RELATIONSHIP BETWEEN CORPORATE SOCIAL REPONSIBILITY AND FINANCIAL PERFORMANCE: A CASE OF EQUITY BANK KENYA LIMITED

BY

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ABSTRACT

Corporate social responsibility (CSR) refers to decisions and activities of a firm directed towards fulfilling stakeholder claims. It is manifested in economic, legal, ethical and discretionary responsibilities. Equity Bank Kenya Ltd has recorded growth in the last five years in branches and revenue expansion; however the concerns are in the unmatched corporate returns to shareholders. CSR which it has engaged in over the years is expected to have been related to these outcomes but this has not been confirmed. Moreover, past studies in CSR have only related it to organizational performance and have not defined it clearly in the four components. None has defined clearly its components and investigated its relationship with financial performance. Consequently how economic, legal and ethical responsibilities relate to financial performance is not known. This study purposed to investigate the relationship between CSR and financial performance in Equity Bank Limited, Kenya. The specific objectives were to establish relationship between economic responsibility and financial performance, investigate the relationship between ethical responsibility and financial performance and analyze relationship between legal responsibility and financial performance at the bank. The study was guided by Stakeholder Value Theory and a conceptual framework that spelt out CSR as the independent variable and financial performance as dependent variable. The study adopted correlational study design with target population of 346 respondents. A sample of 180 respondents was selected using stratified random sampling. The study used both secondary and primary data. Questionnaires were pretested using 17 respondents and reliability correlation of 0.98 obtained. Validity was confirmed by experts in the subject. Data was analysed using percentages and frequencies and correlation. Results were $r(148) = .439, p<0.01$; $r(148) = .617, p<0.01$ and $r(148) = -.542, p<0.01$. These mean that a moderate positive significant relationship exists between economic responsibility and financial performance, a high positive significant relationship exists between ethical responsibility and financial performance and moderate significant negative relationship between legal responsibility and financial performance. It is concluded as economic and ethical responsibility increases, financial performance increases. Contrarily, as legal responsibility increases, financial performance drops. This study recommends for more resources be put on the economic and ethical responsibilities the bank and less to be deployed to legal responsibility while an investigation into the exercise of legal responsibility is carried out in order to understand better the negative relationship. The government and senior management at the bank and the banking industry are expected to benefit from these results applying them to streamline CSR activities. Based on this study, researchers may formulate future investigations.

CHAPTER ONE
INTRODUCTION

This chapter presents the background to the study, the statement of the problem, the objective of the study, research hypothesis, and significance of the study and scope of the study.

1.1. Background of Study

Corporate social responsibility (CSR) is not about giving to charity. It is conscious decisions and actions that a firm engages in to fulfill stakeholder claims. According to Arellano (2003) and Freeman et al.(2010) it is an action by a firm which the firm chooses to do and which substantially affects an identifiable stakeholder's welfare. The term CSR is used interchangeably with corporate citizenship and refers to financial, social & environmental considerations an organization pursues as it carries on with normal business (Wanyama, 2012). Awuor (2010) contends that CSR is the set of standards to which a company subscribes in order to make an effect on society and with potential to make positive contributions to it and business A socially responsible corporation should take a step forward and adopt policies and business practices that go beyond the minimum legal requirements and contribute to the welfare of its key stakeholders. CSR is viewed as a comprehensive set of policies practices, and programs that are integrated into business operations, supply chains, and decision-making processes throughout the company and usually include issues related to business ethics, community investment, environmental concerns, governance, human rights, the marketplace as well as the workplace. CSR is set of economic, legal, ethical and discretionary expectations of society towards the business organizations. (Werther & Chandler, 2005).

Crawford and Scaletta (2005), state that CSR has been gathering momentum in the past decade. The need for established social responsibilities and ethical frameworks in business has become a main priority in our current society. This is evidenced by the fact that the number of the most well-known global corporations integrating corporate social responsibility (CSR) programs into their business operations has never been greater. CSR involves actions that appear to further some social good, beyond the interest of the firm

and that which is required by law. CSR is more than just following the law (McWilliams & Siegel, 2001).

Each company differs in how it implements corporate social responsibility. The differences depend on such factors as the specific company's size, the particular industry involved, the firm's business culture, and stakeholder demands. Some companies focus on a single area which is regarded as the most important for them or where they have the highest effects or vulnerability human rights, for example, or the environment while others aim to integrate CSR in all aspects of their operations. For successful implementation it is crucial that the CSR principles are part of the corporations' values and strategic planning, and that both management and employees are committed to them. Furthermore it is important that the CSR strategy is aligned with the company's specific corporate objectives and core competencies (McWilliams & Siegel, 2001).

The field of CSR has grown exponentially in the last decade. An increasing number of stakeholders are asking companies to be accountable for an ever-changing set of CSR issues. The idea that businesses have a role in society as well as in making money for shareholders is not a new one. Although a business organization primarily exists to make a return for its investors, a number of other purposes might also apply. It might want for example to be a good employer, to behave responsibly, to deal fairly with suppliers and customers, etc. In some cases in addition to all of these, some believe that businesses have a wider responsibility to society in general. They may believe that because businesses benefit from the support of society they in turn, have a responsibility to contribute to the welfare of society (Werther & Chandler, 2005).

CSR strategies or corporate social initiatives are major activities undertaken by a firm to support social causes and to fulfill commitments to Corporate Social Responsibility. Causes most often supported through these initiatives are those that contribute to community health, safety, education, employment, the environment, community and economic development and other basic human needs and desires. The impact of CSR on the corporate financial performance asserts that through three different mechanisms,

finance is shown to drive CSR (Michael & Russell 2007). During the early financing, business culture and strategy can be influenced by the choice of projects banks finances. For instance Equity Bank finances projects by offering credit for investment projects that improve the environment and also community investing. In this strategy, minority groups such as women, low and middle income earners that are likely to be marginalized by financial institutions are provided access to capital and basic banking product. Organizations develop a variety of strategies for dealing with the intersection of societal needs, the natural environment and corresponding business imperatives with respect to how deeply and how well they are integrating social responsibility approaches into both strategy and daily operations worldwide (Pomering & Johnson, 2009).

It is thought that CSR can have an important role in how a business is positioned in its environment. Just as a number of strategic analysis tools such as Michael Porter's five forces framework can describe how a company is strategically positioned, the ethical reputation that a business has is also thought to be important in its overall strategic positioning. So society's view of a company and hence its willingness to engage with the company is partly dependent upon its ethical reputation over many years. CSR measures are thought to be one important way of influencing this (Knox & Maklan, 2004).

CSR comprises a number of corporate activities that focus on the welfare of stakeholder groups, including society and the natural environment (Sprinkle & Maines, 2010). The term "corporate social responsibility" is used to describe how businesses implement the broad societal responsibility of going beyond economic criteria. This can include creating products, employment and profits to meet broader social and environmental expectations (Pomering & Johnson, 2009). Initial studies indicate that consumers take a firm's commitment to CSR initiatives into account when evaluating companies and their products (Oberseder *et al.*, 2013). According to Epstein (2008) CSR concentrates on nine areas: ethics, governance, transparency, business relationships financial return community involvement, product value employment practices and environmental protection.

