questionnaire survey is used as a method of data collection to bank customers and bank employees. Such surveys are main sources of information to set strategies aimed at meeting needs or understanding of perceptions, most importantly showing relationships and possible areas of improvement (Munari et al., 2013, P. 140).

Table 4 below highlights the advantages and disadvantages of questionnaires.

Table 4: Advantages and disadvantages of questionnaires. Source: van Gelder et al (2010, pp. 1293).

Advantages	Disadvantages
Improves data quality since validation checks can be incorporated when respondents enter implausible or incomplete answers	Sometimes involves costs, for example set-up costs
Data can be transformed into an analyzable format by common gateway interface (CGI) scripts and as a result errors in the process of data entry and coding are avoided	Relatively high nonresponse rates compared with traditional modes of data collection
Gateway interface scripts can be used to build in skip patterns to hide nonrelevant follow-up questions, order questions randomly, give personalized feedback, or randomize participants to different versions of the questionnaire	Concerns regarding the reliability and validity of the data obtained
Visual and audio aids and pop-up windows providing additional information may be added to simplify responding	Reluctance to use by respondents because of safety and confidentiality issues
Returned more rapidly	

Researchers are able to immediately adjust questionnaires to resolve unforeseen problems or to incorporate preliminary results or new developments	
A data management system may be used to automatically send e-mail reminders and invitations for follow-up	
Costs for printing, postage and data entry are avoided	

To achieve the desired response rate on questionnaire (for bank customers) at branch levels, customers were offered an option of responding to the questionnaire online. This increased the speed of data collection and minimize costs. For employees, they were guided on how to respond to the questionnaire at their branches and also offered an option to respond online as the link was sent to their emails. This enabled bank employees to freely provide their honest opinion away from the limelight. The targeted population for bank employees and customers will be 18 years and above.

Survey monkey was used to design the electronic version of the questionnaires. For those who responded online, to allow response only once, survey was locked to avoid respondents completing twice from the same IP Address. The collection of data was done between September 2017 till December 2017.

4.9.1.1 Design and Content

The questions included request for background information (name, gender, age, occupation and among others), questions requesting for rating answers on a likert scale (e.g. 1 to 5, whereby, 1 = strongly agree; 2 = agree, 3 = neither agree nor disagree; 4 = disagree and 5 = strongly disagree), list questions (ticking the appropriate box) and open questions. Cronbach’s alpha coefficient for internal consistency (reliability test) was also applied.

To encourage respondents to freely answer questions, the questionnaires were tailored not to be personal and also, at the beginning, respondents were clearly informed of the purpose of the study to assure them:

- *Personal details and feedback were entirely confidential. Only contacted by researcher if any more clarification is needed*
- *This study respected personal rights and maintain high values of research to ensure accuracy of data through objectivity and organized investigation*
- *The study avoided conclusions that were inconsistent with the objectives*

- *The study avoided statistical misrepresentation of the statistical accuracy of the data by ensuring results are not changed. This was done by analyzing the data truthfully and accurately report the results*

4.9.1.2 Data Entry

Data collected at bank branches was entered online (survey monkey system) the same day to avoid any errors, omissions and inconsistencies.

After every 20 to 30 responses, data was immediately entered in SPSS to check for any potential mistakes from the respondents. In case of any mistakes, the respondents were contacted for clarification if there were any contact details available.

4.9.2 Interviews

Face to face semi structured interviews were used as a method of data collection to bank managers. The main aim was to get deeper understanding on what practices are considered as CSR and the implementation procedure that managers as decision make take to ensure long term goals are achieved that increase profitability.

Table 5 provides the merits and demerits of interviews.

Table 5: Merits and demerits of interviews. Sources: Alshenqeeti (2014, pp. 43), own

Merits	Demerits
Fewer incomplete answers	Small scale study
Can involve reality	Never 100% anonymous
Controlled answering order	Potential for subconscious bias
Relatively flexible	Potential inconsistencies
Enables more information generation	Time consuming (e.g. scheduling of meetings)

Each manager was allocated a random number that was used as a unique code to identity the respondents in case further clarification will be needed in the future. The interviews were carried out between September 2017 and December 2017. All interviews were recorded.

4.9.2.1 Selection Criteria for Interviewees

The following criteria was used to select bank managers to be interviewed: *directly involved in CSR implementation, supervisory responsibilities and decision making; vast knowledge on CSR; past experience on the same capacity or function and total duration spent on the current position (a year or more would be desirable).*

4.9.2.2 Interview Guide and How to Begin the Interview

To ensure successful interviews to bank managers, an interview guide was prepared in advance. This guide took the following into consideration:

- *Language was understood by interviewees (English language)*
- *Topics to be covered were arranged in a clear and logical order*
- *Avoided closed ended questions*
- *Avoided biased questions and if needed, open questions prevailed as well as probing questions*
- *Avoided provocative questions*
- *Avoided long and jargon questions*
- *Favored simple and short questions*

During the interviews, interviewer avoided expressing any opinions, taking sides and interrupting the interviewee. To gain trust from the respondent, special efforts were made to ensure the respondents are comfortable and confident on the process. Any nonverbal modes of communications were recorded to provide more insights to answers. Any notes taken down were compiled together with the information from the recordings and sent to managers to further evaluate their accuracy and reliability. This gave further the interviewees an opportunity to comment further if necessary and also determine if another round of face to face interview was necessary. To ensure interviewees were comfortable and willing to provide needed feedback the interview began by: *introducing myself and the study; asking how the interviewee's day is or had been; ask for permission to record the interview and taking notes and ensure confidentiality and privacy*

4.10 Operationalization of the Study Variables

This section describes the operationalization of the research variables as depicted in the redefined conceptual model (figure 4.3). Operationalisation facilitates reduction of abstract notions of constructs into observational behaviour or characteristics that can be measured (Sekaran,2000). According to Dillman (2000) the constructs must be operationalized in order to test the relationships among the constructs in the theoretical model. Accordingly, the variables in this study are: economic CSR, social CSR and environmental CSR and financial performance.

4.10.1 Operationalization of Exogenous Variable (CSR)

The exogenous variable used in this research is the Corporate Social Performance (X1) as shown in table 6 below.

Table 6: Exogenous variable (CSR). Sources: Own

Variable	Construct	Indicator	Measurement
Exogenous	Corporate Social Responsibility (CSR)	Economic CSR	Disclosure Index = $\Sigma X_{ij} / n$
		Social CSR	Disclosure Index = $\Sigma X_{ij} / n$
		Environmental CSR	Disclosure Index = $\Sigma X_{ij} / n$

4.10.2 Operationalization of Endogenous Variable (Financial performance)

Following Mahoney and Roberts (2007), return on assets (ROA), return on equity (ROE) and profit per employee (PPE) were used separately to measure a bank's FP. To assess the bank's financial performance, the researcher considered Accounting-based performance measures (ROA, ROE, and PPE). ROA indicates how efficient the bank is as regards the usage of its assets in order to generate earnings. ROE underlines the bank's efficiency with regards to the usage of shareholders' funds to generate profits. PEP measures how efficiently a bank utilizes its employees.

Table 7: Endogenous variable (financial performance). Sources: Own

Variable	Construct	Indicator	Measurement
Endogenous	Financial Performance	Return on Assets	Net Profit / Total Assets
		Return on Equity	Net Profit / Total Equity
		Profit per employee	Net income/No. of Employee

4.10.3 Operationalization of Control Variables

SIZE, AGE and REVENUE represents bank size, age of operation and revenue respectively. YEARDUMMIES represents year effects, as already mentioned from, 2013 to 2017 (5 dummy variables and need to be operationalized as control variables).

Table 8: Control variables. Sources: Own

Variable	Indicator	Measurement
Control variable	Age	Years in operation
	Size	total assets
	Revenue	Total revenue collection
	Year	Five year period

4.11 Data Analysis and Tools Used

The questionnaire was self-administered and comprised questions that provided insight for the study of CSR strategies that may influence corporate financial performance. Doody and Noonan (2013) suggested that semi structured interviews can lead to the collection of quality data. When permitted, the researcher analysed financial records for the interviewees' respective banks. Furthermore; he collected information regarding the banks ROA (return on assets), ROE (return on equity) and PPE (profit per employee) as secondary data. The instruments utilized included the banks' websites and various news sources, (Polkinghorne, 2005). Collecting observational data is very typical in research studies (Jap, 2012).

The researcher enhanced reliability and validity of the data collection process through member checking and data triangulation. Utilizing member checking and data triangulation to enhance reliability and validity is recommended by Houghton et al. (2013). Koelsch (2013) described the process and the importance of member checking through transcript review with respondents whom in this study comprised bank employees and the bank customers. The researcher ensured the accuracy and validity of this study through member checking by reviewing the transcription of the interview with the ten bank managers, bank employees and bank customers who provided the information for comments and clarification. Hussein (2015) suggested using several sources to accomplish study validity. This qualitative and quantitative multicase study ensured data triangulation by mining multiple lines of evidence to achieve validity.

Stavros and Westberg (2009) found that triangulation through the multicase study approach would provide rich and thick data that may reveal numerous themes across the cases, which would increase the transferability of research findings (2009). The type of triangulation utilized for this case study is analysis triangulation. It is described as the use of more than two methods of analysing the same set of data for validation purposes (Kimchi, Polivka, & Stevenson, 1991). In addition to validation purposes, analysis triangulation can be described further as the use of more than two methods of data analysis in qualitative and quantitative paradigms within the same study for both validations and completeness purposes. In other words, whenever a researcher uses both qualitative and quantitative data in the same study, then more

than two methods are needed in the analysis towards attaining data validation within the single paradigm; and further extending the analysis between the two paradigms for completeness purposes. The researcher used data analysis triangulation for both validation and completeness purposes after collecting qualitative and quantitative data.

The researcher applied descriptive statistics including measures of central tendency especially the mean for likert scale variables in the questionnaire. The measures of dispersion especially variance, standard deviation and range was used in order to explore the underlying features in the data on commercial banks in Kenya. Descriptive statistics provides basic features of the data collected on the variables and provide the impetus for conducting further analyses on the data (Mugenda, 2003; Ezirim and Nwokah, 2009).

A correlation analysis was done to establish the relationships among the study variables. The data was collected on at least two variables for the same group of subjects and a coefficient of correlation calculated between them. The correlation analysis was completed to describe the relationships that exist among key variables of the study and/or use the known correlation to determine the outcome from one variable to another. The square of the correlation coefficient, the coefficient of determination (R^2), measures the amount of variation in the dependent variable (firm performance) explained by the independent variables (supply chain strategy). The closer R^2 is to 1, the better the fit of the regression line to the actual data.

Statistical Package for the Social Sciences (SPSS) 22.0 software will be employed to analyze the responses from the questionnaires. The means, frequencies and standard deviations will be used to analyze the demographic characteristics of the respondents. To determine the correlation (CSR and financial performance), inference statistics will be applied. Multiple regression will be done to find the variance in the dependent variable (financial performance) as accounted by the independent variables (CSR pillars namely: economic, social and environmental). The regression model to be used is presented below:

$$\begin{aligned}
 FPerf = & \alpha_0 + \alpha_1 CSR + \alpha_2 CSR^2 + \alpha_3 CSR^3 + \alpha_4 SIZE + \alpha_5 AGE \\
 & + \alpha_6 REVENUE + \alpha_7 YEARDUMMIES_{1-5} + \varepsilon
 \end{aligned}
 \tag{1}$$

Where FPERF = a bank's financial performance using account based measures (ROA, ROE, and PPE)

CSR = three pillars (economic, social and environmental) or measures of CSR

CSR² = curvilinear function of CSR which is achieved by squaring the difference between mean value of CSR and the individual CSR value. This will reduce multicollinearity.

CSR³ = cubifunction of CSR, which is presented by raising the mean difference between mean value of CSR and individual value.

SIZE, AGE and REVENUE = represents bank size, age of operation and revenue respectively.

YEARDUMMIES = represents year effects, as already mentioned from, 2013 to 2017 (5 dummy variables), where by year 2013 is the base that includes 4 other years and ϵ is a random error term.

Furthermore, the hypotheses will be tested using Pearson's chi-square test as shown below.

$$x^2 = \sum_{i=1}^r \sum_{j=1}^s \frac{(n_{ij} - n^{-ij})^2}{n^{-ij}} \quad (2)$$

NVivo software is employed to analyze data from the semi structured interview on bank managers. The interviews in the software will be coded (using automatic coding) and afterwards queried (do a text search on repeated words). Next, reflect (gather queried results by putting them in one place using nodes) and then visualize (display a word tree and check on the frequency of repeated words) and finally create memo (record insight and complete the analysis).

4.12 Pilot Study

The pilot-test was conducted between July 2017 and August 2017 in Kenya. The main aim was to test the effectiveness of both the questionnaires and interview questions. The effectiveness determined: *time needed to complete each questionnaire and face to face interviews; questions that are unclear to respondents; questions which respondents are uncomfortable answering and additional questions needed by respondents*

First, both the interview questions and questionnaires were sent to two academics (supervisor and consultant). After receiving their feedback, on format, wording, potential for data analysis and clearness, necessary amendments were done if needed. Afterwards, the questionnaires were sent to bank customers and bank employees. The pilot study included all elements discussed in chapter 4.

4.12.1 Outcome of the Pilot Study

The banks under pilot test were: *Barclays, Equity, Co-operative, National, Standard Chartered, Kenya Commercial Bank (KCB), Family, Chase, Eco and Commercial Bank of Africa*. In addition, based on the methodology for the main research (chapter 5), convenient sampling was applied. Questionnaire was used as the method of data collection for bank customers and employees. Semi-structured interviews were conducted for bank managers, and those who didn't want to provide their names, were given an option to use pseudonym names.

Questionnaires were developed based on the studies from Paulik et al (2015) and Belás et al (2013) who categorize CSR into three pillars (economic, social and environmental). To further categorize activities for each pillar, the pilot study took consideration of works from Castka et al (2004); Bhattacharya and Sen (2004); Bénabou and Tirole (2010); Justyna and Saniuk (2014); Kakabadse et al (2005) and Maignan et al (2005). Furthermore, the pilot study was used to further develop the conceptual model (presented in chapter 4).

The pilot study was conducted both in urban and rural areas. The pilot test questionnaire was administered to 35 customers. A total of 30 questions were asked. A different questionnaire was administered to 11 bank employees. The questionnaire for employees consisted of 22 questions. Interviews were conducted on 10 bank managers and employees who are directly involved in CSR implementation. Other questions arose during the interviews.

