International Journal of Business and Management Invention
ISSN (Online): 2319 – 8028, ISSN (Print): 2319 – 801X
www.ijbmi.org || Volume 4 Issue 1 || January. 2015 || PP.22-36

Effect of Corporate Social Responsibility on the Performance of Banks in Kenya, a Case of Equity Bank, Kitale

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ABSTRACT: *The purpose of the study was to assess the effect of corporate social responsibility on the performance of banks in Kenya, a case of Equity Bank, Kitale. The objectives of the study were : to assess the effect of corporate social responsibility on the profitability of Equity bank, Kitale branch; to establish the effect of corporate social responsibility on customer attraction at Equity bank, Kitale branch and to assess the effect of corporate social responsibility on employee retention at Equity Bank, Kitale branch. The research adopted Edward Freeman, stakeholder theory . On the basis of this theoretical framework, a conceptual framework was developed. Descriptive survey design was employed. The target population was 5655 consisting of customers visiting the bank for one week and employees working in the bank , while a sample size of 565 was drawn from the target population. Stratified and random sampling techniques was used to select respondents who participated in the study. The research instruments that were employed were questionnaires. Data was analyzed using Statistical Package for Social Sciences (SPSS 17.0). Descriptive statistics and inferential statistics were used to analyze the data collected. Data analyzed were presented using tables, pie charts and bar graphs. The findings of the study were:Most customers at Equity Bank, Kitale branch had knowledge of the existence of Corporate Social Responsibility in the Commercial Banks, the main source of information on CSR was through mass media, initiatives like sports, friends and others were beneficiaries, there was significant improvement on the performance of Banks, improvement in Bank profitability, customer satisfaction, customer retention and improved service delivery after the introduction of CSR in the financial sector. However, the study observed that a lot need to be done to improve customers confidence on the quality of services provided at the bank as some reported that there were long queues in the bank, interest rate charged on loans were high and some of the employees were arrogant when delivering the services to customers. The study has observed that although CSR has made significant changes on performance improvement in the financial sector, it has not achieved its objectives and goals as envisaged. The study recommends that; the Banks should ensure fair distribution of Wings to Fly programmes so that the entire country benefits from this programme. Banks should diversify the means of communication to the customers by adopting the information communication technology as the use of mass media is only beneficial to those who access the media. The bank needs to increase employees salaries to reduce incidences of corruption. To avoid long queues, the banks needs to increase their staff through continuous recruitment so that the objectives of CSR can be achieved.*

KEY WORDS: *Profitability, Customer attraction, Employee retention, Education Initiatives, Elaborate Events, Community Projects, Profitability, Customer attraction, Employee retention*

I. BACKGROUND INFORMATION

Social responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization (Baron, 2001).Corporate social responsibility (CSR) is also known by a number of other names. These include corporate responsibility, corporate accountability, corporate ethics, entrepreneurship, and triple corporate citizenship or stewardship, responsible bottom line, to name just a few. As CSR issues become increasingly integrated into modern business practices, there is a trend towards referring to it as responsible competitiveness or corporate sustainability (Mackey &Tyson, 2007).

Maskowitz (1972) believes the history of CSR is almost as long as that of companies. Concerns about the excesses of the East India Company were commonly expressed in the seventeenth century. There has been a tradition of benevolent capitalism in the UK for over 150 years. Quakers, such as Barclays and Cadbury, as well as socialists, such as Engels and Morris, experimented with socially responsible and values-based forms of business.

And Victorian philanthropy could be said to be responsible for considerable portions of the urban landscape of older town centers today. In 1612, English jurist Edward Coke complained that corporations “cannot commit treason, nor be outlawed or excommunicated, for they have no souls.” The concept of Corporate Social Responsibility (CSR) in its present form originated in 1950's when Bowen wrote a seminal book “The Social Responsibilities of a Businessman” whom Carroll takes to be the father of CSR (Frooman, 1997) since then the notion of CSR has come to dominate the society-business interface and many theories and approaches have been proposed. Although the concept of CSR has dominated the business-society interface, many other alternative concepts have infiltrated the academic literature to study the same such as Corporate Citizenship, Corporate Governance, Corporate Social Responsiveness, and Corporate Social Performance. Even for CSR, many definitions have also been proposed in order to explain the form and the content. CSR has been a fuzzy one with unclear boundaries and debatable legitimacy .