Socially responsible corporate performance can be associated with a series of several benefits. But in many cases, it seems that the time frame of the costs and benefits can be out of alignment the costs are immediate, and the benefits are not often realized quarterly (Margarita, 2004). Nevertheless many benefits can be identified; firstly, socially responsible companies have enhanced brand image and reputation. Consumers are often drawn to brands and companies with good reputations in CSR related issues (Michael & Russell 2007).

A socially responsible company benefit from its reputation within the business community by having increased ability to attract capital and trading partners. Socially responsible companies also have less risk of negative rare events. Companies that adopt the CSR principles are more transparent and have less risk of bribery and corruption. In addition, they may implement stickers and thus more costly quality and environmental controls but they run the less risk of having to recall defective product lines and pay heavy fines for excessive polluting. The most researched and proven financial benefits of effective strategic CSR can be found in areas of human resources and talent management, reputation and branding and operational cost savings. It is evident that employees are significantly interested in, more highly satisfied with, and more loyal to companies that have a proven commitment to corporate social responsibility (Michael & Russell 2007).

Consequently, CSR can be used as an effective strategy to recruit and retain top talent which has obvious positive implications for the bottom line. Some CSR initiatives can dramatically reduce operating costs. For example, reducing packaging material or planning the optimum route for delivery trucks not only reduces the environmental impact of a company's operation, but it also reduces the cost. Companies perceived to have a strong CSR commitment often have an increased ability to attract and retain employees which leads to reduced turnover, recruitment and training costs. Additionally companies that improved working conditions and labour practices also experienced increased productivity and reduced error rates. The increased productivity of the workers and improved quality of the products/services generate positive cash flows that cover the associated costs (Oloyinka & Temitope 2012).

CSR can be both a risk mitigation strategy and an opportunity seeking strategy and leaders should look for the intersection between business and social environmental returns. CSR can be used to grab market share from competitors if communicated effectively to customers who care about environment-friendly product lines. Branding a firms CSR content, once it is truly developed, executed and integrated into the organization, can be an innovative and valuable business strategy to reach critical constituencies inside and outside the corporation. To him consumers today are looking for a relationship not just a transaction (Michael & Russell 2007). CSR can be an effective way to build relationships that products themselves cannot. It is hard to build relationship just around the cost of buying a product or enjoying a service. Although it is rather straightforward to identify the above benefits as being socially responsible for businesses, it is an arduous task to quantify and measure them. Since CSR is integrated into the business practices, it is by definition complicated to try to measure its effects separately. Ideally, it should be possible to keep all other factors constant and measure a company's financial performance and volatility of cash flows before and after adopting CSR strategies. As this is not possible, however empirical methods are used to identify the relationship between a company's CSR strategies and its financial performance (Oloyinka & Temitope, 2012).

Prior research has demonstrated that CSR has an effects on consumers' attitudes and purchase intentions (Oberseder *et al.*, 2013), consumer preferences, corporate reputation (Bendixen and Abratt, 2007), economic performance (Werther & Chandler, 2005), positive brand attitude (Rundle-Thiele, 2009) and willingness to pay high prices (McWilliams and Siegel, 2001). Deng, et al. (2013) found that high and low CSR acquirers realize higher returns on the value-weighted portfolio of the acquirer and fulfill target. Mutiso, Namusonge and Kihoro (2015) established that CSR reporting in Kenya has improved and focused on corporate governance with no significant difference in CSR reporting between the service sector and the manufacturing sector. Ondieki (2013) established the relationship between corporate social responsibility and firm's financial performance in the commercial and services sector of the Nairobi Securities Exchange. The study found that CSR score, efficiency and capital intensity had a positive relationship with performance of the firms. Okwemba et al.(2014) established philanthropic

responsibility of banks had effect performance. Obusubiri (2009), explored CSR and portfolio performance and found positive relationship between CSR and Portfolio performance. Margolis & Walsh (2001) researched found mixed evidence about the nature of the relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP). Nunes and Bennett (2010) investigated green operations initiatives in the automotive industry and found that car manufacturers were pursuing a wide range of green operations.

Jerotich (2013) carried out a research to establish the relationship between CSR and financial performance of firms in the manufacturing, construction and allied sector of the Nairobi Securities. The study found a strong relationship between the CSR practice, efficiency and Capital intensity used in the model and dependent variable (ROA). Wanyama (2012) investigated Corporate Social Responsibility of Kenyan Firms which he concluded that organizations in Kenya are now recognizing the important role CSR plays in business performance. A study by Owino (2014) found out that both economic CSR and philanthropic CSR had a positive significant relationship with consumer identification.

The studies above concentrated on other aspects of CSR and did not define it into its distinct components of economic, ethical, legal and discretionary responsibilities. Consequently relationship between the individual areas of CSR and financial performance still remain unknown.

Banking sector is one of the sectors that could benefit from CSR activities. The banking sector in Kenya comprises of 43 commercial banks, mortgage finance company, and six deposit taking microfinance institutions, five representative offices of foreign banks, 115 foreign exchange bureaus and two credit reference bureaus. This sector remains sound and resilient as it is developing and deepening faster than the overall economy. It grew by 9.0% in 2010 and 7.8% in 2011 while the economy grew by 5.8% and 4.4% in 2010 and 2011 respectively. The Central Bank works with Government and the banking sector to implement reforms geared towards reducing the cost of credit to increase the number of Kenyans able to access credit (CBK, 2015)

Equity bank Kenya Ltd in the year 2008 established Equity Group Foundation (EGF) a not-for-profit implementing foundation based in Nairobi, Kenya that champions the social and economic transformation of the people of Africa. Equity bank Kenya Ltd expanded tremendously in the last five years by opening several branches. The bank practices CSR as manifested in some of the activities. Equity Group Foundation (EGF) responds effectively to issues affecting people: Agriculture supporting agricultural activities. Equity provides Education & Leadership Development which provides leadership and career development. Equity provides Entrepreneurship and Innovation through job creation and economic growth by advice, mentorship and entrepreneurship training. Equity promotes the environmental conservation like forest cover (Equitybank, 2015). However, the stakeholders of the bank have not experienced returns commensurate with the banks performance in revenues and expansion. This has been attributed to reinvestment and rapid expansion. No studies have linked the same to CSR activities the bank practices when in theory, there exists a relationship.

1.2. Statement of the Problem

Equity Bank has witnessed growth and expansion in revenues in recent years but this has not translated into shareholder returns. There is need to inquire into financial performance of the bank particularly in relation to CSR which it has engaged in considerably in the past. Moreover corporate social responsibility (CSR) has not received adequate scholarly attention. Previous studies have not defined it clearly into its components. Consequently relationship that exists between it and financial performance of firms is unknown. No studies have covered what relationship economic responsibility, ethical responsibility or legal responsibility has with financial performance. Therefore this information is missing among banks, Equity Bank included.