The main conclusion drawn from the pilot study was that the sampled banks practised CSR on their employees, customers and society even though there is no accepted framework. Community projects on health, education and talent management related CSR practices are widely practiced for the purposes of societal improvement. These activities are solemnly carried on philanthropic basis on the sampled banks. In branch, economic and remote satisfaction are key aspects of promoting CSR to customers. Mentorships, trainings and seminars, financial benefits and assured job security are important aspects of CSR to employees and thus contribute to employee retention and loyalty.

Financial and CSR data for the previous five years (2013 – 2017) were examined. These data were available in the banks' annual financial statements and sustainable reports respectively. Furthermore, the sampled banks incorporate the above mentioned CSR activities in their annual reports. According to bank managers and employees responsible for CSR implementation, publishing reports on CSR gives banks an opportunity to increase future markets and communicate to special audiences, for example shareholders. This is in line with the studies from Pomeroy and Dolnicar (2009, p. 292). In sum, the pilot study was **aimed at identifying the**

availability of data and the outcome confirmed that Kenyan banks are engaged in CSR and data is available for banks sampled. The pilot test was undertaken and questionnaires were administered to administered to 46 respondents (35 customers and 11 employees). The initial pool of 30 questions for customers was reduced to 26 questions while for employees it was reduced from 22 to 20 questions after pilot testing of the questionnaires.

4.13 Reliability and Validity

Carmines and Zeller (1979) define reliability as, “the extent to which an experiment, test or any measuring procedure yields the same results on repeated trials”. They also define validity as, “the extent to which any measuring instrument measures what it is intended to measure”. The questionnaires mostly consist of close-ended questions, which only permit pre-specified responses. The questionnaires are based on literature review (previous researches). Cronbach’s Coefficient alpha is applied to measure the consistency of the questionnaire. Interviews are semi-structured and the checklist is based on opinions from experts and findings from the pilot study.

Furthermore, to ensure quality of the study, the following were done: *check every completed questionnaire for errors and inconsistencies (e.g. 18 year old who is retired, 18 year old with a Master’s degree); questions that were accidentally forgotten and check on previous encountered problems or challenges. This can be done through observation of respondents expression on certain questions and time taken to comprehend questions. Extra check will be done on respondents comments on the study. This is important in the first days of data collection*

Moreover, to ensure compliance to ethical standards, in addition to respect to privacy, any harm or deception and informed consent, all respondents were informed about the aims, objects and outputs of the study. Their anonymity and confidentiality of the information given was assured as well. Respondents were also assured that their health, dignity, values and psychological well-being were not under threat. Respondents were offered an option to obtain a copy via email of the findings of this study.

4.14 Conclusion

This research uses Literature review to identify research questions and pilot study to identify the availability of data and fill any gaps in collection of data. Furthermore, primary data (qualitative and quantitative) is collected to further develop the CSR framework. Secondary data (qualitative) is also collected from banks’ published annual reports and financial statements. Data is analyzed through content analysis and descriptive statistics.

5. MAIN RESULTS

This chapter presents data analysis, interpretation and discussion of findings of the quantitative research. Besides descriptive statistics, Pearson's correlation coefficients, linear and multiple regression analysis and ANOVA were employed for this purpose. Moreover, the results for qualitative analysis are provided. Qualitative research is the prowess to produce vast amounts of data. These data include: verbatim notes or transcribed recordings of interviews and focus groups, field notes of observational research, jotted notes, diary or chronological account and reflective notes (Pope et al., 2000, p. 114). Data is usually explored inductively through content analysis that enables researchers to generate, categorize and explain the findings.

5.1 Quantitative Analysis

5.1.1 Demographics

5.1.1.1 Response Rate

The study targeted 700 respondents for both bank employees and customers from the 10 banks in Kenya. The field data was obtained from 652 respondents. The data set was then screened for code violations and missing data, using SPSS descriptive statistics and visual inspection by the researcher, yielding an effective response rate of 650 respondents.

5.1.1.2 Distribution of Respondents by Gender

The responses were categorized into two categories that is, male and female as shown in table 9.

Table 9: Gender Distribution Source: Research Data, 2017

Gender	Frequency	Percent
Male	336	51.7
Female	314	48.3
Total	650	100.0

Table 9 shows that majority 51.7% of the respondents were male while 48.3% were female. The proportions as presented in the findings revealed the true picture of gender composition within the banks as per the sampling frame used by the study.

5.1.1.3 Respondents' Age Profile

The responses were categorized into five categories for ease of analysis as presented in the table 10.

Table 10: Respondents' Age Profile Source: Research Data, 2017

Age Groups	Frequency	Percent
18-24	176	27.1
25-31	261	40.2
32-38	117	18
39-45	50	7.7
46 and over	46	7
Total	650	100.0

Table 10 shows 40.2% of the respondents are between the ages of 25-31 years. The age group of 18-24 years represented 27.1% of the respondents while 32-38 years comprised 18%. Those between years 39 years and above comprised 14.7% cumulatively. This implies that a majority of bank employees are in their early ages in the job market. Consequently, a majority of young people have engaged in the bank services.

5.1.1.4 Respondents on Educational level

The responses were categorized into five levels for ease of analysis that is, Primary/Secondary, Diploma, Bachelor's, Master's and Doctorate as presented in the table 11.

Table 11: Showing the Educational level of respondents Source: Research Data, 2017

Educational level	Frequency	Percent
Primary/Secondary	7	1.1
Diploma	87	13.4
Bachelors	345	53.1
Masters	41	6.3
Doctorate	87	13.4
Total	567	87.3

The findings from table 11 show that 53.1% of the respondents had Bachelors, while those with Masters and Diplomas had 6.3% and 13.4% respectively. In addition,

13.4% of the respondents had Doctorate. Finally, Primary/secondary levels had 1.1% .12.7% of the respondents especially customers opted not to answer the question. The study established the majority of the respondents as bank employees have masters and above qualifications as well as many of the customers had a good educational background.

5.1.2 Descriptive Statistics on Financial Performance

Table 12: Descriptive Statistics on Financial Performance Source: Research Data, 2017

Year	Variable	Mean	N
2013	ROA	3.34	10
	ROE	23.1	10
	PPE	348.9	10
2014	ROA	3.2	10
	ROE	20.7	10
	PPE	400.0	10
2015	ROA	2.23	10
	ROE	15.63	10
	PPE	340.0	10
2016	ROA	2.0	10
	ROE	14.1	10
	PPE	363	10
2017	ROA	3.12	10
	ROE	19	10
	PPE	260	10

In table 12, the descriptive statistics of the entire sample are listed the sampled banks financial performance index for a period between 2013 to 2017 based on, ROA, ROE and PPE. A total of 10 banks from the Nairobi Security Exchange financial data were sampled for the entire 5 year period. The statistics indicates that the mean score for the financial variables, ROA, ROE and PPE, display a less predictable pattern in terms of rises and falls. The ROA mean value in 2013 is 3.34% compared to 3.2% in 2014, 2.23% in 2015, 2.0 % in 2016 and 3.12% in 2017. The mean value of ROE falls between 2013 and 2014 before decreasing heavily in 2015 and recovering slightly in 2017. The PPE indicated an up and downward trend in the subsequent years.

5.1.3 Descriptive Statistics of CSR activities on Customers and Employees

Questions were posted on the questionnaire that highlighted a number of CSR activities towards employees and customers on how they affect their economic, social and environmental aspects as well as financial performance of commercial banks in Kenya.

The respondents were asked whether they were in agreement that CSR practices lead to higher financial performance in commercial banks. In addition, banks with low CSR participation have low profitability based on accounting based measures. Questions that were rated on the five (5) point Likert scale ranging from 1= strongly disagree, 2= disagree, 3=neither agree nor disagree, 4= agree, 5=strongly agree. The items mean and standard deviation measuring level of agreement were computed from the respondent's response as shown on the table.

Table 13: Descriptive Statistics of CSR activities towards customers Source: Research Data, 2017

	N	Minimum	Maximum	Mean	Std. Deviation
V14: Are you aware of your banks participation on CSR practices or activities	582	1	2	1.25	.434
V15: Are you satisfied with your bank's overall CSR practices	530	1	6	2.03	.803
Valid N (listwise)	0				

From these results on table 13, the majority of customers agreed that they were satisfied with their banks overall CSR practices with a mean of 2.03 and a standard deviation of 0.803. As to whether customers are aware of their banks participation on CSR practices and activities, they concurred with a mean 1.25 and a standard deviation of 0.434. From the results on table 4.3 showing the respondent's views, it can be concluded from a descriptive perspective that customers focused CSR have an effect on their economic, social and environmental well-being.

Table 14: Descriptive Statistics of CSR activities towards employees

	N	Minimum	Maximum	Mean	Std. Deviation
V11: Satisfaction with banks overall CSR practices that are targeted by employees	50	1	5	2.14	.833
V12: Respondents satisfaction with support from management during course work	50	1	2	1.08	.274
V19 Other	0				
V21: Does the bank provide Financial support to environmental matters	49	1	2	1.08	.277
V22: Training and development	50	1	2	1.52	.505
V24: Commitment to health and safety practices	49	1	3	1.67	.516
Valid N (listwise)	0				

From these results on table 14, the mean of 2.14 and a standard deviation of 0.833 indicated that the employee were satisfied with their bank CSR practices hence significantly showing that there is agreement of the respondents to the fact that employee focused CSR activities had an effect on the financial performance of commercial banks in Kenya. Specifically, there was a strong relationship between

Respondents satisfaction with support from management during course work (mean=1.08, SD=0.274) and provision of Financial support to environmental matters (mean=1.08, SD=0.277). Of all the employee focused CSR activities, training and development, Commitment to health and safety practices were common practices within the banks (mean=1.52, SD=0.505, mean=1.67, SD=0.516) respectively. From the results on table 14 showing the respondent's views, it can be concluded from a descriptive perspective that employee focused CSR have an effect on the overall financial performance of commercial banks since these initiatives draws customers closer to customers and also consolidate them.

5.1.4 Testing of Assumptions for Regression Analysis

This section presents testing of assumptions which are meant to check whether data met the regression set standards before testing the hypotheses.

5.1.4.1 Test for Normality of Data

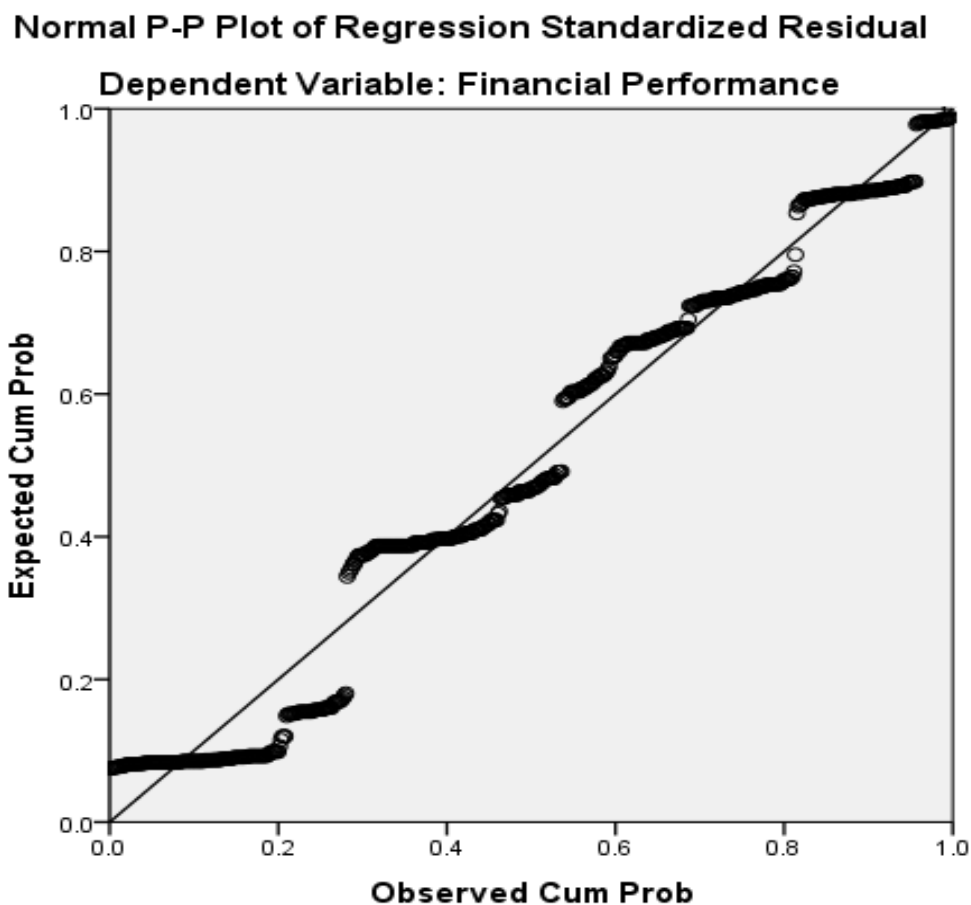


Figure 3: Normality of data. Data Source: Researcher 2017

Figure 3 indicates that the assumptions for normality and linearity have been met since the dotted circles runs parallel with diagonal line.

5.1.4.2 Assumption to check homoscedasticity of data

To check the relationship between independent variable and dependent variable a scatter diagram was plotted. Figure 4 shows a scatter plot of regression standardized residual.