Importantly, the approach to CSR has also changed from Agency theory to Stakeholder theory. The concept of CSR has a normative altruistic basis and the strongest indication comes from the terminology itself used to describe the concept (Corporate Social Responsibility) but current trends from both academia and industry strongly indicate a shift in paradigm from normative altruistic bias of CSR to positivist strategic orientation to CSR. From the 1950’s to the present the concept of CSR has gained considerable acceptance and the meaning has been broadened to include additional components. According to *Business for Social Responsibility* (BSR), corporate social responsibility is defined as “achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment.” describe CSR as “actions that appear to further some social good, beyond the interest of the firm and that which is required by law.” A point worth noticing is that CSR is more than just following the law (McWilliams & Siegel, 2001).

Waddock and Baron(1997) contends that CSR programmes range from simple ideas that take a few hours such as organizing staff to spend a day cleaning a prison or a children’s home, to engaging in more elaborate events such as marathons and walks, financial programmes, adoption of forests, tree planting, and education initiatives. Safaricom, through its foundation, runs over 200 programmes in which staff members are allowed four CSR days per year to work with the foundation and its partners..Leonardo, Rocco and Hasan (2007) found that businesses play a pivotal role both in job and wealth creation in society and in the efficient use of natural capital, CSR is a central management concern. It positions companies to both proactively manage risks and take advantage of opportunities, especially with respect to their corporate reputation and the broad engagement of stakeholders. The latter can include shareholders, employees, customers, communities, suppliers, governments, non -governmental organizations, international organizations and others affected by a company ‘s activities.

In developing country like Malaysia, the importance of CSR has been recognized by most corporations to ensure long-term business success. CSR can be adopted within company’s policies, strategies, programmes and commitments toward social and environment. Organization must now evaluate CSR projects in light of their ability in producing not only social benefits to the community but also economic benefits and thereby, ensuring value for stockholders. By having social responsibilities, suppliers, business associates, and customers would have more confidence in the organization and therefore, increases sales and lead to profit maximization. Thus, larger organization may have extra resources for undergoing CSR activities and having bigger impact onto society. Industry which has inverse impact on environment and society will be more concern for CSR in order to sustain their business operations (Turban and Greening, 1997).

The power of corporate social responsibility was shone when millions of Kenyans were facing starvation. A group of companies came together to launch the Kenyans for Kenya initiative. Within the first 10 days of the fundraiser, over 250,000 people and scores of companies had raised more than Sh500 million to buy food and relief supplies for people in Northern Kenya who were facing starvation. Kenyans for Kenya was the highlight of what corporate social responsibility (CSR) — giving back to the community in which companies and individuals work — can achieve while giving firms more visibility in the marketplace.

According to the Equity Group Foundation website,Equity Bank announced that its Wings to Fly programme will offer 2,140 scholarships across the country to children from needy backgrounds who will attain 350 marks and above in the 2011 KCPE exam. "This is part of our scholarship initiative to assist 10,000 deserving students to go through secondary school education," said Dr James Mwangi, the chairman Equity Group Foundation and CEO Equity Bank. The programme is run through Equity Group and MasterCard Foundation with support from UKAid and USAid. Barclays Bank's flagship programme dubbed Barclays Banking on Change has already reached 40,000 people in rural and remote areas, teaching groups the importance of saving. The Barclays Step Ahead event raised Sh14 million and has invested more than Sh40 million towards sustainable projects in drought affected areas."It's difficult to prove what we do from a profit and loss perspective. It's about the impact the investments make," said Nuru Mugambi, head of corporate affairs.

Yaw Nsarkoh, managing director Unilever East and Southern Africa, said that CSR efforts also build employee engagement and teamwork. "Growth at any cost is not viable," he said, adding that Unilever encourages a business model that will have positive social benefits while conserving the environment. East African Breweries has invested close to Sh200 million in a scholarship programme that has benefited over 160 students, said Jean Kiarie-Ngumo, EABL's Head of Sustainability.