1.3. Objectives of the Study

The main objective of study was to investigate the relationship between CSR and Financial performance of Equity bank Kenya Ltd.

i. Establish relationship between economic responsibility and financial performance at Equity bank Kenya Ltd.

ii. Investigate the relationship between ethical responsibility and financial performance at Equity bank Kenya Ltd.

iii. Analyze relationship between legal responsibility and financial performance at Equity bank Kenya Ltd.

1.4. Research Hypotheses

In achieving the objectives of the study, the following hypotheses were tested:

H_{01}: There is no relationship between economic responsibility and financial performance at Equity bank Kenya Ltd.

H_{02}: There is no relationship between ethical responsibility and financial performance at Equity Bank Kenya Ltd.

H_{03}: There is no relationship between legal responsibility and financial performance at Equity bank Kenya Ltd.

1.5. Scope of the Study

The study focused on Equity bank Kenya Ltd. It covered a period of 5 years from 2011 to 2015. The study investigated the relationship between CSR and financial performance of the Equity bank Kenya Ltd. Specifically the study established relationship between economic responsibility and financial performance; investigate the relationship between ethical responsibility and financial performance and analyze relationship between legal responsibility and financial performance at Equity bank Kenya Ltd.

1.6. Justification of the Study

This study would have implications for managers, the beneficiaries of CSR programs (environment, community, consumers, employees, and stakeholders), and future research. There has been a drastic increase in implementation of CSR programs from organizations of all sizes. The increase in expenditures to enhance the social responsibilities of corporations suggests managers find a benefit in CSR implementation.

1.7. Conceptual Framework

The purpose of conceptual framework was to help the reader quickly see the proposed relationship between Variables in the study (Mugenda and Mugenda, 2003). The conceptual framework of this study spelled out the relationship between CSR and firms Profitability.

In this study CSR is the Independent variable while financial performance is the independent variable. Investment in CSR is believed to positively affect financial performance.

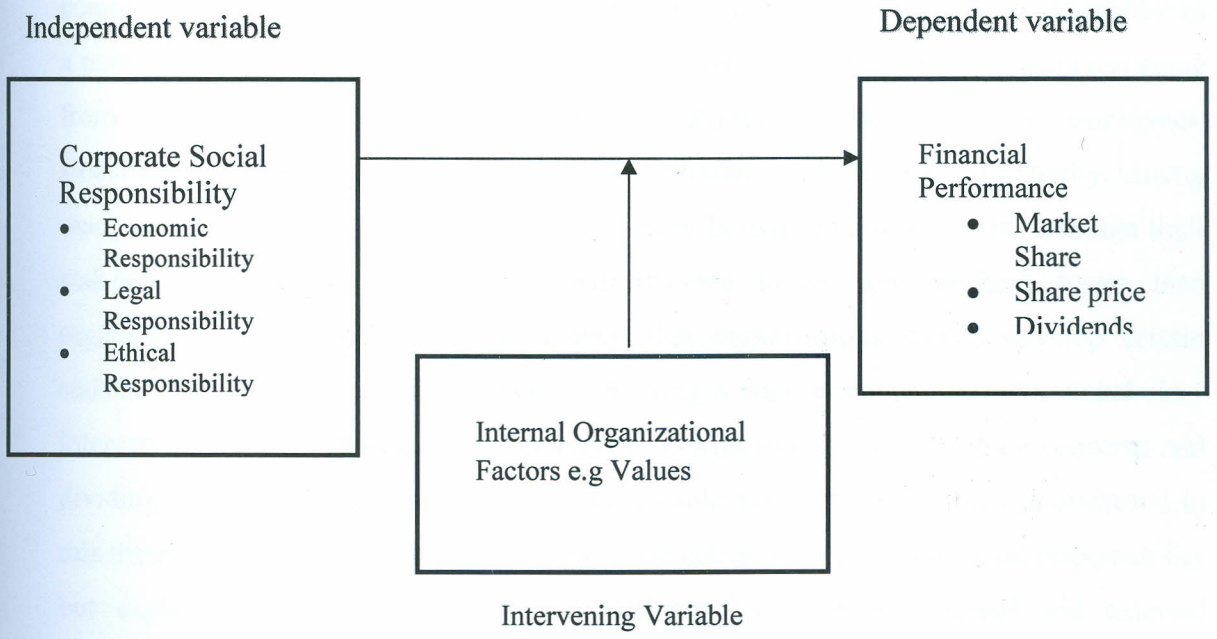


Figure 1. 1: Relationship between Corporate Social Responsibilities and Financial Performance

Source: Adapted from McWilliams and Siegel (2000)

CHAPTER TWO

LITERATURE REVIEW

This chapter presents a review of literature on the subject under study and is structured on the various thematic areas.

2.1. Theory of the Study

The study is guided by Stakeholder Theory (Freeman,1984). The stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. The theory looks at the relationships between an organization and others in its internal and external environment. It also looks at how these connections influence how the business conducts its activities. It looks at a stakeholder as a person or group that can affect or be affected by an organization. Stakeholders can come from inside or outside of the business. Examples include customers, employees, stockholders, suppliers, non-profit groups, government, and the local community, among many others. The core idea of stakeholder theory is that organizations that manage their stakeholder relationships effectively will survive longer and perform better than organizations that don't. Freeman suggests that organizations should develop certain stakeholder competencies. These include: Making a commitment to monitor stakeholder interests, developing strategies to effectively deal with stakeholders and their concerns and dividing and categorizing interests into manageable segments. This study is anchored in this theory as the theory does not just look at the concept of corporate social responsibility but explains how the connections the business has with its internal and external environment influences its performance.

2.2. The Concept of Corporate Social Responsibility

According to Freeman et al. (2010) the definition CSR is an action by a firm which the firm chooses to take, that substantially affects an identifiable social stakeholder's welfare. A socially responsible corporation should take a step forward and adopt policies and business practices that go beyond the minimum legal requirements and contribute to the welfare of its key stakeholders. Stakeholders may be defined as "groups and individuals who can affect, or are affected by the achievement of an organization's

mission" or alternatively "those groups who have a stake in or a claim on the firm"(Freeman, 1984). Johnson et al. (2005) stresses that both parties depend on each other by defining stakeholders as individuals or groups who depend on the organization to fulfill their own goals and on whom in turn the organization depends. The concept of stakeholders may be given a wider perspective as simply all those entities with a "critical eye" on corporate actors (Bomann & Wiggen, 2004

2.2. 1. Economic Responsibility

There are various elements of CSR: The first criterion of social responsibility is economic responsibility. The business institution is, above all, the basic economic unit of society. Its responsibility is to produce goods and services that a society wants and to maximize profit for its owners and shareholders. An economic responsibility, carried to the extreme, is called profit-maximizing view; it was advocated by Nobel economist Milton Friedman. This view argued that a company should be operated on a profit-oriented basis, with its sole mission to increase its profits so long as is stays within the rule of the game. The purely profit-maximizing view is no longer considered an adequate criterion of performance in the world in general. Treating economic gain in the social as the only social responsibility can lead companies into trouble (Carroll & Buchholtz, 2006).