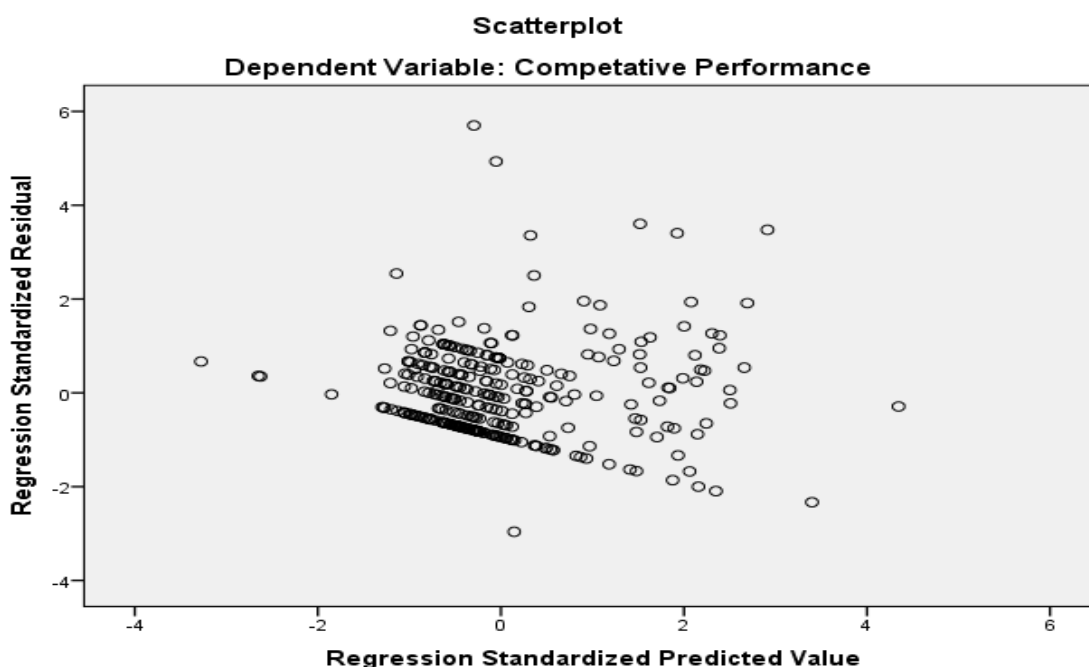


Figure 4: Scatter plot of regression standardized residual. Data Source: Researcher 2017

Figure 4 indicates circles equally distributed above and below zero on x- axis, and to the left and right of on the y-axis indicates that the assumption for homoscedasticity has been met.

5.1.4.3 Assumption to check multicollinearity of data

Collinearity diagnostics was conducted to establish whether the predictors are not highly correlated with one another. Table 15 shows the coefficients tolerance and variance inflation factors (VIF).

Table 15: Collinearity statistics. Data Source: Researcher 2017

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	10.424	1.122		9.288	.000		
1 Economic CSR	.137	.391	.015	.350	.726	.925	1.081
Social CSR	.063	.309	.008	.203	.839	.996	1.004
Environmental CSR	.371	.465	.034	.798	.425	.924	1.082

a. Dependent Variable: Financial Performance

From table 5.5.3, it can be confirmed there's absence of multicollinearity since variance inflation factors (VIF) are below 10 and tolerance score above 0.2 (statistics=.924, .996 and .925 respectively).

5.1.5 Testing of Hypotheses

This section presents the results of hypotheses testing and quantitative analyzes and the interpretation of relationships among the various variables derived from the study sections: relationship between: The relationship between CSR and financial performance in commercial banks based on accounting measures; the extent to which age, size, revenue and year moderates the relationship between CSR (social, cultural, environmental) and financial performance outcome of commercial banks in Kenya.

The Pearson's product moment correlation and multiple regressions as parametric statistical analysis techniques have been used to test the first relationship. The other relationship will be tested using non-parametric measures to establish the strength of the relationship among the variables. Null hypothesis will be suitable for this study since, the study will establish whether there are chance effects on CSR strategies on financial performance of commercial banks in Kenya.

H₁: There is no positive synergy between CSR and financial performance in commercial banks based on accounting measures.

H₂: Better CSR practices do not lead to higher financial performance of commercial banks

H₃: There is no Moderating effect of the control variables on the relationship between CSR strategies and financial performance of commercial banks

H₄: Financial performance is dependent on solid social responsible performance. Investments in CSR positively affect profitability growth

Table 16 provides the results of the correlations analysis of employees CSR activities.

Table 16: Correlations of Employee CSR Activities. Data Source: Researcher 2017

		Economic CSR	Social CSR	Environmental CSR	ROA	ROE	PPE	Financial Performance
Economic CSR	Pearson Correlation	1	.433**	.010	.083	.145	.287*	.283*
	Sig. (2-tailed)		.002	.945	.568	.316	.043	.047
	N	50	50	50	50	50	50	50
Social CSR	Pearson Correlation	.433**	1	.040	.111	.225	.231	.236
	Sig. (2-tailed)	.002		.780	.443	.117	.106	.099
	N	50	50	50	50	50	50	50
Environmental CSR	Pearson Correlation	.010	.040	1	-.144	-.096	-.018	-.027
	Sig. (2-tailed)	.945	.780		.318	.506	.902	.850
	N	50	50	50	50	50	50	50
Return on Assets	Pearson Correlation	.083	.111	-.144	1	.920*	.491**	.522**
	Sig. (2-tailed)	.568	.443	.318		.000	.000	.000
	N	50	50	50	50	50	50	50
Return on Equity	Pearson Correlation	.145	.225	-.096	.920**	1	.664**	.689**
	Sig. (2-tailed)	.316	.117	.506	.000		.000	.000
	N	50	50	50	50	50	50	50

Profit per Employee	N	50	50	50	50	50	50	50
	Pearson Correlation	.287*	.231	-.018	.491**	.664*	1	.990**
	Sig. (2-tailed)	.043	.106	.902	.000	.000		.000
Financial Performance	N	50	50	50	50	50	50	50
	Pearson Correlation	.283*	.236	-.027	.522**	.689*	.990**	1
	Sig. (2-tailed)	.047	.099	.850	.000	.000	.000	
	N	50	50	50	50	50	50	50

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

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

The results on table 16 show that Economic CSR had a statistically significant positive correlation ($r = 0.047$ and $p \leq 0.01$) with financial performance. Social CSR practices indicated a statistically significant positive correlation ($r = 0.099$ and $p \leq 0.01$) with financial performance and Environmental CSR had a statistically significant positive correlation ($r = 0.850$ and $p \leq 0.01$) with financial performance.

In addition, there was a positive and significant relationship between CSR practices and each of the accounting based financial indicators as shown in table 16. On the overall, there is statistically significant positive correlation among the various CSR activities towards employees. This implies that when one CSR activity towards employee was affecting performance, the other activities were too affecting performance.

Table 17 provides the results of the correlations analysis of customers CSR activities.

Table 17: Correlations of Customer CSR Activities. Data Source: Researcher 2017

		Economic CSR	Social CSR	Environmental CSR	Return on Assets	Return on Equity	PP E	Financial Performance
Economic CSR	Pearson Correlation	1	-.046	.274**	-.099	-.120	-.083	
	Sig. (2-tailed)		.263	.000	.138	.070	.214	.214
	N	602	602	602	227	227	227	227
Social CSR	Pearson Correlation	-.046	1	-.055	.024	.061	.083	.085
	Sig. (2-tailed)	.263		.180	.724	.358	.212	.203
	N	602	602	602	227	227	227	227
Environmental CSR	Pearson Correlation	.274**	-.055	1	-.100	-.124	-.145*	-.154*
	Sig. (2-tailed)	.000	.180		.133	.062	.028	.021
	N	602	602	602	227	227	227	227
Return on Assets	Pearson Correlation	-.099	.024	-.100	1	.875**	.454**	.478**
	Sig. (2-tailed)	.138	.724	.133		.000	.000	.000
	N	227	227	227	227	227	227	227
Return on Equity	Pearson Correlation	-.120	.061	-.124	.875**	1	.711**	.730**
	Sig. (2-tailed)	.070	.358	.062	.000		.000	.000
	N	227	227	227	227	227	227	227
PPE	Pearson Correlation	-.083	.083	-.145*	.454**	.711**	1	.998**
	Sig. (2-tailed)	.214	.212	.028	.000	.000		.000
	N	227	227	227	227	227	227	227

	Pearson	-.083	.085	-.154*	.478**	.730**	.998**	1
Financial	Correlati							
Performance	on							
	Sig. (2-	.214	.203	.021	.000	.000	.000	
	tailed)							
	N	227	227	227	227	227	227	227

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

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

The results on Table 18, shows the correlation of customer CSR practices on financial performance. Economic CSR had a statistically significant positive correlation ($r = 0.214$ and $p \leq 0.01$) with financial performance. Social CSR practices indicated a statistically significant positive correlation ($r = 0.203$ and $p \leq 0.01$) with financial performance and Environmental CSR had a statistically significant positive correlation ($r = 0.021$ and $p \leq 0.01$) with financial performance. The results in table 18 indicates there is statistically significant positive correlation among the various CSR activities towards customers. This implies that CSR activities draw customers closer to their banks.

5.1.5.1: To examine the relationship between CSR and financial performance (positive, negative or neutral) in the banking industry.

Objective one of the study was meant to establish whether there is a positive synergy between CSR strategies on financial performance of commercial banks. Hence, the following hypothesis was tested:

H₁: There is no positive synergy between CSR and financial performance in commercial banks based on accounting measures

5.1.5.1.1 CSR and ROA

In order to examine the relationship between CSR and return on asset of commercial banks listed at Nairobi Securities Exchange, a multiple regression analysis was formulated to determine the relationship between CSR strategies and the financial performance of commercial banks in Kenya. The regression equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \quad (3)$$

Where;

Y =financial performance (ROA)

α =Constant

$B_1- \beta_3$ =coefficients for the respective determinants

X_1 = social CSR;

X_2 = Economic CSR;

X_3 = Environmental CSR,

ϵ = error term

Table 18: Model Summary. Data source: NSE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.384 ^a	.147	.079	3.15998

a. Predictors: (Constant), Economic CSR, Social CSR, Environmental CSR

The study show that the adjusted R squared for the model was .079 indicated that the regression model adopted for the research study is accurate result. The independent variables showed the 7.9% of the variation on financial performance of listed commerce banks was influenced by return on assets.92.1% of variation on financial performance of listed commerce banks is not showed by the regression model. The regression model between the variables is showed by R= 0.384 indicating there was a positive statistical relationship between CSR and financial performance.

Analysis of Variance

Analysis of Variance was applied to analyse the effect of CSR on financial performance of commercial banks listed at Nairobi Securities Exchange. The analysed data were indicated on the table below in table 19.

Table 19: Analysis of Variance (ANOVA). Data source: NSE

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	5.179	3	1.726	2.156	.028 ^b
1 Residual	.021	1	.021		
Total	5.200	4			

The Analysis of Variance (ANOVA), the research study developed the regression model indicated a significance result of the calculated F (2.156 greater 0.028. The

study showed that the model was good to establish the conclusion on the study at 5% level of significance

Regression Coefficients

This statistical control that regression provides is significance because it separates the work of one variable from others in the regression model. Regression analysis coefficients established the mean change in dependent variable (Return on asset) for one unit of change in the predictor variable while holding other predictors in the model constant.

Table 20: Regression Coefficients. Data source: NSE

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	10.112	1.163		8.697	.000
Economic CSR	.120	.406	.039	.296	.027
Social CSR	.009	.014	.091	.605	.041
Environmental CSR	.138	.061	.324	2.242	.029

a. Dependent Variable: Return on asset ratio

The regression coefficient table shows that the constant $\alpha=10.112$ is significantly greater than zero. The coefficients of; Economic CSR $\beta = (0.039, t=0.296, P<0.05)$ Social CSR $\beta =0.91, t=0.605, P<0.05)$ and Environmental CSR $\beta = 0.324, t=2.242, P<0.05)$ are significantly different from zero with p-value of less than 0.05. However, the unstandardized coefficients are used to build the linear regression equation that may be used to predict new scores of Y using available scores of $X_1, X_2,$ and X_3 . This means that a unit increase in the independent variable yielded 0.120, 0.009, and 0.138 in the dependent variable. A multiple linear regression analysis model was formulated to determine the relationship between CSR strategies and the financial performance of commercial banks.

Therefore, the proposed regression model will be; $Y = 10.112 + 0.120X_1 + 0.009X_2 + 0.138X_3$

From the above regression model equation it is that all the CSR strategies used in this study have a statistical significance to the regression model

5.1.5.1.2 CSR and ROE

In order to examine the relationship between CSR and return on equity of commercial banks listed at Nairobi Securities Exchange, a multiple regression analysis was applied to find out the relationship between independent variable and dependent variable. The study adopted model summary from multiple regressions analysis. The regression equation stated;

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \tag{4}$$

Where;

Y =financial performance (ROE)

α =Constant

β_1 - β_3 =coefficients for the respective determinants

X_1 = social CSR;

X_2 = Economic CSR;

X_3 = Environmental CSR,

ε = error term

Table 21: Model Summary. Data source: NSE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.450 ^a	.203	.139	27.772

a. Predictors: (Constant), Economic CSR, Social CSR, and Environmental CSR

The study show that the adjusted R squared for the model was .139 indicated that the regression model adopted for the research study is true result. The independent variables showed the 13.9 % of the variation on return on equity of listed commerce banks was influenced by return on equity. Only 86.1% of variation on return on equity of listed commerce bank was not showed by the regression model. The regression model between the variables is showed by R= 0.45 which indicate there was a positive statistical relationship between the CSR and return on equity.

Analysis of Variance

Analysis of Variance was applied to analyse the effect of CSR on return on equity of commercial banks listed at Nairobi Securities Exchange. The analysed data were indicated on the table below.

Table 22: Analysis of Variance (ANOVA). Data source: NSE

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9801.107	3	2450.277	3.177	.021 ^b
	Residual	38563.039	1	771.261		
	Total	48364.147	4			

The Analysis of Variance (ANOVA), the research study developed the regression model indicated a significance result of the calculated F (3.177 greater 0.021). The study showed that the model was good to establish the conclusion on the study at 5% level of significance.

Regression Coefficients

This statistical control that regression provides is significance because it separates the work of one variable from others in the regression model regression analysis coefficients established the mean change in dependent variable (return on equity) for one unit of change in the predictor variable while holding other predictors in the model constant.

Table 23: Regression Coefficients. Data source: NSE

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	6.225	3.218		2.223	.000
Economic CSR	3.085	3.570	.110	.864	.392
Social CSR	.263	.125	.306	2.110	.040
Environmental CSR	-1.721	.539	-.446	-3.192	.002

a. Dependent Variable: Return on equity ratio

The research study used a regression analysis so as to assess the effect of CSR on return on equity of commercial banks listed at Nairobi Securities Exchange. The following regression analysis model and equation was provided: $Y = 6.225 + 3.085X_1 + 0.263X_2 - 1.721X_3$

From table 23, the regression model equation indicated that holding Economic CSR, Social CSR and Environmental CSR to constant limit, return on equity of commercial banks listed would be at 3.085 unit increase in Economic level, 0.263 unit increase in social level and would cause decrease to return on equity of commercial banks listed by -1.721 on environmental level. Only economic CSR variable was insignificant 0.392 $P > 0.05$.