All modern societies lay down ground rules, laws and regulations that businesses are expected to follow. Legal responsibility defines what society deems as important with respect to appropriate corporate behavior. Businesses are expected to fulfill their economic goals within the legal framework. Legal requirements are imposed by local councils, state and federal governments and their regulating agencies. Organizations that knowingly break the law are poor performers in this category. Intentionally manufacturing defective goods or billing a client for work not done is illegal. Legal sanctions may include embarrassing public apologies or corporate 'confessions' (Jennings, 2002).

Ethical responsibility includes behavior that is not necessarily codified into law and may not serve the organization's direct economic interests. To be ethical, organization's decision makers should act with equity, fairness and impartiality, respect the rights of

individuals, and provide different treatments of individual only when differences between them are relevant to the organization's goals and tasks. Unethical behavior occurs when decisions enable an individual or organization to gain expense of society (Schneider, 2002).

Discretionary responsibility is purely voluntary and guided by an organization's desire to make social contributions not mandated by economics, laws or ethics. Discretionary activities include generous philanthropic contributions that offer no payback to the organization and are not expected. Discretionary responsibility is the highest criterion of social responsibility, because it goes beyond societal expectations to contribute to the community's welfare (Schneider, 2002).

2.2. 2. Legal Responsibility

The legal responsibilities of business refer to the positive and negative obligations put on businesses by the laws and regulations of the society where it operates. Little disagreement exists between the various views on CSR regarding what constitutes the legal responsibilities of business. All views accept the requirement of adherence to the laws and regulations of society. The difference really exists regarding the nature and scope of such an obligation. With respect to the nature of the legal obligations, on the one hand, some views contend that the legal responsibility of business constitutes the totality of the responsibility of business towards society. On the other hand, some argue that laws and regulations constitute but one category of the responsibility of business towards society. For example, Carroll (1991, p. 41) considers the laws and regulations as the 'codified ethics' of society. They represent 'partial fulfillment of the social contract between business and society'.

With respect to the scope of the legal responsibilities, some advocate its expansion to encompass more regulation. They claim that regulation is necessary for the fulfillment of CSR. For example, De Schutter (2008) argues that the business case for CSR rests on certain presuppositions about markets and the business environment, which cannot be simply assumed, but should be affirmatively created by a regulatory framework for CSR'.

O Others oppose such claims and assert that engagement in CSR activities and management of stakeholder relations should continue to remain voluntary.

2.2. 3. Ethical Responsibility

Gray, Owen and Adams (1996) defined CSR as a stakeholder oriented concept that extends beyond the boundaries of the organization, driven from an ethical understanding of the responsibility of the organization for the effects of its business activities, seeking in return the willingness of society to accept the legitimacy of the business. This definition emphasizes that corporate social responsibility should result in a win-win situation for both the organization and its stakeholders. Therefore, the concept of stakeholders is central to that of CSR. In his book, Freeman (1984) cited that when the word stakeholder appeared in an international memorandum at the Stanford Research Institute back in 1963 during the formative stages of the stakeholder theory, they were defined as 'those groups without whose support the organization would cease to exist'. The core concept, in other words was survival. Without the support of these key groups, the firm will not survive.

There are two categories of stakeholders, inside and outside stakeholders. The insiders are the employees, board of directors and the stockholders. The outsiders are all the other groups that the firm's actions affect. It includes the customers, suppliers, government, unions, competitors, local community, financial institutions and the general public. Past study indicates that the board of directors no longer believes that the stockholder is the only constituency to whom they are responsible (Pearce and Robinson, 1997).

Johnson et al. (2005) divided the external stakeholders in to three categories in terms of the nature of their relationship with the organization; stakeholders from the market environment who include the suppliers, competitors, distributors and shareholders. These shareholders have an economic relationship with the organization and influence the Value creation process as members of the value network. The second category comprises of the stakeholders from the social political environment such as policy makers, regulators, government agencies who influence the social legitimacy of the strategy. The final category comprises of the stakeholders in the technological environment such as key adapters, standard agencies and owners of competitive technologies who will influence the

diffusion of new technologies and the adoption of industry standards. The three sets are rarely of equal importance in any specific situation. Since their expectations are different, it is quite normal for conflict to exist. Thus compromise will need to be reached between expectations that cannot be achieved simultaneously. Individuals may belong to more than one group and stakeholders groups will line up differently depending on the issue and the strategy at hand (Johnson et al., 2005).

These expectations and pressures keep changing and the situation is further complicated by the need for managers to resolve the interests of different stakeholders and to integrate this within the managerial decision-making process. Managers must therefore make decisions about the extent of their responsibilities and the nature of the stakeholders to whom they are both responsible and accountable. Therefore, in defining or redefining the company mission, strategic managers must recognize the legitimate rights of the firm's claimants who include not only the stockholders and employees but also the outsiders affected by the firm's actions .Each of these interest groups has justifiable reasons for expecting and often for demanding that the firm satisfy their claims in a responsible manner (Hill (2009).

Ittelson (2009) contends that corporate social responsibility is a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups. Nowadays CSR plays an important role in assessing a company. It is expected to impact on its financial performance.

2.3. The Concept of Financial Performance

Financial Performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare

industries or sectors in aggregation. According to Ittelson (2009), firms and interested groups such as managers, shareholders, creditors, and tax authorities look to answer important questions like: What is the financial position of the firm at a given point of time? How is the Financial Performance of the firm over a given period of time? These questions can be answered with the help of a financial analysis of a firm.

Financial analysis involves the use of financial statements. A financial statement is a collection of data that is organized according to logical and consistent accounting procedures (Bertoneche & Knight, 2001). Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position of a period of time as in the case of a Balance Sheet, or may reveal a series of activities over a given period of time, as in the case of an Income Statement. Thus, the term 'financial statements' generally refers to two basic statements: the Balance Sheet and the Income Statement. The interest of various related groups is affected by the financial performance of a firm. According to Ittelson (2009), the type of analysis varies according to the specific interest of the party Involved. Trade creditors for example are interested in the liquidity of the firm. They appraise firm's liquidity. Bond holders are interested in the cash-flow ability of the firm. They appraise firm's capital structure, the major sources and uses of funds, profitability over time, and projection of future profitability. Investors are interested in present and expected future earnings as well as stability of these earnings. They appraise firm's profitability and financial condition. Management on the other hand is interested in internal control, better financial condition and better performance. Management appraises firm's present financial condition, evaluation of opportunities in relation to this current position and return on investment provided by various assets of the company.

2.4. Relationship between CSR and Financial Performance

Öberseder et al. (2011) examined the relationship between CSR and consumption of firms products. The qualitative research of shows that evaluation of CSR initiatives is a complex and hierarchically-structured process, where consumers distinguish between core, central and peripheral factors. The complexity of the assessment of all core, central and peripheral factors leads a large number of consumers to ignore CSR as a purchase decision. They

also added peer pressure as factor to influence consumer behaviour towards CSR-products.

Brendixen and Abratt (2007) examined the ethics of a large MNC in its relationship with its suppliers. They found that the MNC had a good corporate reputation among both its suppliers (an important stakeholder) and its own buying department. The existence and implementation of formal codes of ethics was found to be a necessary, but not sufficient condition for good ethical practice. Candid relationships with suppliers emerged as a second and important factor. Ethical perceptions of buyers by suppliers are driven by the management of corporate identity, through the elements of ethical standards and candid relationships.

Werther Jr. and Chandler(2005) investigated strategic corporate social responsibility as global brand insurance. They found that competitive strategies of multinationals rely on global brands; corporate social responsibility (CSR) offers insurance against management lapses. The practical need for CSR as brand insurance comes from changing social expectations, affluence, and globalization. Corporate actions that violate societal expectations damage, even destroy, brand image among networked stakeholders who are affluent enough to buy branded products and services. The premiums for CSR brand insurance are paid by leaders who create an organization-wide commitment to CSR as a means of redefining profit maximization.

Deng, et al. (2013) used regression analysis to analyze CSR and stakeholder value maximization. They found that high and low CSR acquirers realize higher returns on the value-weighted portfolio of the acquirer and fulfill target. Lee, et al.(2013) conducted a study OR-CSR and firm performance. They used factor analysis on CSR and firm performance in the airline industry and found positive effect of OR-CSR on firm performance and oil prices but Non-OR CSR has moderate negative effect only on oil price.

Okwemba et al.(2014) sought to find out the effect of CSR on organization performance. This research limited itself to selected commercial banks in Kakamega that's equity and cooperative bank. A population of over 10,000 customers, the researcher picked on corporate customers of around 70 customers; a sample size of 50 was used to carry out the research. Based on correlation and regression analysis the results of this study showed that philanthropic responsibility of a bank has an impact on bank performance.

Ondieki (2013) sought to establish the relationship between corporate social responsibility and firm's financial performance in the commercial and services sector of the Nairobi Securities Exchange. This study used a correlation descriptive survey research design on nine companies listed in the commercial and services sector of the Nairobi Securities Exchange as at 31st December 2012. The study found that CSR score, efficiency and capital intensity had a positive relationship with financial performance of commercial and services sector at the Nairobi Securities Exchange in Kenya. The study found an increase in CSR score would lead to increase in financial performance of commercial and services sector at the Nairobi Securities Exchange, the study also revealed that a unit increase in efficiency would lead to increase in financial performance of commercial and services sector at the Nairobi Securities Exchange and also that a unit increase in capital intensity would lead to increase in financial performance of commercial and services sector at the Nairobi Securities Exchange.

Obusubiri (2009), explored CSR and portfolio performance and found positive relationship between CSR and Portfolio performance. He attributed this positive relationship to good corporate image that comes with CSR making investors prefer such companies. The good CSR behavior has a reputational benefit for the company. Margolis & Walsh (2001) researched on the economic or financial impact of CSR which had mixed evidence about the nature of the relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP).

Nunes and Bennett (2010) investigated green operations initiatives in the automotive industry that were documented in the environmental reports of selected companies. They

found that car manufacturers are pursuing a wide range of green operations practices such as green buildings, eco-design, green supply chains, green manufacturing, reverse logistics, and innovation.

Owino (2014) researched on Consumer identification as a result of economic and philanthropic corporate social responsibility in Safaricom Limited Company in Kajiado County, Kenya. The study was based on the hypothesis that there is no relationship between economic CSR and consumer identification and that Philanthropic CSR has no effect on Consumer Identification. Cluster sampling was used to obtain a sample size of 325 respondents who were used in the data collection procedure by use of questionnaires. The study found out that both economic CSR and philanthropic CSR had a positive significant relationship with consumer identification rejecting the applied Hypothesis.

Mutiso, namusonge and Kihoro (2015) aimed at exploring the extent to which listed companies in Kenya have adopted the practice of CSR reporting. The study employed descriptive research design to identify the extent of CSR disclosures among the 37 sampled companies which were selected randomly from the population of the 60 companies listed in Nairobi securities exchange in Kenya. The results of the study revealed that CSR reporting in Kenya has improved but still much needs to be done to encourage the practice. Further analysis revealed that there is no significant difference in CSR reporting between the service sector and the manufacturing sector. The results also reveal that the companies report more information only on corporate governance because it is mandatory and on community involvement as an indicator of a shallow definition of sustainability reporting.

Jerotich (2013) carried out a research to establish the relationship between CSR and financial performance of firms in the manufacturing, construction and allied sector of the Nairobi Securities. The study found a strong relationship between the CSR practice, efficiency and Capital intensity used in the model and dependent variable (ROA).

Wanyama (2012) investigated Corporate Social Responsibility of Kenyan Firms which he concluded that organizations in Kenya are now recognizing the important role CSR plays in business performance.

In exploring the linkages between environmental performance and financial performance with respect to the market value, Konar and Cohen (2001) argued that a firm with a better environmental performance has significant positive effects on its market value. Fauzi (2009) did a research on firms listed on the New York Securities Exchange (NYSE) to determine the relationship between CSR and corporate financial performance. Using a sample of 101 companies listed at the NYSE and a regression model with financial performance as the dependent variable and CSR index as the independent variable, he found that CSR has no effect on CFP. He however found that leverage (a control variable in the model) has a moderating effect on the interaction between CFP and CSR.

Cheruiyot (2010) carried out a research to establish the relationship between corporate social responsibility and financial performance of firms listed at the Nairobi stock exchange. This was a cross sectional study of all the 47 listed companies in the NSE's main segment as at 31 December 2009. Using regression analysis he sought to establish the relationship between the CSR index and financial performance measured in terms of the Return on assets, return on equity and return on sales. His conclusion was that there was a statistically significant relationship between CSR and financial performance.

Obusubiri (2006) in a study on CSR and portfolio performance also found a positive relationship between CSR and portfolio performance. He attributed this relationship to the good corporate image that comes with CSR making investors prefer such companies implying that good CSR behavior has a reputational benefit for the practicing firm. The works above evidence the fact that clear definition of what CSR entails was not made by the researchers. Studies did not define it into its distinct components of economic, ethical, legal and discretionary responsibilities. They lean on discretionary responsibilities which they define as philanthropic responsibilities. Consequently relationship the other three

areas of CSR that is, economic, ethical and legal responsibility has with financial performance still remain unknown.