5.1.5.1.3 CSR and PPE

In order to examine the relationship between CSR and profit per employee of commercial banks listed at Nairobi Securities Exchange, a multiple regression analysis was applied to find out the relationship between independent variable and dependent variable. The study adopted model summary from multiple regressions analysis. The regression equation:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \tag{5}$$

Where;

Y =financial performance (PPE)

α =Constant

β_1 - β_3 =coefficients for the respective determinants

X_1 = social CSR;

X_2 = Economic CSR;

X_3 = Environmental CSR,

ε = error term

Table 24: Model Summary. Data source: NSE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.342 ^a	.138	.089	20.241

a. Predictors: (Constant), Economic CSR, Social CSR, Environmental CSR

As shown in table 24, the correlation for the relationship between CSR strategies and financial performance (PPE) is moderate, positive and significant ($r=0.342$, $p<0.05$). Regression analysis was used to test if CSR strategies significantly predicted financial performance. The adjusted R squared value showed that CSR strategies explained 8.9 percent of the variance ($AR^2=0.089$, $p<0.05$). These results means that, economic CSR, social CSR and environmental CSR (independent variables), combined can explain up to 8.9% of the changes in the commercial banks profit per employee (dependent variable) Economic CSR, social CSR and environmental CSR have significance and substantially influence commercial banks financial performance at a significance level of 0.05.

Analysis of Variance

Analysis of Variance was applied to analyse the effect of CSR on profit per employee of commercial banks listed at Nairobi Securities Exchange. The analysed data were indicated on the table below.

Table 25: Analysis of Variance (ANOVA). Data source: NSE

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	3.717	3	1.239	4.963	.003 ^b
Residual	19.473	1	.250		
Total	23.190	4			

a. Dependent Variable: Profit per employee

b. Predictors: Predictors: (Constant), Economic CSR, Social CSR, Environmental CSR

The Analysis of Variance (ANOVA), the research study developed the regression model indicated a significance result of the calculated F (4.963 greater 0.003, less than significant value 0.05 meaning that all independent variables significantly affect financial performance(PPE). The study showed that the model was good to establish the conclusion on the study at 5% level of significance.

Regression Coefficients

This statistical control that regression provides is significance because it separates the work of one variable from others in the regression model regression analysis coefficients established the mean change in dependent variable (PPE) for one unit of change in the predictor variable while holding other predictors in the model constant.

Table 26: Regression Coefficients. Data source: NSE

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	2.382	1.125		2.118	.037
Economic CSR	.356	.951	.045	.375	.709
Social CSR	-.318	.095	-.401	-3.349	.001
Environmental CSR	.057	.154	.042	.368	.714

a. Dependent Variable: Profit per employee

Table 26 shows that CSR has a positive effect on profit per employee of commercial banks listed at Nairobi Securities Exchange. The following regression analysis model and equation was provided: $Y = 2.382 + 0.356X_1 - 0.318X_2 + 0.057X_3$.

From table 26, the regression model equation indicated that holding Economic CSR, Social CSR and Environmental CSR to constant limit, profit per employee of commercial banks listed would be at 0.356 unit increase in Economic level, -0.318 unit in social level would cause decrease to profit per employee of commercial banks and 0.057 on environmental level would bring a positive change. Only social CSR variable was significant 0.001 $P < 0.05$. Both economic and environmental CSRs were insignificant at 0.709 $p > 0.05$, 0.714 $p > 0.05$ respectively.

Based on the test results, we reject the null hypothesis and accept the alternate hypothesis that there is a significant relationship of CSR strategies on financial performance of commercial banks.

5.1.5.2: To determine the merits of banks' involvement in CSR initiatives in relation to customers, employees and most importantly society.

The second objective of the study was designed to establish whether CSR practices can lead to higher financial performance outcome of commercial banks. The study predicted that the relationship between CSR practices and financial performance do not lead to higher financial performance outcome of commercial banks. Hence, the following hypothesis was tested:

H₂: Better CSR practices do not lead to higher financial performance of commercial banks

To test hypothesis H₂, multiple regression model was conducted. The model was formulated as;

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4R_1 + \beta_5R_2 + \beta_6R_3 \quad (4)$$

Where;

Y =financial performance

B₁- β₆=coefficients for the respective determinants

X₁ = social CSR;

X₂ = Economic CSR;

X₃ = Environmental CSR,

R₁- R₃=Accounting based financial indicators

ε = error term

In order to achieve this, a summary model was performed through multiple regressions and the regression coefficient table generated in table 27.

Table 27: Regression results regarding the influence of CSR on accounting-based financial performance. Data source: Researcher 2017

Dependent Var → Independent Var ↓	ROA (Eq. 1)	ROE (Eq. 2)	PPE (Eq. 3)
Const.	0.075363** (3.141898)	0.416036* (2.083631)	0.158210 (1.953002)
Social CSR	-0.025709 (-0.943115)	0.022943 (0.138427)	0.507786 (1.195674)
Economic CSR;	-0.020909 (-0.959115)	0.000444* (3.712137)	1.570716* (2.492084)

Environmental CSR,	0.430716* (1.491064)	1.270715* (1.391084)	0.027249* (1.312084)
F-stat.	21.50188	7.313827	5.405153
R-sq.	0.288609	0.125422	0.092546
Adj R-sq.	0.275186	0.108273	0.139882
N	650	650	650

The F-test assesses the null hypothesis that all regression coefficients are equal to zero relative to the alternative that at least one does not. The F-stat. is the mean square model term divided by the mean square error term. Therefore, all the estimated models out of table 27 are statistically significant for a significance level of 5%. Accordingly, the observed R-sq. is reliable, as well as the proposed relationship between accounting based financial indicators and CSR strategies, is statistically reliable.

R-sq. reveals how close the data are to the fitted regression line, being computed as the ratio between the explained variation and total variation. Also, the Adj R-sq. is a modified version of R-sq. that has been adjusted for the number of predictors in the model. Thus, based on the values of Adj R-sq., about 27.51%, 10.83%, and 13.99%, of the total variation in the dependent variable (ROA, ROE, and PPE) can be explained by the exploratory variables in the model, the rest being attributed to other factors. However, about 72.49%, 89.17%, 86.01% cannot be explained by independent variable by Eq.1, Eq. 2 and Eq. 3 respectively. Each specific account based indicator was calculated against CSR strategies in order to find its contribution effect on financial performance. Therefore, we reject the null hypothesis and accept the alternate hypothesis that better CSR practices lead to higher financial performance in commercial banks.

5.1.5.3: To investigate how CSR strategies and financial performance are measured in commercial banks.

The third objective of the study was designed to establish the extent to which control variables moderates the relationship between CSR strategies and financial performance outcome of commercial banks in Kenya. The study predicted that the relationship between CSR strategies and financial performance was not moderated

by organizational size effect. At the operationalization of variables, the CSR strategies were moderated by control variables (size, age, revenue and year dummies).

Hence, the following hypotheses were tested:

H₃: There is no Moderating effect of the control variables on the relationship between CSR strategies and financial performance of commercial banks

A multiple regression analysis was formulated to determine the moderating effect of control variable on the relationship between CSR strategies and financial performance of commercial banks in Kenya. The regression equation is shown below:

$$FPerf = \alpha_0 + \alpha_1 CSR + \alpha_2 CSR^2 + \alpha_3 CSR^3 + \alpha_4 SIZE + \alpha_5 AGE + \alpha_6 REVENUE + \alpha_7 YEARDUMMIES_{1-5} + \varepsilon \quad (5)$$

Where;

FPERF = financial performance (ROA, ROE, and PPE)

CSR = economic, social and environmental CSR

CSR² = curvilinear function of CSR

CSR³ = cubifunction of CSR

SIZE, AGE and REVENUE = bank size, age of operation and revenue

YEARDUMMIES = 1-5 is five year period for account based data

Multiple regression analysis method was used to determine the moderating effect of control variables (Year dummies, Revenue, Age, Size) on the relationship between CSR strategies and financial performance outcome using the following procedure. First, (step 1) a multiple linear regression analysis was conducted to test the effect of CSR strategies and financial performance (table 20). Secondly, (step 2) the multiple linear regression model was conducted between CSR strategies, control variables (Year dummies, Revenue, Age, Size) and financial performance to establish the relationship of moderating effect on the relationship between CSR strategies and financial performance. The results were then compared to establish if there is any significant difference between the results of step one and step two.

The multiple regression analysis is presented in tables 28 and 29 showing the Regression results for CSR strategies, control variable and financial performance of commercial banks in Kenya.

Table 28: Model Summary for Multiple Regressions. Source: Researcher 2017

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.831 ^a	.794	.774	.614	.12961	19.595	4	638	.000
2	.871 ^b	.798	.795	.604	.3029	2.939	4	617	.021

a. Predictors: (Constant), Environmental CSR, Economic CSR, Social CSR

b. Predictors: (Constant), Environmental CSR, Economic CSR, Social CSR, Year dummies, Revenue, Age, Size

From the regression results in table 28, two models have been generated using enter method. The multiple regression model number 2 is the most significant model since it has the inclusion of all CSR strategies and moderating variables. The results are significant at the set confidence interval of 95%. It can be noted, that as one moves from the multiple regression model number one to two, the standard error of estimate decreases from 0.614 to 0.604. The adjusted R2 also keeps improving from 0.774 to 0.795. Although all models are significant, regression model number two is the predictor of the moderating effect of organizational size on the relationship between CSR strategies and financial performance.

The multiple regression model number two shows a strong, positive, and significant relationship between CSR strategies control variables (Year dummies, Revenue, Age, Size), and financial performance outcome, implying that the CSR strategies and control variables explain 79.5% of the changes in commercial banks financial performance outcome. Although the CSR strategies alone are able to explain 77.4% of the variance in the commercial banks financial performance, when combined with control variable they explain 79.5% of the variations in the bank's financial performance. The magnitude of moderating effect on the relationship between CSR strategies and financial performance outcome is 2.1 % (79.5-77.4).

Table 29: Regression coefficient Source: Researcher 2017

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
	(Constant)	54.021	49.359		1.094	.279
1	Economic CSR	24.139	16.898	.222	1.429	.160
	Social CSR	20.064	22.110	.141	.907	.009

1	Environmental CSR	-5.461	21.665	-.035	-.252	.012
	(Constant)	68.278	63.326		1.078	.287
2	Economic CSR	27.135	17.981	.250	1.509	.139
	Social CSR	-17.260	24.269	.121	.711	.001
	Environmental CSR	-4.858	22.260	-.031	-.218	.028
	Age	-8.827	8.194	-.161	-	.117
	Size	-.839	7.675	-.017	-1.077	.013
	Revenue	-1.517	7.518	-.030	-.202	.041
	Yeardummies	5.299	7.180	.107	.738	.005

a. Dependent Variable: Financial Performance

Table 29 shows that CSR variables have both beta t statistic negative values but significant. (Economic CSR = -5.461, t = -0.252, p < 0.05, Social CSR, B = -17.260, t = 0.711, p < 0.05, Environmental CSR, (B = -4.858, t = -0.218, p < 0.05,) while control variables (Age, Size, Revenue and Year dummies) are significant and negative. (Age = -8.827, t = -1.077, p < 0.05, Size, B = -0.839, t = -0.109, p < 0.05, Revenue B = -1.517, t = -0.202, p < 0.05, Year dummies = 5.299, t = 0.738, p < 0.05). Therefore the regression equation for the model, $Y = 68.278 - 5.461X_1 - 17.260X_2 - 4.858X_3 - 8.827X_4 - 0.839X_5Z - 1.517X_6Z + 5.299X_7Z$.

Based on the results in table 29, all the control variables contribute to financial performance outcome. These results therefore, do not support the hypothesis that there is no Moderating effect of control variables on the relationship between CSR strategies and financial performance of commercial banks in Kenya. Therefore, we reject the null hypothesis and accept the alternate hypothesis.

5.1.5.4: To identify the key CSR elements that can be incorporated in a CSR framework to increase financial performance in commercial banks.

The fourth and last hypothesis of the fourth objective of the study was designed to establish the effect of social responsible on financial performance of commercial banks in Kenya. The hypothesis stated;

H₄: *Financial performance is dependent on solid social responsible performance. Investments in CSR positively affect profitability growth.*

Based on the results in tables 13, 14, 16 and 17 above, there is a weak, positive correlation between social responsible performance and financial performance. The correlation analysis was used to answer the research objective four, which sought to

establish whether Investments in CSR positively affect profitability growth within commercial banks and also find out what are the relationships between CSR, satisfaction and loyalty in commercial banks. The Pearson correlation coefficient was used to measure the level of linear dependence between two variables at given significance level of 0.01.

Most customers do not know if their banks have CSR initiatives and thus, they generally do not perceive given CSR elements. It has been observed that social CSR strategy has a slight effect on customers' satisfaction despite showing some statistically significant dependence on financial performance. As to the bank employees, same assumptions were applied in building the correlation analysis. A significant positive relationship was observed between overall employee satisfaction and employees' awareness of CSR concerning support of philanthropic projects by their banks. As per results, employees tend to be more satisfied when they are aware of bank's philanthropic activities. Further positive moderate relationship was found out between employee commitment as a part of loyalty and social policy as a social element of CSR in the bank. That may indicate employees' intentions to keep working in their current position when their banks are responsible towards the environment. In addition, positive relationships exist among CSR elements. A significant relationship was observed between awareness of involvement in community development as a social element of CSR and support of philanthropic projects.

5.1.6 Conclusion

From the test results above, this study found that the overall majority of the respondents (bank customers) are satisfied with the CSR practices of their banks. In addition, the bank customers acknowledged to be aware of their banks' participation on CSR related activities and practices. The study further found that the employees were also satisfied with the CSR activities of their banks and were aware of their banks' support of environmental matters management's support of activities such as training and development, commitment to health and safety practices are common practices within the banking industry of Kenya.

Basing on the results achieved above, **H₁**: *There is no positive synergy between CSR and financial performance in commercial banks based on accounting - has been rejected*, **H₂**: *Better CSR practices do not lead to higher financial performance of commercial banks - has also been rejected*. **H₃**: *There is no moderating effect of the control variable on the relationship between CSR strategies and financial performance of commercial banks - has been rejected* while **H₄**: *Financial performance is dependent on solid social responsible performance. Investments in CSR positively affect profitability growth - has been accepted*.