From studies done outside indicates that CSR is positively related to better financial performance and that socially responsible corporate performance can be associated with a series of bottom-line benefits. However no conclusive studies have been done in Kenya to prove that the funds invested in CSR in Kenya corporate have resulted in improved performance. The aforementioned empirical studies have demonstrated that there is a link between CSR and financial performance. Most of the early studies attempting to identify the relationship between CSR and financial performance have focused on subjective techniques to measure CSR. These studies have not, however, demonstrated how a firm's financial performance would be affected by investing in CSR activities. The studies have not explained the motive for commercial institutions to aggressively invest in CSR activities despite the fact that there is no requirement for them to do so. This constitutes a research gap which this study is seeking to breach.

The concept of CSR and performance of organization is well documented in the literature reviewed. In recognition thereof, many policy makers in organizations were unanimous in making organizations policies to capture these social responsibilities besides profit maximizing policies. CSR policies have been implemented in many organizations in the world. Previous studies focusing on organization policies have concentrated on profit maximization while ignoring corporate social responsibility. Despite the fact that the society forms critical part of profit maximization objective of any. A review of literature context on CSR and organization performance revealed limited studies on the subject matter. From the studies reviewed it is revealed that they concentrated organizational performances and did not cover the relationship between CSR and financial performance.
In recognition of the role of CSR in improving the performance of the Enterprises, and a scanty empirical literature on this are of study, a detailed study on the subject matter is necessary. This is supported by Nakvi (2013) that the competitive advantage is strengthened through the use of CSR.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents the methodology that was used in carrying out the study namely the research design, target population, data collection instruments and their administration.

3.1. Research Design

The study adopted a correlational study design in examining the CSR issues in Equity Bank Kenya Ltd and its effect of its profitability. This research design allows a detailed analysis of the variables under study as supported by Saunders *et al.* (2009). Further this research design was appropriate for this study since the problem under study is structured and well understood, therefore requiring precise rules and procedures regarding collection and analysis of data to test the hypotheses as supported by Bryman and Bell (2007).

3.2. Target Population

The target population constituted all the 173 branch managers and 173 operation managers of Equity Bank Kenya Ltd in Kenya. Based on the statistics obtained from the Equity Bank Kenya Limited in 31st June 2015, there were 173 branches of Equity bank Kenya Ltd branches in Kenya. This gave total population of 346 respondents (Table 3.1).

3.3. Sampling Process and Selection

According to Kothari (2009), sampling enables the researcher to estimate unknown characteristics of the population and make generalization with overall accuracy.

3.3.1. Sample Size

After defining of the target population of 346, the sample size was determined based on required level of precision of statistical results, accuracy level, time and cost. The study chose confidence level at 95 per cent with corresponding z-score of 1.96 and with error margin of 5 per cent. Hence the study assumed that data collected using as sample size would have a 95% chance of being right (level of confidence) with a 5 % chance of being wrong. The samples size for this study was determined using the formulae as suggested by Krejecie and Morgan (1970); $S = X^2NP(-P)/d^2(N-1) + X^2P(1-P)$.

Where;

S=required sample size

N=given population size

P=Population proposition that for table construction (.50 is assumed as this magnitude yields the maximum possible sample size required).

d = the degree of accuracy as reflected by amounting error that can be tolerated in the fluctuation of a sample proportion *p* about the population proportion *p*- that is the degree of accuracy expressed as a proportion.

x^2= table value of chi square for one degree of freedom relative to the desired level of confidence, which is 3.841 for the .95 confidence level.

Inserting the required information into the formulae gives:

N= 346 Target population

P=0.50

D=0.05

X^2=3.841

Substituting the values

$$S_1 = \frac{3.841 \times 346 \times 0.50(1-0.50)}{0.0025(346-1) + 3.841 \times 0.50(1-0.50)}$$

= 180 sample size

Table 3. 1: Target Population and Sample Distribution

Branch officers(Strata)	**Target Population**	**Sample Proportion%**	**Sample size**
Branch Manager	173	52%	90
Operation manager	173	52%	90
Total	**346**	**52%**	**180**

Source: Adopted From Equity Bank (2015)

3.3.2. Sampling Technique

Proportionate stratified random sampling was used in the study for equal chance in selection to the individuals in the population. A list of all operation managers and branch managers was obtained in order to construct a sampling frame from which the individual respondents were picked and included in the sample. After constructing a sampling frame by numbering 0 to 345 respondents were randomly selected with the aid of a computer together a total 180 respondents were chosen. With the random number method, the names corresponding with the numbers selected by the computer were identified and picked up to the required sample size of 180 who constituted the respondents to be surveyed in the study.

3.4. Data Collection Method

The study used both primary and secondary data.

3.4.1. Data Type and Source

The study reviewed primary documents containing information on CSR and organizational performance to provide information which was considered raw since there was no interpretation which had been given to the information collected. Further these documents contained unbiased and originally captured information. The document review was vital in research since it enabled researcher to track what happened, when it happened and who was involved. The secondary data on CSR was gathered from published reports and journals. According to Kothari (2009) secondary data review was necessary for the study since it helped the researcher clarify theories on CSR and organizational performance on which the current study is based. The secondary data review enabled the researcher to avoid duplication in study and hence make a significant contribution to knowledge. Secondary data were reviewed in Maseno library, Equity bank Kenya Ltd library, Kenya National library and websites especially those dealing with CSR.

3.4.2. Data Collection Procedure

The study used mainly primary data from bank officials (branch managers and operation managers) who are conversant with the implemented CSR activities in Kenya. Structured and unstructured questionnaires (Appendix A) were used to gather data from the

respondents by way of interviews (Orodho, 2005). The questionnaires were administered through drop/mail and pick from the respondents. First there was need to establish contact and familiarization with the respondents. Those respondents who were readily available were reached directly by the study. The questionnaires were guided where necessary but remained open-ended.

3.4.3. Data Collection Instruments

In order to collect data on variables, questionnaires were developed based on the research objectives. These questionnaires were pilot tested and the outcome used to improve on the questionnaires for the final data collection.

3.4.3. Instruments Validity and Reliability

Pilot study was carried out to pretest the research instruments before actual administration to 18 sampled respondents who did not participate in the ultimate study. This assisted the researcher in correcting ambiguities in the questionnaires and to establish their validity and reliability.

3.4.3.1. Reliability

Mugenda and Mugenda (1999) define reliability as a measure of the degree to which a research instrument yields same results on repeated trials. Reliability in research is influenced by random error, which is deviation from a true measurement. After the pilot study, the 17 respondents' questionnaires were tested using split-half technique.

Orodho (2005) refers split-half method as a type of reliability testing based on the co-efficient of internal consistency of a research instrument. Instruments were divided into to two equal halves usually in terms of even and odd numbered items and scored separately after it has been tested. Then correlation coefficient was calculated from the scores on each half of the test which usually fall between 0.0 and 1.0, with the closer to 1.0, the more reliable the instrument is. This study targeted correlation coefficient closer to 1.0. The study established a correlation coefficient of 0.98 which is closer to 1.0 implying that research instruments were reliable.