5.2 Qualitative Results

5.2.1 Approach for Data Analysis

Data analysis was done through an iterative process that composed of two phases. The first phase was listening to all interview recordings. Each interview was listened twice and parts deemed both interesting and useful were transcribed. In addition, all other important information were counter-checked with the written notes that were taken during the interview, and in case any was missing, it was put onto paper.

During transcription, texts were thoroughly checked for accuracy and were cleaned where necessary to avoid errors. As most interviewees used their real names, transcribed information was stored in word using a filename that ensured confidentiality and anonymity of interviewees. Furthermore, each interviewee was giving a code to ensure easy identification.

The second phase was analyzing of the data using content analysis technique. To facilitate management of the data, Nvivo software was employed. This software was used as it allows researchers to manage empirical material in a single location (text, spreadsheets, audio, video or images) and furthermore allows addition, modification, connection, cross referencing of data in form of memo so as not to lose any insight that have been generated (Oliveira et al, 2013, pp. 10).

5.2.2 Findings

5.2.2.1 Interviewees Profiles

The interviewed ten people had both substantial knowledge and good expertise of CSR practices. The interviewees acknowledged that CSR practices should be centered on customers, society (community) and employees. The three groups allow successful implementation even with minimal resources. Furthermore, the implementation should be towards health, education, environmental, talent management, service quality and peaceful initiatives. It was evident that the interviewees were well educated, passionate about the power of CSR in business and were interested in advocating for practice of CSR for not only all banks but all companies as well. Table 30 shows the interviewees' educational backgrounds.

Table 30: Interviewees educational background. Source: Own

Educational level	Number of interviewees	Frequency
Graduates	10	100%
Postgraduates	4	40%
Professionals	7	70%

All the 10 respondents had at least a Bachelor's degree, 40 per cent had a Master's degree and 70 per cent had other professional qualifications in areas such as financial, international, environmental, taxation and marketing management.

Table 31 shows the age groups of the interviewees.

Table 31: Age group of interviewees. Source: Own

Age	Number of interviewees	Frequency
26-32	1	10%
33-39	5	50%
40-46	3	30%
47 and above	1	10

Between the age groups of 26-32 and 47 and above, only 10 per cent of the interviewees represented each age group. Ages 33-39 had the highest interviewees rate with 50 per cent followed by age group 40-46 per cent which had 30 per cent. Table 32 presents the gender distribution of the respondents.

Table 32: Gender distribution. Source: Own

Gender	Number of interviewees	Frequency
Male	6	60%
Female	4	40%

The other important question asked to the interviewees at the beginning of the interviews was to provide their number of years at the current role either in CSR implementation, decision making or supervisor role. Ten per cent of the interviewees had between 1 to 3 years and 7-9 years. The highest experience was between 4-6 years with 60 per cent of the interviewees and 20 per cent had the experience of 10 years and above.

Table 33 below summarizes their experiences in the current fields.

Table 33: Years of experience in current role. Source: Own

Experiene in current role	Number of interviewees	Frequency
1-3 years	1	10%
4-6 years	6	60%
7-9 years	1	10%
10+ years	2	20%

5.2.2.2 Results

Most interviewees neither disclosed the amount allocated each year for CSR practices or for any specific CSR activities. The results are shown below:

1. Barclays

- **CSR budget:** Yes. There is need for budget allocation of CSR initiatives. Head office has department responsible for CSR practices and these department coordinates with bank branches. In total, there are approximately 62 employees responsible for CSR implementation in the country
- **Objectives of CSR:** Image creation; relationship enhancement; future financial returns; employees development to increase productivity; talent management; heath management; community development and seek partnerships
- **CSR practices:** Organizing sports activities aimed at fostering talents, mentorship programmes to the youths; organizing trainings and seminars for employees; organizing; HIV/ AIDS awareness, offer free medical checkups, advocating for healthy community through hygiene ; environmental education; offer financial assistance to schools, people with HIV/AIDS to start their own businesses; partnerships with local companies or registered organizations to create awareness on social issues such as need for peaceful coexistence; sensitize people and community on need for environmental cleanliness and conservation of environment
- **Characteristics of CSR:** Totally philanthropic / voluntary; customers, society (community) and employees focused; practiced within set norms or rules and transparency throughout CSR practice

2. Equity

- **CSR budget:** Yes. Spends millions of Kenyan shillings on CSR related activities in all bank branches. Notable example is on Wings to Fly programme that has \$101 million kitty. Equity Group Foundation is

responsible for all CSR practices, with employee base of around 52 people who coordinate with all branches

- **Objectives of CSR:** Community development; offer opportunities to the poor; education development; partnerships development; create profits; employee development; increase customer base and customer loyalty; health promotion and advocating for environmental friendly practices
- **CSR practices:** Offering scholarships through wings to fly, building schools); employing best placed high school graduates waiting to join university and teach them banking, organize and sponsor community sports activities; giving loans with cheap interest rates for business startups and other community projects; mentorship on leadership, entrepreneurship and innovation; promotes afforestation and well managed ecological systems; offering mentorship to the youth and upcoming entrepreneurs and health management (building dispensaries and offer time to time medical services)
- **Characteristics of CSR:** Transparency and ethically acceptable practices; voluntary basis and stakeholders focused

3. Co-operative

CSR budget: Yes. The main department is called Co – op Bank Foundation with around 69 employees in the main headquarters who coordinate with all bank branches.

- **Objectives of CSR:** Advocacy for equality; education development; community development; better lives of people through various initiatives; share profits with its customers, employees and society in a noble way and look forward for more profits in the future and offer employees personal development initiatives
- **CSR practices:** Sponsoring the needy through giving and offering offer internships; fair treatment of all employees; organizing sports activities aimed at fostering peace in communities; conducting clinics, trainings and seminars for employees
- **Characteristics of CSR:** Should comprise economic, social and environmental practices; practiced on voluntary terms and practiced in a professional manner

4. National

- **CSR budget:** Yes. Commits a substantial budgetary allocation for CSR related activities every year that is distributes to all braches
- **Objectives of CSR:** Make a difference in peoples' lives and society; environmental conservation; improve and develop further the environment, health care, education and sports; partnerships; talent management; make lives of vulnerable people more better irrespective; employees development

- **CSR practices:** Promoting afforestation, and with a target of 2 million trees by end of 2017; providing health care services through constructions of health care facilities, donating machines in hospitals. An example is donations of dialysis machines; ensuing personal development initiatives for employees; constructions of schools, donations of needed materials such as text books and water tanks; organizing sports activities such as athletics and tennis. In addition, partnerships with sports bodies to offer financial support in international tournaments or competitions and donating basic needs to less privileged. These include food, clothes, beddings and shelter
- **Characteristics of CSR:** Customer, employees and society oriented; practiced willingly and stakeholders oriented

5. Standard Chartered

- **CSR budget:** Yes. Millions are used for various initiatives to support various initiatives nationally and locally
- **Objectives of CSR:** Contribute towards sustainable economic growth; investing in society / communities; showing responsibilities by creating value to various groups; environmental management; employees development and satisfaction and community development
- **CSR practices:** Creating a comfortable and hazard free environment for employees thus supporting them in various training and seminars aimed at personal development, health safety trainings; providing financial advice to community groups or organizations, fostering peace through organization of sports activities such as marathons, offering financial assistance to individuals and groups for starting or improving their businesses at affordable rates) and provision of quality services and products to the community /society
- **Characteristics of CSR:** Philanthropic; voluntary (no external interference); focused on stakeholders and practiced in a transparent manner

6. KCB

- **CSR budget:** Yes. Has committed \$500 million over next 5 years for CSR related activities and has department responsible for CSR practices that coordinates with bank branches all over the country. Currently has over 50 employees responsible for CSR implementation in Kenya
- **Objectives of CSR:** Aimed at ensuring financial, economic, social and environmental growth in business areas; education improvement; health improvement; partnerships; community development and environmental campaigns
- **CSR practices:** Donating machines and financial assistance in building hospitals; partnerships with county governments on matters of poverty eradication and improvement of locals lives; peace campaigns in volatile areas through organizing of community friendly activities such as football; offer

high quality products and services and involvement in environmental clean-up campaigns

- **Characteristics of CSR:** Transparent; observation of ethical values; voluntary; and social, economic and environmental impacting

7. Family

- **CSR budget:** Yes. Each bank branch has allocation for CSR and employees are responsible for implementation
- **Objectives of CSR:** Positive transformation of people's lives; health management; long term financial achievement through establishment of partnerships; education development; community development and talent management
- **CSR practices:** Donating water tanks to schools, giving scholarships to needy students; organizing peace initiatives; organizing sports activities such as yearly edition of Eldoret half marathon; giving an opportunity to bright needy student to work after high school to gain work experience through University Talent Development UTD initiative); financial donations to help the terminally ill with cancer, jigger eradication campaigns) and partnership with various organizations. For example the Kenya Football Federation and Harambee Stars) Kenyan national football team)
- **Characteristics of CSR:** Stakeholders oriented and completely voluntary

8. Chase

- **CSR budget:** Yes. CSR activities organized by local branches based on allocated expenditure
- **Objectives of CSR:** Increase customer base; make profits; better the environment; increase employee productivity; health management; establish partnerships and Community development
- **CSR practices:** Health initiatives (guidance and counseling on HIV/AIDS victims and sensitizing people on the need of protected sex, buying and supplying mosquito nets to pregnant women and funding activities aimed at reducing maternal mortality); supporting children homes through offering financial support on basic needs procurement) and offering employees mentorship programmes, trainings and team building activities
- **Characteristics of CSR:** Voluntary; philanthropy elements and should comprise customers, employees and surrounding

9. Eco

- **CSR budget:** Yes. Ecobank Foundation is in charge of all CSR practices, from budgeting to implementation
- **Objectives of CSR:** Improve lives of people, more so eradicating poverty; increase returns; Belong to the society; health management; create a good

image; partner with organizations with similar interest to the society (for example Global Fund) and environmental management

- **CSR practices:** Fighting spread of HIV/AIDS, tuberculosis and malaria together with partners such as Global Fund; offering financial advices to communities; campaigning against deforestation through advocating for trees planting and frequent team buildings and training for employees in all branches
- **Characteristics of CSR:** Voluntary; philanthropic based and must entail stakeholders

10. Commercial Bank of Africa

- **CSR budget:** Yes. The budget is organized and distributed to branches based on the customer base
- **Objectives of CSR:** Youth empowerment; establish partnerships; employees empowerment; society development and environmental management
- **CSR practices:** Offering loans to the youths to start businesses; has organized training and overseas trainings for some of its employees; funds environmental related activities such as hygiene sensitization and advocating use of environmental friendly products; funding small medium enterprises and government to create modern infrastructure to its people and sponsors students and donating basic needs to children homes
- **Characteristics of CSR:** Voluntary; philanthropic elements and stakeholders based

Of the ten interviewed, 4 participated in the pilot study and had no problem of being interviewed again as they were requested by their respective managers. In addition, the 4 were directly involved in CSR supervision but not managers. The remaining interviewees (6) were bank managers.

Table 34 shows frequent key words used by the interviewees.

Table 34: Key words. Source: Own

Word	Count
Philanthropic / philanthropy	54
Community / society	51
Customers	51
Reputation	49
Relationship / relations	48
Scholarships	48
Employees	47

Equal / equality	44
Profits	44
Stakeholders	44
Building	43
Banks	42
Loans	38
Awareness	38
Competitors / competition	37
Environment	37
Promote / promoting	36
Substantial / massive	35
Dedicated	32
Budget	31
Interest rates	31
Department	30
Implement / implementing	30
Sustainability	30
Trainings / seminars	27
Cleanliness / hygiene	24
Marketing / market	23
Strategy	22
Trade union	22
Financial	21
Charities	21
Value	20
Partnerships	20
Volunteer / volunteering	19
Entirely	18
Quality	18
Support	18
Invest	17
Opportunity / chance	16
Health care	15

5.2.3 Conclusion

The purpose of the chapter was to analyze the qualitative results so that to enhance validity of the framework to be developed and also the quantitative results. The purpose of the qualitative research was to get expert opinions from the experienced professionals (bank managers or employees who supervise CSR implementation in banks) on four topics namely: budget for CSR; objectives of CSR; CSR practices and characteristics of CSR. The research questions were developed based on the

related literature review. Semi-structured interviews were used to collect data. This study applied content analysis through NVivo software to analyze the interviews. The results generally confirmed the assumptions made in the earlier chapters of this study and further increased the confidence about the results discussed in the previous chapter.

The analysis also indicates that there is a need for banks to have substantial budgets for CSR. This is the key to help in prioritizing on important areas that can lead to achievement of the banks' specific objectives of practicing CSR. In addition, banks have specific departments that are responsible for CSR implementation and the amounts to be spent by them depend on the objectives, target groups and the extent of the coverage area. These departments mostly liaise with Marketing Departments.

The main reason for any bank's participation in CSR is to establish good relationship with stakeholders (employees, customers, local communities or societies in general) through improvement of their lives in various ways. Such ways include: community development, employees' development, health promotion and environmental management. Other reasons are purely business-related as they enable long-term achievement of laid objectives for banks, mostly related to financial performance. Such reasons include, inter alia, establishing partnerships and image creation (which, in turn, strengthens customer loyalty and attracts more potential customers).

Practiced CSR practices are completely philanthropic in nature, and thus focused on creating relationships and financial returns. According to the interviewees, the involved stakeholders have always been supportive and very receptive towards the practices though there is always room for more improvements. The practices are always communicated through banks' websites and their annually published reports. The banks are often not willing to provide details on how their CSR practices are implemented specifically for the fear of disclosing their strategies to competitors. Table 35 below classifies the CSR practices.