3.4.3.2. Validity

Validity involves the degree to which obtained results from data analysis actually represent the phenomenon under study. Validity is tested by representativeness of the target population and by consensual judgements by experts (Mugenda and Mugenda, 1999). During the pilot study, the researcher focused on the objectives of the study and was keen in determining any particular parameter which was included in the actual administration. This was achieved by exposing the document to experts in the field.

3.5. Data Analysis and Presentations

The study examined the collected data to make inferences through a series of operations involving editing to eliminate repetitions and inconsistencies, classification on the basis of response homogeneity and subsequent tabulation for the purpose of inter-relating the variables under study. The refined data was analysed using descriptive statistics involving percentages means and frequencies. Correlation analysis was used to establish objectives.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

This chapter presents the study findings which have been analyzed, presented, interpreted and discussed in line with the study objectives under sub-thematic areas response return rate, demographic characteristics of respondents, corporate social responsibilities strategies (CSR), Stakeholders demands and financial performance.

4.1. Response Rate

Data collection instruments (questionnaires) were administered within a period of three and half weeks. A total of 148 questionnaires were successfully completed and returned. The data collected represented a response rate of 148(82.2%) given that a total of 180 respondents were targeted. This percentage was enough to continue with the study since according to Necamaya, (1996) recommends that a response return rate of more than 75% is enough for study to continue. Therefore, the collected data was assessed based on the response rate and subsequently accepted as a close representation of the entire target population. From the categories that were targeted for information, contributions were all well recorded as in table 4.1.

Table 4:1. Distribution of Responses

Branch officers(Strata)	Questionnaires issued	Questionnaires returned	Response rate %
Branch Manager	90	72	80
Operation manager	90	76	84
Total	**180**	**148**	**82**

(Source: Research data, 2016)

Out of the 180 questionnaires issued to the targeted respondents, almost all the categories returned fully filled questionnaires (100%) which were ready for subsequent analysis, except twelve questionnaires from all the categories which were incomplete. The twenty respondents from both categories could not be reached after several attempts were made to contact them but were in vain and hence were not available to return the questionnaires

they had been issued with. All the non-returned and rejected questionnaires, negligibly affected the study's findings and ultimate generalizations.

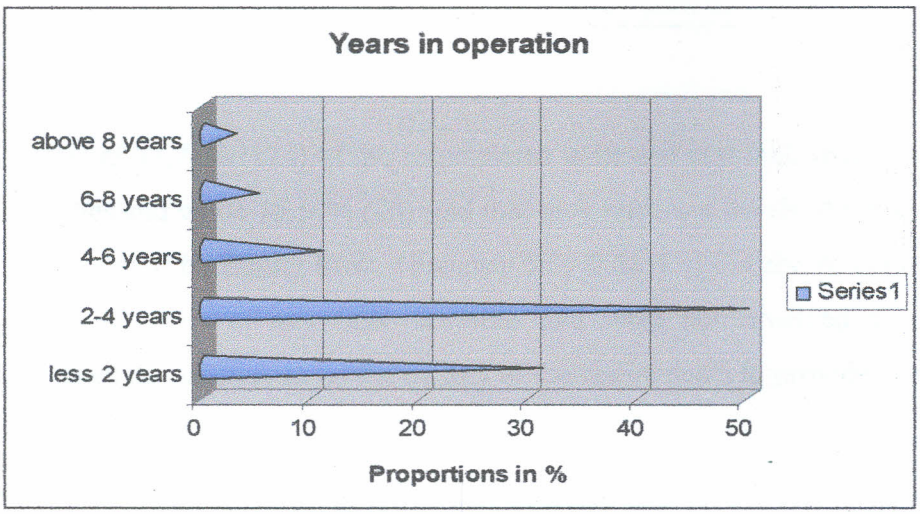
4.2. Demographic Characteristics of Respondents

The demographic characteristics of the respondents helped the study to determine the quality of responses from the respondents to enable the study achieve its objectives. The respondents' demographic characteristics were assessed based on length individual business has been in operation and working experience in the organization.

4.2.1. Distribution of Respondents by years of experience

As a preliminary intent to measure the quality of responses from the subjects the study sought to determine the years in which respondents have been working with Equity bank and the findings are as shown in table 4.1.

Fig. 4.1: Respondents' Years in Operation



(Source: Research data, 2016)

It was found that 50% of respondents had been with Equity Bank for two to four years. This was followed by 31% of respondents for a period of less than two years while 11% had worked for a period between four and six years. The rest 8% respondents had worked for more than six years. The average length in working with Equity bank was established

to be about three years. This gave the research the confidence on strength that respondents' views incorporated past and current trends which could be depended upon in drawing conclusions.

4.2.2. Distribution of Respondents by operation

As a preliminary intent to measure the quality of responses from the subjects, the researcher established the type of duties in regard to CSR which the respondents were involved in their operation and findings are presented in table 4.2.

Table 4.2:Respondents' Main Duties

Main Duties	Frequency	Percentage %
Involved in CSR activities	124	83.78
Not involved in CSR activities	23	15.54
Not aware of any CSR activities and were not involved	1	0.68
Total	**148**	**100.0**

(Source: Research data, 2016)

A total of 83.78% (124) of the respondents indicated that their main duties involved CSR activities and while 15.54% (23) said that they were not involved but aware that CSR was being carried by Equity bank. However only 0.68% (1) of the respondents said that they were not aware of any CSR activities and were not involved at all. This therefore increased the assurances on the quality of the respondents to provide quality data to enable the study to achieve its objectives.

4.3. Corporate Social Responsibility Activities

The findings on CSR strategies by Equity bank and financial performances are presented in this section. The specific parameters for analysis are economic, legal and ethical considerations.

4.3.1. Extent of CSR activities

In the general terms, respondents were asked to indicate there areas in which the bank is involved in the CSR activities relation to the financial performance. The ascertained views were found to have distributions as shown in table 4.3.

Table 4.3: CSR Activities

Business Service line	Frequency	Proportion (%)
Education & Leadership Development	132	89
Environmental responsibility	98	66
Health responsibility	102	69
Entrepreneurship and innovation	99	67
Financial inclusion and literacy	68	46
Total		**100**

(Source: Research data, 2016)

The open-ended nature of the question-item resulted to more than 148 responses as some respondents chose more than one business services line being offered by their organization. It was found by 89% of respondents Equity bank offered education and leadership development to the society in Kenya. This was followed, at 69% of respondents who indicated the bank offered health responsibility through support of health care in the county, and 67% of the respondents said that entrepreneurship and innovation provisions and 66% of the respondents indicated that environment responsibility. Only 46% of the respondents said that there is provision of financial inclusion and literacy by the bank.