Table 35: Classification of CSR practices. Source: Own

CSR strategy	CSR construct	CSR practices
Economic	<p>Image creation</p> <p>Financial returns</p> <p>Increase customer loyalty/base</p> <p>Contribute to sustainable growth</p> <p>Product and service quality</p> <p>Employees</p>	<p>Undertaking CSR initiatives</p> <p>Undertaking CSR initiatives</p> <p>Undertaking CSR initiatives</p> <p>Undertaking CSR initiatives</p> <p>Provision of quality products and services to the community</p> <p>Organizing training, clinics and seminars, fair treatment, ensuring personal development, health safety education, mentorships, team building activities, creating hazard free environment for employees</p>
Social	<p>Relationship creation</p> <p>Talent management</p> <p>Heath</p> <p>Community</p>	<p>Undertaking CSR initiatives</p> <p>Fostering talents, mentorships programmes, support individuals on entrepreneurship and innovation, offer internships</p> <p>Organizing HIV/AIDS awareness, offer guidance and counselling to those living with HIV/AIDS, buying and supplying mosquito nets to women, free medical checkups, advocating for hygiene observation, funding activities aimed at reducing maternal mortality, building hospitals and dispensaries, donating machines, financial donations to terminally ill, fighting spread of tuberculosis and malaria</p> <p>Financial assistance to people HIV/AIDS to sat their own businesses, employing best placed high school graduates, sponsoring community sports activities, giving cheap interest loans for business startups and other community projects, peace advocacy, donating basic needs to the</p>

	<p>Partnerships</p> <p>Education</p> <p>Advocacy for equality</p> <p>Life improvement</p>	<p>needy, providing financial advice, poverty eradication, sponsoring children homes, youth empowerment</p> <p>Collaborations with local companies or registered organization on various initiatives such as peace initiatives</p> <p>Financial assistance to schools and needy people through scholarships, construct schools, offer study materials such as text books, donating water tanks</p> <p>Undertaking CSR initiatives</p> <p>Undertaking CSR initiatives</p>
Environmental	Environmental management	Environmental education (e.g. cleanliness, environmental friendly practices and products, conservation of environment) promoting afforestation and well managed ecological systems,

To achieve the main objective of CSR in banks (relationship creation through improvement of lives of people), there is need to create an overall positive impact in the society and its stakeholders, who seek to understand and value the company and why they should invest and support it. As a result, CSR should be a strategy that is practiced voluntarily (philanthropic based), stakeholders oriented and practiced with professionalism.

6. DISCUSSION

6.1 Introduction

The purpose of this dissertation was to determine the model that can be used to increase financial performance of commercial banks through corporate social responsibility (CSR) activities. The redefined conceptual framework model in Chapter 4 was further tested using statistical techniques presented in Chapter 5.

CSR strategy included three pillars (economic, environmental and social CSR). Financial performance indicators was composed of three accounting based indicators (ROA, ROE and PPE). This chapter is structured as follows: Section 6.2 discusses the results and compares the results with past studies. Section 6.3 presents the proposed framework and while Section 6.4 presents the conclusion.

6.2 Research Findings

This study employed mixed research method (qualitative and quantitative research). Questionnaire surveys and face to face semi-structured interviews were used as methods of data collection. In addition, banks annual reports and financial statements were also used for this study. From a targeted response of 700 people on the questionnaire, data was obtained from 652 respondents (bank customers). Upon further screening of errors, only 650 bank customers were valid for analysis while bank employees had 50 respondents. Ten interviewed were conducted on bank management responsible for CSR implementation and they were all recorded.

6.2.1 Quantitative Analysis

Data analysis for quantitative analysis adapted the triangulation approach as recommended by Stavros and Westberg (2009) since it involved use of two data sets. Furthermore, SPSS 22.0 was employed to responses from the questionnaires. In addition, inference statistics is used to find the correlation between CSR and financial performance; multiple regression to find the variance in the dependent variable as accounted by the independent variables.

The study found out that overall majority of the respondents (bank customers) are satisfied with the CSR practices of their banks, with a mean of 2.03 and a standard deviation of 0.803. The findings are in line with Belás et al (2014, pp.225) who

found out that most customers (62%) are satisfied with the overall banking practices of their banks, from a sample of 643 bank respondents. Besides, Kombo (2015, pp. 586) on a sample of 403 bank respondents found that 64% of bank customers are satisfied as well with the CSR practices in their banks.

Based on the analysis, with a mean of 1.25 and standard deviation of 0.43, bank customers acknowledged to be aware of their banks' participation on CSR related activities and practices. According to Beck et al (2010, pp. 1), low-fit practices negatively impact customer's beliefs, attitudes and intentions irrespective of the company's CSR motivation. The authors further state customers consider timing, timing (proactive versus reactive) of the social activities as informational cue which translates to high-fit, proactive practices that increase consumer beliefs, attitudes and intentions. This therefore provides the connection why most banks are satisfied with the level of CSR activities as they are aware of the initiatives that are undertaken by their banks.

On the employees, the study found that employees were also satisfied with the CSR activities of their banks, as the mean was 2.14 and the standard deviation was 0.833. This reflected that employees focused CSR activities have an effect on financial performance of commercial banks. The findings further indicated that bank employees have a strong relationship with the management due to the support they receive during the course of their work (mean=1.08, SD=0.274). Besides, employees were aware of the banks support of environmental matters (mean=1.08, SD=0.277). Management's support of activities such as training and development, Commitment to health and safety practices are common practices within the banking industry (mean=1.52, SD=0.505, mean=1.67, SD=0.516 respectively). The above sentiments are supported by Birindelli et al (2015, pp. 324), who on their study of drivers of CSR in banks using ethical rating model found that employee motivation, dynamism and satisfaction are the driving forces behind employees productivity. The above arguments are further reiterated by Weber (2008, p. 248-249) who states initiatives such as training and management support are important in ensuring employee productivity and thus ultimately ensuring customers are satisfied through quality services and ensuring financial returns in the long run. The results of the research sub-objectives and hypotheses testing are further discussed in the remainder of this sub chapter.

To examine the relationship between CSR and financial performance (positive, negative or neutral) in the banking industry

The objective was to establish whether there is a positive synergy between CSR strategies on financial performance of commercial banks. As a result, the following hypothesis was tested:

H₁: There is no positive synergy between CSR and financial performance in commercial banks based on accounting measures

The study found out that all the CSR strategies used in this study have a statistical significance. Therefore, according to the results, we reject the null hypothesis and accept the alternate hypothesis since there is a significant relationship between CSR strategies and financial performance of commercial banks. This study produced results that corroborate the findings from authors such as Tsoutsoura (2004, p. 8-9); Windsor (2006, p. 101); Bénabou and Tirole (2010, p. 9-13); Chatterjee and Lefcovitch (2009, p. 25-26); Birindelli et al (2015, p. 306-308); Yeung (2011, p. 105-108); Fernández-Feijóo Souto (2009, pp. 40-41) and discussed in Chapter 3. Moreover, Cornett et al (2014, pp. 28) on their analysis of the effect of CSR on financial performance on US commercial banks found that there is a positive relationship between CSR and financial performance as both the size adjusted ROA and ROE were positively and significantly related to CSR scores.

To determine the merits of banks' involvement in CSR initiatives in relation to customers, employees and most importantly society

The second objective of the study was designed to establish whether CSR practices can lead to higher financial performance outcome of commercial banks. The following hypothesis was tested:

H₂: Better CSR practices do not lead to higher financial performance of commercial banks

Multiple regression was applied to test the hypothesis. According to the observed R-sq. as well as the proposed relationship between accounting based financial indicators and CSR strategies, both were found to be statistically reliable with R-sq. revealing how close the data are fitted to the regression line. Therefore, the null hypothesis was rejected and the alternate hypothesis that better CSR practices lead to higher financial performance in commercial banks is accepted. This is evident from the studies of McDonald and Rundle-Thiele (2007, p. 171-173) who state that banks are pouring millions of dollars for different CSR practices to increase customer loyalty, trust, positive brand attitude, erasing negative publicity. All of this is done to increase profits. Another notable example is the bank of America that in August 2012 poured millions on CSR related activities which in turn consolidated their profits.

To investigate how CSR strategies and financial performance are measured in commercial banks

The objective was designed to establish the extent to which control variables moderates the relationship between CSR strategies and financial performance outcome of commercial banks. Hence the following hypothesis was tested:

H₃: There is no moderating effect of the control variable on the relationship between CSR strategies and financial performance of commercial banks

The results of the study showed no support to the hypothesis. Therefore, the null hypothesis is rejected and the alternate hypothesis is accepted: There is moderating effect of control variables on the relationship between CSR strategies and financial performance of commercial banks.

This study is supportive of other research works, for example Chih et al (2009, pp.132) state that company size is crucial in CSR adaption and implementation as companies with larger sizes will be more CSR-minded. Authors Luo and Bhattacharya (2006, p. 1-2) and McWilliams and Siegel (2001, p. 4) have the same sentiments as they state that the bigger the firm, the more likelihood to engage in CSR practices. Other researchers such as Galbreath and Shum (2012, p. 213-225) and Weber (2008, p. 250-254) point size, age and revenue as having significant effects in determining CSR and firm performance.

To identify the key CSR elements that can be incorporated in a CSR framework to increase financial performance in banking

The last objective was developed to establish the effect of social responsibility on financial performance in commercial banks. The developed hypothesis is:

H₄: Financial performance is dependent on solid social responsible performance. Investments in CSR positively affect profitability growth

Based on the test result, there is a weak positive correlation between social responsible performance and financial performance. The results reflect the three visions described by Bénabou and Tirole (2010, p. 9-13) in chapter 2.

6.2.2 Qualitative Analysis

Content analysis using the NVivo software was used to process the qualitative data collected through interviews to bank managers and supervisors responsible for CSR implementation. The study used the qualitative analysis to get expert opinion and gain an in-depth knowledge of the identified by the survey. In addition, the aim was

to increase validity of the quantitative analysis. This study found that there is need to have a substantial budget for CSR to undertake CSR activities. In addition, banks need to have departments responsible for CSR implementation. This coordinates with research works from Cornett et al., (2014, p. 3) and McDonald and Rundle-Thiele (2007, p. 171-173) who indicate the necessity to have allocation for funds for CSR activities.

Secondly, the main objective why banks participate in CSR related activities is to create good relationship. This research also found out that financial performance is the other reason for CSR participation. This study concurs with Pomeroy and Dolnicar (2009, p. 285-289) and Justyna, and Saniuk, (2014, pp. 71). According to Arbore and Busacca (2009, p. 272), these relationships can be in the forms of: responsiveness, competences, assurance, trust, friendliness, courtesy, availability, commitment, flexibility and communication. Furthermore, Gritti and Foss (2010, p. 1811) emphasis that these relationships enable costs reduction, increased quality, improved products and services, long term customer loyalty and assist in product innovation. All these result to profitability of a company in the long run.

The study was also able to establish that CSR practices are practiced on philanthropy basis. Justyna, and Saniuk (2014, pp. 71) states that CSR involves taking into account the interests of the society, environment, relationships with key stakeholders by integrating social and environmental concerns of a company's business strategy and operations based on a voluntary basis. Besides, Carroll and Shabana, (2010, pp. 89) indicate that CSR involve actions that are not only focused on their own economic and financial profitability performance but for the society as well through provision of goods and services. These coordinates with the research findings of these study.

Fourth, the study found that banks communicate their CSR initiatives through their respective websites and annual published reports. The studies support research findings from Pomeroy and Dolnicar (2009, p. 292). According to Senthikumar et al (2011, p. 3028), many companies publish their CSR activities together with sustainability reports on their websites. The authors further state that CSR has many advantages for these companies. These merits include increased profits, enhanced customer loyalty, enhanced brand attitude, trust and also overcoming negative publicity.

Fifth, the study established that a good CSR strategy should be practiced on voluntarily terms, stakeholders based and practiced with professionalism. Graafland and Van de Ven, (2011, p. 605-617) argue that professionalism (observation of the code of ethics, transparency, cooperation and maximizing shareholders' value) are key in CSR implementation. Ostalecka and Swacha-Lech (2013, p. 425) further argue the that any CSR related activity should be committed to shareholders. The

same statements are reiterated by Kombo and Paulík, 2015, p. 666). Both Justyna and Saniuk (2014, pp. 71) and Akanbi and Ofoegbu (2012, p. 375) insist that CSR should be voluntary and practiced voluntarily without any binding obligations. Last, this research categorized CSR strategy pillars as suggested by Paulik et al (2015) and Belás et al (2013). The three pillars are economic, social and environmental CSR. Various activities were found to be carried by different banks in each pillars. As a result, the activities were categories in each pillar based on the objective and practices.

1. Economic CSR

- **Image creation:** Undertaking CSR activities
- **Financial returns:** Undertaking CSR activities
- **Increase customer loyalty/base:** Undertaking CSR activities
- **Contribute to sustainable growth:** Undertaking CSR activities
- **Product and service quality:** Provision of quality products and services to the community
- **Employees welfare:** Organizing training, clinics and seminars, fair treatment, ensuring personal development, health safety education, mentorships, team building activities, creating hazard free environment for employees

2. Social CSR

- **Relationship creation:** Undertaking CSR initiatives
- **Talent management:** Fostering talents, mentorships programmes, support individuals on entrepreneurship and innovation, offering internships
- **Heath:** Organizing HIV/AIDS awareness, offer guidance and counselling to those living with HIV/AIDS, buying and supplying mosquito nets to women, free medical checkups, advocating for hygiene observation, funding activities aimed at reducing maternal mortality, building hospitals and dispensaries, donating machines, financial donations to terminally ill, fighting spread of tuberculosis and malaria
- **Community:** Financial assistance to people HIV/AIDS to sat their own businesses, employing best placed high school graduates, sponsoring community sports activities, giving cheap interest loans for business startups and other community projects, peace advocacy, donating basic needs to the needy, providing financial advice, poverty eradication, sponsoring children homes, youth empowerment
- **Partnerships:** Collaborations with local companies or registered organization on various initiatives such as peace initiatives

- **Education:** Financial assistance to schools and needy people through scholarships, construct schools, offer study materials such as text books, donating water tanks
 - **Advocacy for equality:** Undertaking CSR initiatives
 - **Life improvement:** Undertaking CSR initiatives
- 3. Environmental CSR**

- **Environmental management:** Environmental education (e.g. cleanliness, environmental friendly practices and products, conservation of environment) promoting afforestation and well managed ecological systems,

Majority of these activities are also in line with many other scientists such as Paulik et al (2015, pp. 71-76) and Castka et al (2004, p: 142-146) as it was already mentioned in Chapter 2. Moreover, Bhattacharya and Sen (2004, p. 13) mentioned six CSR activities that can be incorporated in CSR by companies. These are community support (support for arts and healthcare programs, educational and housing initiatives for the economically disadvantaged, etc.), diversity-oriented activities (covering the issues of gender, race, family, sexual orientation and disabilities), employee support (concern for safety, job security, profit-sharing, union relations and employee involvement), environment-related activities (environment friendly products, hazardous waste management, use of ozone-depleting chemicals, animal testing, pollution control and recycling), overseas operations (overseas labor practices and operations in the countries with human rights violations) and product (product safety, R&D/innovation, marketing/contracting controversies and antitrust disputes). On the other hand, Bénabou and Tirole (2010, p. 2), argue that CSR also include behaviors such as employee friendliness, environmental friendliness, mindfulness of ethics, respectful to local communities, investor friendliness and supporting arts and other good causes.

6.3 Proposed Model for CSR and Financial Performance

Basing on the results findings, the model in figure 5 is proposed. CSR strategy comprises three pillars (economic, social and environmental). Each pillar has specific objectives and specific practices undertaken by banks. For example, economic CSR strategy objectives are image creation, generation of financial returns, increasing customer loyalty and base, contributing to sustainable growth, ensuring product and service quality and employees' welfare. Social CSR strategy objectives include relationship creation, health and talent management, community development, partnerships creation, education development, life improvement and advocating for equality. Environmental CSR strategy objective is focused on

environmental management. In addition, based on the response from bank managers, professionalism, volunteerism and stakeholders' orientation are the key to ensuring credible CSR implementation. Furthermore, size, age, year and revenue have an effect on bank's implementation of CSR activities. To measure profitability in the long run, ROA, ROE and PPE should be used.

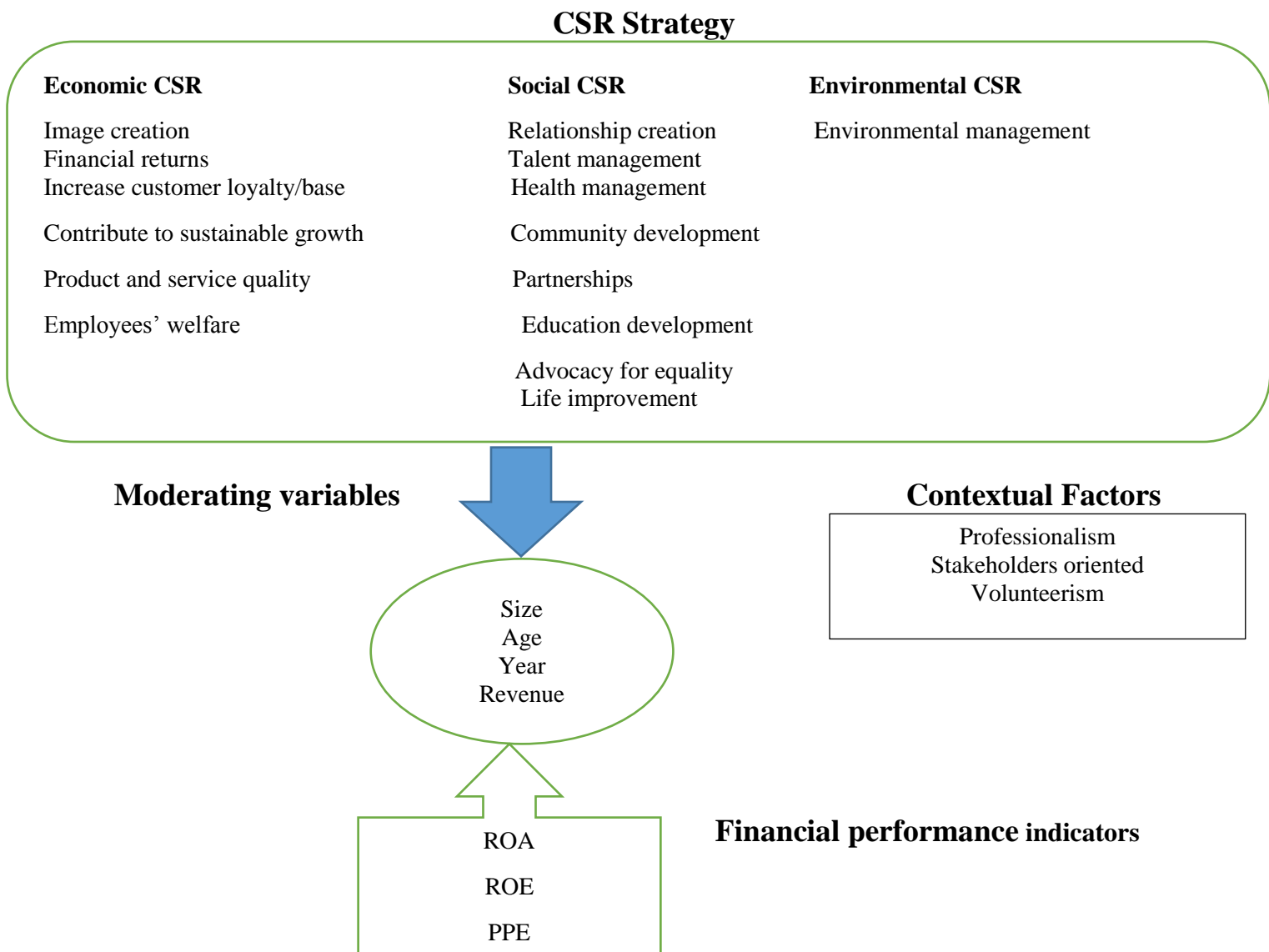


Figure 5 CSR Model for increasing financial performance in banks. Source: Own

6.4 Conclusion

This chapter has discussed the research findings and compared the results with past works. Furthermore, the chapter has provided the model for increasing financial performance in the banking industry as a result of CSR. The next chapter will provide the concluding remarks for this study.

7. CONTRIBUTION TO SCIENCE AND PRACTICE

This chapter grounds the relevance of the dissertation to science and practice.

7.1 Scientific Relevance

After reviewing literature on the subject matter, it became evident that no CSR framework has been developed to date to increase financial performance in the result of CSR activities. In addition, previous studies have shown mixed results on the relationship between CSR and financial performance. Furthermore, the findings of this study have important implications for scientific research and advancement of CSR theory in two ways. This dissertation contributes to scientific knowledge in the area of CSR in commercial banks in the following ways.

First, by providing the model, this study creates a tool which will be beneficial for commercial banks. Ultimately, this is important for scientific and research world in terms of measuring or developing a CSR framework for increasing financial performance. This is the major contribution to the study field.

Second, by identifying the relationship between CSR and financial performance, this dissertation is consistent with many CSR relationship studies that have identified a positive relationship between CSR and financial performance. Therefore, the study directly contributes to the theory of the relationship between CSR and financial performance and thus further enriches the already available literature on CSR in the banking industry.

7.2 Practical Relevance

From the practical standpoint, the study provides insights for banks' decision-makers and practitioners which CSR activities can be implemented to increase financial performance. Moreover, the study provides insights on how they (decision makers and practitioners) can use CSR activities to achieve better financial performance and position in relation to their shareholders so that to reach their long-term objectives given that firm investments in CSR provide tangible financial benefits.

The study further demonstrates to banks that practicing CSR related activities alone is not sufficient to achieve financial returns. Providing a new framework (model), this study also reiterates that successful implementation of CSR by commercial banks should take note of mandatory requirements needed for successful implementation of CSR activities as depicted in the model.

8. CONCLUSION

8.1 Concluding Comments

This study sought to determine the model that can be used to increase financial performance of commercial banks through corporate social responsibility (CSR) activities. To succeed in this main objective, four sub-objectives and four hypotheses were developed. This dissertation adapted the mixed-study method applied to top 10 commercial banks in Kenya. As a result, two sets of data were collected. Primary data was collected using questionnaires of bank customers and bank employees. Face-to-face interviews were conducted on bank managers. Secondary data was collected from the ten banks' financial statements and annual reports for the period between 2013 and 2017. CSR is categorized into three pillars namely economic, environmental and social pillars. Financial performance is measured using three accounting-based measures namely; ROA, ROE and PPE.

Data from the questionnaires was analyzed using SPSS 22.0 software while the face-to-face interviews' data was analyzed using NVivo software. The findings indicate there is a positive relationship between CSR and financial performance in commercial banks. Further, the findings indicate that better CSR practices lead to higher financial performance in commercial banks. Moderating factors namely; age, revenue, size and year have effects on the relationship between CSR strategies and financial performance of commercial banks. In addition, financial performance is dependent on solid socially responsible performance, and investments in CSR positively affect profitability growth.

The results further indicate that commercial banks communicate their CSR practices via bank websites and annual reports. To ensure smooth implementation of their CSR activities, banks have substantially allocated millions for CSR-related activities, each bank having a department responsible for CSR implementation. CSR initiatives represented in the sample are mostly philanthropic practices. Professionalism, shareholders' focus and voluntary engagement are the characteristics of CSR in the banking industry of Kenya. Finally, banks practice CSR for the purposes of: image creation; financial returns; increase customer loyalty/base; contribution to sustainable growth; higher product and service quality; relationship creation; employees welfare; talent management; health management; community development; partnerships' development; education development; advocacy for equality; life improvement and environmental management. According to the results and conclusions, relationship creation is the main purpose of practicing CSR.

8.2 Limitation of the Research and Future Research Directions

The following limitations arose in the course of this study:

- Bank managers and supervisors responsible for CSR implementation were unwilling to provide information on implementation of their CSR strategies. In addition, some banks were unwilling to provide any information on volume of expenditures allocated for CSR practices over the last few years;
- Some bank customers were asking for money before they complete the questionnaire;
- This study used only three financial performance indicators namely; ROA, ROE and PPE. There are other financial indicators that can be used in such a study along with also market-based measures;
- Kenya has over 40 commercial banks but this study has focused only on top 10 customer-focused banks. Had this list been extended and the study period prolonged, the results would likely have been different.

Future research should focus on the market-based measures of financial performance and also include other accounting-based measures of financial performance.

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APPENDICES

Appendix 1: Questionnaire for Bank Customers

Read to the respondent before beginning the interview:

Dear Sir/Madam: Many thanks for finding time to participate in this study. My name is Felix Kombo, a PhD candidate. The objective of my research is to determine which model can be used to increase financial performance of commercial banks as a result of Corporate Social Responsibility (CSR) practices. This survey is targeted at customers of banks in Kenya.

Your participation is highly appreciated. Please note that all the information provided by you will be treated with strict confidentiality.

1. What is your gender?

- Male*
- Female*

2. What is your age group?

- 18-24 years*
- 25-31 years*
- 32-38 years*
- 39-45 years*
- 46 years and above*

3. What is your place of residence?

- Nairobi*
- Kisii*
- Mombasa*
- Kisumu*
- Other (Please specify)*

4. What is your highest level of education?

- Primary/Secondary*
- Bachelor Degree*
- Master Degree*
- Doctor of Philosophy*
- Professional Qualification (e.g Diploma)*
- Other (please specify)*

5. What is your marital status?

- Single*
- Married*
- Divorced*
- Widow*
- Widower*

6. Are you employed?

- No*
- Yes*

If no, please answer question 7. If yes, please skip to question 8

7. What is your status?

- Student*
- Farmer*
- Job seeker*
- Retired*
- Homemaker*
- Unable to work*
- Other (please specify)*

8. What is your occupation?

- Accountant*
- Teacher/lecturer*
- Marketer*
- Administrator*
- Civil servant*
- Data analyst*
- Public relations officer*
- Doctor*
- Journalist*
- Banker*
- Consultant*
- Self-employed (e.g Businessman or businesswoman)*
- Other (please specify)*

9. What is your average household monthly expenditure in Kenyan shillings (Kshs)?

- Below 10,000*
- 10,000-15,000*
- 16,000-20,000*
- 21,000-25,000*
- Above 25,000*

10. Are you a client of any banks in Kenya?

- Yes*
- No*

If yes, please go to Q11

11. How many banks are you a client to?

- One (1)*
- Two (2)*
- Three (3)*
- More than three (3)*

12. What is the name of your bank (s) in Kenya?

- Barclays*
- Equity*
- Co-operative*
- National*
- Standard Chartered*
- Kenya Commercial Bank (KCB)*
- Family Bank*
- Chase Bank*
- Eco Bank*
- Commercial Bank of Africa*
- Other (Please specify)*

13. What do you understand by the term Corporate Social Responsibility (CSR)?
Please select all that apply.

- Giving back to the society (building schools, helping the needy, talent management etc.)*
- Development and investment on employees, customers and society*
- Observation of human rights and giving equal opportunities to individuals based on qualifications*
- Maximum satisfaction on employees and clients*
- Good business ethics*
- Provision of quality products and services to society*
- Other (Please specify)*

14. Are you aware of your bank's participation on CSR practices or activities?

- Yes*
- No*

If yes, go to Q15

15. Are you satisfied with your bank's overall CSR practices?

- Very satisfied*
- Satisfied*
- Neither satisfied or dissatisfied*
- Dissatisfied*
- Very dissatisfied*

16. Are you satisfied with the banking products and services offered by your bank (s)?

- Yes*
- No*

17. Please rate how important the following elements are in achieving satisfaction?

<i>Elements</i>	1	2	3	4	5
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
<i>Quick services at branches</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Quality of products and services</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Availability of branches</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>E-banking functionality</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Friendly services at branches</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Developed network of ATMs</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. Which philanthropic activities does your bank(s) engage in? Please select all that apply.

- Talent management*
- Building schools*
- Awarding education scholarships*
- Free medical services*
- Community cleaning*
- Providing food and other relief services to the needy*
- Sponsoring sports activities*
- Others (please specify)*
- Don't know*

19. Does your bank (s) offer environmental friendly products and services?

- Yes*

- No*
- Don't know*

20. Does your bank (s) provide financial support to environmental matters?

- Yes*
- No*
- Don't know*

If yes, please go to Q21

21. Are you satisfied with the customer support services?

- Very satisfied*
- Satisfied*
- Neither satisfied or dissatisfied*
- Dissatisfied*
- Very dissatisfied*

22. Are you thinking of switching to another bank(s)?

- Yes*
- No*
- Not decided*

If yes, please go to Q23

23. What is the reason (s). Please select all that apply.

<i>Elements</i>	<i>1</i>	<i>2</i>	<i>3</i>
	Extre mely bad	Bad	Someho w bad
<i>Slow services at branches</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>High prices of products and services</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Impersonal approach</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Poor quality of e-banking services</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Poor accessibility of branches</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

24. Would you like to receive a copy of the research findings via email?

- Yes*

No

If yes, please go to Q25

25. What is your email address?

Finally, is there any other information you would like to share?