4.3.2. Economic, Ethical and Legal Responsibility

The study sought to determine the relationship between CSR and financial performance of the bank. In the study, the extent of agreement by respondents was determined using mean scores on a set of statement regarding effects of CSR and summaries presented as in tables 4.5, 4.6 and 4.4.

Table 4.4: Economic Responsibility

Likert Ranking (X)	1	2	3	4	5	Totals
No. of Responses (W)	21	53	10	55	9	148
% Response	14	36	7	37	6	100
XW	21	106	30	220	45	422
Mean score			**422/148= 2.85**			

(Source: Research data, 2016)

Respondents constituting 37% disagreed that economically CSR activities are burdensome to their bank. On the contrary, 36% agreed while 14% strongly agreed with the statement. The overall mean score was 2.85. This mean-score tended towards the neutral value, suggesting that effects of CSR economically did not attract widely extreme opinions as expressed by those who agreed and those who disagreed. The finding established that the CSR activities affect economic activities of the bank.

Table 4.5: Ethical Responsibility

Likert Ranking (X)	1	2	3	4	5	Totals
No. of Responses (W)	25	30	27	43	24	148
% Response	17	20	18	29	16	100
XW	25	60	81	172	120	458
Mean score			**458/148 = 3.094**			

(Source: Research data, 2016)

From table 4.5 above, responses totaling 29% disagreed that the CSR activities are unethical. 16% strongly agreed with the statement while 18% of them remained neutral. The average score for the responses was 3.094.

Table 4.6: Legal Responsibility

Likert Ranking (X)	1	2	3	4	5	Totals
No. of Responses (W)	44	38	28	18	15	148
% Response	33	26	19	12	10	100
XW	44	76	84	72	75	351
Mean score			**351/148 = 2.37**			

(Source: Research data, 2016)

From table 4.6, a cluster of 33% respondents strongly agreed that there CSR activities involved legal responsibilities. This was followed by a portion of 26% who agreed with the assertion. However, 19% were neutral in their observations while the rest either disagreed or strongly disagreed with the statement. The overall mean score for this response was 2.37. The findings therefore indicated that there has support among the staff of the Equity bank on the CSR activities, particularly that the bank is legally responsible.

4.3.3. Relationship between Economic Responsibility and Financial Performance

The first hypothesis (H01) stated that, there is no relationship between economic responsibility and financial performance at Equity bank Kenya Ltd. To test this hypothesis, Pearson's Moment of Correlation was carried out to establish the relationship between economic responsibility and financial performance and the findings are as presented in Table 4.7.

Table 4.7: Correlations between Economic Responsibility and Financial Performance

		Economic responsibility	financial performance
Economic responsibility	Pearson Correlation	1	.439**
	Sig. (2-tailed)		.000
	N	148	148

*. Correlation is significant at the 0.05 level (2-tailed).
(Source: Research data, 2016)

According to study findings [r (148) = .439, p=0.000] there is a moderate positive significant relationship between economic responsibility and financial performance The result suggests as economic responsibility of the bank increases, financial performance also increases and vice versa. The null hypothesis is thus rejected. The findings of the study supports the studies by Sprinkle and Maines, (2010) and Oberseder *et al*, (2013) who supports the CSR activities by business enterprises in enhancing their competitiveness in the market.

4.3.4. Relationship between Ethical Responsibility and Financial Performance

The second hypothesis (H_{02}) stated that there is no significant relationship between ethical responsibility and financial performance at Equity Bank Kenya Ltd. The study employed a Pearson's Moment of Correlation analysis test whether there was any relationship and the finding is give in Table 4.8.

Table 4.8: Correlations between Ethical Responsibility and Financial Performance at Equity Bank Kenya Ltd

		ethical responsibility	financial performance
ethical responsibility	Pearson Correlation	1	.617**
	Sig. (2-tailed)		.000
	N	148	148

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

(Source: Research data, 2016)

According to study finding in Table 4.8, [r (148) = .617, p=0.000] there was a high positive significant relationship between ethical responsibility and financial performance at Equity Bank Kenya Ltd. The result suggests that as ethical responsibility of the bank increases, financial performance also rises. The null hypothesis is thus rejected. The rsult is in agreement with Cheruiyot (2010) and Obusubiri (2006) who supports ethical responsibility in positively influencing financial performances of any business enterprises.

4.3.5. Relationship between Legal Responsibility and Financial Performance

The third hypothesis (H_{03}) stated that there is no relationship between legal responsibility and financial performance at Equity bank Kenya Ltd. A correlation analysis was used to test whether there was any such relationship and the findings are in Table 4.9.

Table 4.9: Correlations between Legal responsibility and financial performance at Equity Bank Kenya Ltd

		legal responsibility	financial performance
legal responsibility	Pearson Correlation	1	-.542**
	Sig. (2-tailed)		.001
	N	214	214

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

(Source: Research data, 2016)

The results in table 4.9 [r (148) = -.542, p=0.001] indicate a moderate significant negative relationship between legal responsibility and financial performance at Equity bank Kenya Ltd. This means that as the bank engages more in legal responsibility, financial performance reduces. The null hypothesis is thus rejected. The study supports the other studies(Johnson *et al,*2005; De Schutter,2008) who established that there is no legal obligation to business enterprises to provide CSR activities to society even though there more economic benefits from such activities.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a summary of the findings, conclusion and recommendations. Policy implications and suggested areas for further studies are also presented.

5.1. Summary of the Findings

The general objective of the study was to investigate the relationship between CSR and Financial performance of Equity bank Kenya Ltd. The study formulated three objectives and the findings discussed in chapter four. These objectives of the study were; to establish relationship between economic responsibility and financial performance; investigate the relationship between ethical responsibility and financial performance and analyze relationship between legal responsibility and financial performance at Equity bank Kenya Ltd. On objective one, it was found that a moderate positive relationship exists between economic responsibility and financial. Results on objective two revealed that a high positive relationship exists between ethical responsibility and financial performance at the bank while results on objective three reported a moderate negative relationship between legal responsibility and financial performance.

5.2. Conclusions

This study investigated the relationship between CSR and Financial performance of Equity bank Kenya Ltd. Based on the study findings it is concluded that as economic responsibility of the bank rises and financial performance also increases. Similarly, as ethical responsibility increases, financial performance increases. On the contrary as legal responsibility increases, financial performance at Equity bank Kenya Ltd reduces.

5.3. Recommendations of the Study

Based on the study's conclusions, the following recommendations are made on the effects of the CSR activities on financial performance at Equity Bank Limited. From conclusion on objective one, this study recommends that more resources be put on the economic responsibilities of the bank such as paying favorable wages. From the conclusion on

objective two the study recommends that the bank continues to uphold society's expectations keeping its activities within society's ethical ideals and moral code. From conclusion on objective three, the study recommends that the bank carefully analyzes its legal responsibilities to understand why it has a negative relationship with the bank financial performance.

5.4. Suggestions for Further Research

The study recommends further research to involve superior analysis techniques such as regression and focus on other contexts other than banks

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