Thank you very much for participating in the survey. Be rest assured that all the information you have disclosed will be treated confidentially and anonymously.

Appendix 2: Questionnaire for Bank employee

Read to the respondent before beginning the interview:

Dear Sir/Madam: Many thanks for finding time to participate in this study. My name is Felix Kombo, a PhD candidate. The objective of my research is to determine which model can be used to increase financial performance of commercial banks as a result of Corporate Social Responsibility (CSR) practices. This survey is targeted at employees of banks in Kenya.

Your participation is highly appreciated. Please note that all the information provided by you will be treated with strict confidentiality and responses to the surveys will be anonymous.

1. What is your gender?

- Male*
- Female*

2. What is your age group?

- 18-24 years*
- 25-31 years*
- 32-38 years*
- 39-45 years*
- 46 years and above*

3. What is your place of residence?

- Nairobi*
- Kisii*
- Mombasa*
- Kisumu*
- Other (Please specify)*

4. What is your highest level of education?

- Bachelor Degree*
- Master Degree*
- Doctor of Philosophy*
- Professional Qualification (e.g Diploma)*
- Other (Please specify)*

5. What is your marital status?

- Single*
- Married*
- Divorced*
- Widow*
- Widower*

6. What is your average household monthly expenditure in Kenyan shillings (Kshs)?
- Below 10,000*
 - 10,000-15,000*
 - 16,000-20,000*
 - 21,000-25,000*
 - Above 25,000*
7. What is the name of the bank where you are employed or working for?
- Barclays*
 - Equity*
 - Co-operative*
 - National*
 - Standard Chartered*
 - Kenya Commercial Bank (KCB)*
 - Family Bank*
 - Chase Bank*
 - Eco Bank*
 - Commercial Bank of Africa*
8. What is your current role within the bank?
- Teller*
 - Loans Officer*
 - Accountant*
 - Financial advisor*
 - Collector*
 - Auditor*
 - Buyer*
 - Forecaster*
 - Budget analyst*
 - Treasurer*
 - Other (Please specify)*
9. How long have you been working with the bank?
- Less than a year*
 - 2-4 years*
 - 5-7 years*
 - 8-10 years*
 - Above 10 years*
10. What do you understand by the term Corporate Social Responsibility (CSR)?
Please select all that apply.
- Giving back to the society (building schools, helping the needy, talent management etc)*
 - Development and investment on employees, customers and society*

- Environmental friendly initiatives*
- Observation of human rights and giving equal opportunities to individuals based on qualifications*
- Maximum satisfaction on employees and clients*
- Provision of quality products and services to society*
- Other (please specify)*

11. Are you satisfied with your bank's overall CSR practices that are targeted at employees?

- Very satisfied*
- Satisfied*
- Neither satisfied or dissatisfied*
- Dissatisfied*
- Very dissatisfied*

12. Are you satisfied with the support you are receiving from the management team during the course of your work?

- Yes*
- No*

13. Please rate the level of importance of the following elements in achieving employee satisfaction?

<i>Elements</i>	1	2	3	4	5
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
<i>Financial rewards or bonuses and good salaries</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Seminars and trainings</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Team building activities</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Mentorship and talent management</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Assured job security</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Observation of human rights</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

14. Which philanthropic activities does your bank engage in? Please select all that apply.

- Talent management*
- Building schools*

- Awarding education scholarships*
- Free medical services*
- Community cleaning*
- Providing food and other relief services to the needy*
- Sponsoring sports activities*
- Others (please specify)*

15. Does your bank offer environmental friendly facilities at the work place?

- Yes*
- No*

16. Does your bank provide financial support to environmental matters?

- Yes*
- No*

17. Please rate the level of importance of the following elements in achieving long-term employee satisfaction?

	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<i>Elements</i>	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
<i>Training and development</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Representation to boards</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Commitment to health and safety practices</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Consultation and participation in decision making processes</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Structured employee benefits</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Observation of human rights</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. Would you like to receive a copy of the research findings via email?

- Yes*
- No*

If yes, please go to Q19

19. What is your email address?

Finally, is there any other information you would like to share?

Thank you very much for participating in the survey. Be rest assured that all the information you have disclosed will be treated confidentially and responses to the surveys will be anonymous.

Appendix 3: Interview questions for Bank Managers

Main topic	Opening questions	Possible sub-topics
<p>1. Budget for CSR? Aim is to understand how much banks allocate for CSR in a year and if there is a special group of people responsible for the implementation</p>	<p>In your opinion, is it necessary to have a budget for CSR? Please provide reasons</p>	<p><i>Amount spent on CSR over the last past 5 years (in Kshs).</i> <i>Existence of department (s) entirely responsible for CSR activities. And if yes, how many employees are in this department and reasons towards the existence? If no, why is there no department?</i></p>
<p>2. Objectives of CSR The study aims to unearth main reason why bank decision makers practice CSR. Other reasons are also crucial to compare common CSR activities in banks</p>	<p>In your opinion, what is the main reason why your bank is involved in CSR practices?</p>	<p><i>Other objectives of CSR.</i> <i>Importance of the objectives.</i></p>
<p>3. CSR practices Aims to outline all activities practiced by commercial banks that are part of CSR</p>	<p>State the activities that your bank participates as part of CSR?</p> <p>In your opinion, are philanthropic activities most important practices? Please provide reasons</p>	<p><i>Economic, social and environmental practices.</i> <i>Response from employees, customers and community on the practices.</i> <i>Importance of the practices.</i> <i>Implementation procedures.</i> <i>Raising awareness on CSR and communication frequency.</i> <i>Challenges encountered on adapting the practices.</i></p>
<p>4. Characteristics of CSR This topic is interested in determining the characteristics of CSR that are crucial to achieve successful implementation and adaption by all stakeholders</p>	<p>In your opinion, please name the characteristics of CSR?</p>	<p><i>Importance of the characteristics in achieving financial performance.</i> <i>Measures to be undertaken to ensure banks are main leaders and effective promoters of CSR.</i></p>

Key guidelines	General probes
<ul style="list-style-type: none"> • <i>What exactly do you mean by...?</i> • <i>Sorry I don't understand, could you please repeat?</i> • <i>What are the pros and cons of?</i> <ul style="list-style-type: none"> • <i>Kindly provide a detailed explanation on...</i> • <i>Please give any examples?</i> • <i>Avoid provocative questions</i> • <i>Avoid closed ended questions</i> • <i>Avoid biased questions and if needed, open questions will prevail as well as probing questions</i> • <i>Language to be used must be understood to interviewees</i> • <i>Follow up with additional probing questions when necessary</i> • <i>Topics to be covered are arranged in a clear and logical order</i> 	<ul style="list-style-type: none"> • <i>Why do you think so?</i> • <i>What exactly do you mean by...?</i> • <i>Sorry I don't understand, could you please repeat?</i> • <i>What are the pros and cons of?</i> • <i>Kindly provide a detailed explanation on... Please give any examples?</i>

LIST OF AUTHOR'S PUBLICATIONS

Journal Articles

1. Kombo, F & Nguyen, T.A.N. (2016). How Demographic Factors Determine Banking Satisfaction: Czech and Kenyan Case Study. *Actual Problems of Economics*, 183(9), pp. 239-249.
2. Belás, J., Korauš, M., Kombo, F., & Korauš, A. (2016). Electronic Banking Security and Customer Satisfaction in Commercial Banks. *Journal of Security & Sustainability Issues*, 5(3), pp. 411-422.
3. Kombo, F. (2015). Customer satisfaction in the Kenyan Banking Industry. *Journal of International Studies*, 8(2), pp. 174-186.
4. Kombo, F. (2015). Factors for Customer Satisfaction and Customer Dissatisfaction in Commercial Banks. *Mediterranean Journal of Social Sciences*, 6(4), pp. 584-589.
5. Felix, K., Jiří, P., & Michael, K. (2015). E-Banking Functionality as a Measure of Customer Satisfaction. *Mediterranean Journal of Social Sciences*, 6(6), pp133-140.
6. Paulík, J., Kombo, F., & Ključnikov, A. (2015). CSR as a Driver of Satisfaction and Loyalty in Commercial Banks in the Czech Republic. *Journal of International Studies*, 7(3), pp. 111-126.

Conference Papers

1. Kombo, F., & Belás, J. (2015). Customer satisfaction: The case of Czech and Kenyan banking sectors. *Proceedings of the 2nd International Conference on Finance and Economics*, June 4-6, Ho Chi Minh City, Vietnam.

2. Kombo, F., & Paulík, J. (2015). Customers' satisfaction as an influence of Corporate Social Responsibility in commercial banks: Case from Kenya and Czech Republic. *Proceedings of the 7th International Scientific Conference on Finance and the performance of firms in science, education, and practice*, April 23-24, Zlín, Czech republic.

AUTHOR'S PROFESSIONAL CURRICULUM VITAE

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PROFILE

Enthusiastic, strong willed person with an outgoing personality and proficient with details coupled with years of work experience. Competitive in nature. Excellent verbal, listening, writing and communication skills coupled with an incomparable ability to bear a smile even under the most critical state of affairs. Professionally, I like to involve myself in situations that give me the opportunity to solve problems and impact positively the lives of people and to contribute to the goals of the company that I am working for.

WORK EXPERIENCE

October 2018 – To date: Operations Servicing at AT&T.

Tasks: Adjusting employees' schedules in respective tools based on requests placed by operations managers (L1-L3 level), adjusting employees' schedules based on voicemail left in the team's contact voicemail, answering employees' calls to resource desk and adjusting their schedules and/or providing information accordingly, producing simple reports, interpreting the data to business partners and leadership (L1-L3 level), real-time adherence and call-queue monitoring, activation of tools for new employees and deactivations of tools for leavers.

February 2017 – October 2018: Staff Associate at AT&T.

Tasks: Answer in-coming support related phone calls as the first line of contact for the company, provide support for all U-VERSE products - TV, phone, internet, maintain positive customer satisfaction and relationship, handle inquiries related to service, coverage, features, devices, accessories, repair & troubleshooting, billing, service activations and changes.

August 2015– February 2017: Project Manager at OKIN BPS, Ostrava, Czech Republic.

Tasks: Manage and take ownership of customer projects throughout the full project life cycle, ensure every project is delivered to schedule and at the agreed quality, fully responsible for complex coordinating of the whole project, communicate in professional manner with the client to ensure the client's expectations are managed and met within the agreed deadlines and provide regular updates to clients.

October 2014- To date: PhD Scientific Researcher at Tomas Bata University in Zlin, Czech Republic.

Tasks; Preparing conference papers and research articles to be published in Web of Science and Scopus, helping students in their study assignments/work and attending scientific conferences in Europe related to Economics and Management

February 2014- September 2014: Marketing Coordinator at Werk in Afrika Recruitment Company, The Netherlands.

Tasks; Online marketing and communications, identifying potential international partners in Africa and assisting in business development initiatives

September 2013-November 2013: Master Thesis Internship at Hoogendoorn Growth Management B.V., The Netherlands.

Thesis subject: *Designing Marketing Entry strategies for the company's new agricultural automation products.*

Areas exposed to; International Sales & Marketing Strategies, business development initiatives, product Development touching on Agricultural Automation Systems, international Trade Dynamics between The Netherlands and Developing Countries and market research and industry analysis

8th May 2013- 22nd May, 2013: International Study/Business Trip to Brazil (Rio de Janeiro & Sao Paulo) to familiarize on how companies like Rabobank, Stork & Douwe Egberts, tap into the Brazilian economy.

Areas exposed to; Brazilian Corporate Culture & Business Insights on the Brazilian Economy, business and Market Entry Strategies of Dutch companies operating in Brazil and international Trade Dynamics between The Netherlands & Brazil

June 2011- December 2011: News Anchor/Reporter at Hope Channel-Western Kenya.

Tasks: Anchoring news in Hope Channel TV, conducting interviews, gathering, writing and reporting news, assisting in editing videos for broadcast, preparing and presenting material 'on air' for both pre-recorded and live pieces, teaching print and

broadcast journalism to Nyanchwa Training College students (a training college that is part of Hope Channel)

January 2011- May 2011: Undergraduate Internship at Kenya News Agency-Nairobi.

Tasks: Working closely with the news team, photographers and editors so as to produce concise and accurate stories, seeking out investigative stories, attending press conferences and asking questions plus recording interviews and meetings using shorthand or a technical equipment, researching and writing feature articles, sometimes for subsidiary publications and supplements

EDUCATION

October 2014 – To date : Doctoral programme in Economics and Management at Tomas Bata University in Zlin, Czech Republic.

August 2012-January 2014: Master of Science in Marketing Management at Nyenrode Business Universiteit, The Netherlands.

September 2008-May 2011: Bachelor of Arts in Journalism and Media Studies at the University of Nairobi, Kenya.

March 2003-November 2006: St. Johns' Boys High School-Nyamagwa, Kenya Certificate of Secondary Education, Kenya.

PROFESSIONAL INTERESTS

Academia, Business Strategy, Economics & Management, Marketing Management, Communication & Public Relations, Merchandising, In Store Planning/Retail Design, International Sales & Advertising.

EXPERIENCE

Marketing Management, Corporate Social Responsibility, Advertising (Online & Offline), Academia, Journalism & Mass Media, Business Communication, International Business Development, Business Analysis & Reporting, Client Services/ Client Relationship Management.

INTERNATIONAL EXPOSURE

Czech Republic, The Netherlands, Brazil, Tanzania, Belgium, Austria, Uganda, Greece.

CORE SKILLS AND ABILITIES

A creative team player with strong writing, communication, presentation and teamplayer skills.

MEMBERSHIPS

- Nyenrode Alumni Association
- St. Anna Boys Football Club, Breda
- Breda Prisenbeek S.D.A. Church
- Nyanchwa S.D.A. Church
- School of Journalism Alumni club, University of Nairobi

PERSONAL INTERESTS

Playing soccer, table tennis, volunteer work, reading journals & magazines and watching news (national and international) and documentaries.

LANGUAGES

Proficient in Swahili, English, Kisii and Dutch.

REFEREES

Available upon request.

Felix Kombo

Corporate Social Responsibility (CSR) in the Banking Industry: A Model for Increasing Financial Performance

Corporate Social Responsibility (CSR) v bankovním průmyslu: model zvyšování finanční výkonnosti

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