According to the Kenya Commercial Bank website,KCB Group company secretary David Malakwen said CSR helps the bank to meet social expectations of customers and improve the brand's relevance. He said that sustainability of the programmes depends on community ownership. The KCB Foundation supports projects in which the community has invested its own resources, including management. Kevin Sang, communications officer at Kenya Power, said that the company allocates one per cent of its after-tax profits to CSR, most of it targeting environmental conservation.

Banks are aware that they can contribute to sustainable development by managing their operations in such a way by enhancing economic growth and increasing competitiveness besides protecting environment and committed to social responsibilities. Hence, sustainability in business could not be achieved solely by profit maximization but through responsible behavior and market orientation.

Sustainable development is an idea of ensuring better quality of life which aims to protect environment, enhance social progress, use natural resources prudently and maintain high and stable economic growth. In terms of governance through policy implementation, CSR can be practiced in a strategic manner with better understanding. Policy framework can be designed using a mixture of regulations, economic instruments and communication strategies which significantly affects the environmental and social impacts from corporate activities. This might influence the level of corporate sustainability. According to Friedman (1970), in a free society, "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." He prefers that the state address social problems, arguing that an executive, by taking money and resources that would otherwise go to owners, employees, and costumers, and allocating them according to the will of the minority, fails to serve the interests of her or his principal. In this way, the executive imposes a tax and spends the proceeds for "social" purposes, which is intolerable, since she or he has neither the skills nor the jurisdiction to do so.

Certainly, adopting the CSR principles involves costs. These costs might be short term in nature or continuous outflows. Since being socially responsible involves costs, it should generate benefits as well in order to be a sustainable business practice. A corporation could not continue a policy that constantly generates negative cash flows. The shareholders invest their money in a corporation, expecting the highest possible risk adjusted return. Therefore, being socially responsible should have bottom-line benefits in order to be sustainable. Mackey and Tyson (2007) argues that socially responsible corporate performance can be associated with a series of bottom-line 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. Nevertheless, many benefits can be identified. Firstly, socially responsible banks have enhanced brand image and reputation. Consumers are often drawn to brands and banks with good reputations in CSR related issues. A bank regarded as socially responsible can also benefit from its reputation within the business community by having increased ability to attract capital and trading partners. Reputation is hard to quantify and measure; it is even harder to measure how much it increases a banks value. But since banks have developed methods to measure the benefits of their advertisement campaigns, similar methods can and should be able to be applied in the case of corporate reputation.

Businesses should have more stable earnings growth and less downside volatility. Since banks that adopt the CSR principles carry less risk, when valuing those banks, a lower discount rate should be used. In the bank valuation this lower tail risk should be taken into account. There are also other cases in which doing what is good and responsible converges with doing the best for the particular business. 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. The process of adopting the CSR principles motivates executives to reconsider their business practices and to seek more efficient ways of operating (Frooman , 1997).

Statement of the Problem :CSR is believed to have a significant influence on corporate sustainability. In the business context, CSR has emerged as a form of sustainability governance with advantages to the economic, environment and social progress. Successful executives know that their long-term success is based on continued good relations with a wide range of individuals, groups and institutions. Smart firms know that business can't succeed in societies that are failing — whether this is due to social or environmental challenges, or governance problem s. Moreover, the general public has high expectations of the private sector in terms of responsible behavior. Consumers expect goods and services to reflect socially and environmentally responsible business behavior at competitive prices. In the recent past organization had a choice to return back to the society but due to competition, it has become an obligation for them to become socially responsible by giving back to the society for them to improve their image in the eyes of the public. In as much as these organizations are returning back to the society, do they benefit from this investment in terms of increased profit, satisfy and retain customers and also increase market share.

II. OBJECTIVES OF THE STUDY

The objectives of this study were;

- To assess the effect of Corporate Social Responsibility on the profitability of Equity Bank,Kitale Branch.
- To establish the effect of Corporate Social Responsibility on customer satisfaction at Equity Bank,Kitale Branch.
- To assess the effect of Corporate Social Responsibility on employee retention at Equity Bank,Kitale Branch.

Literature Review

Review of theory : Jamali (2008) states that the Stakeholders theory started to gain importance in 1980s.So did Freemans' focus on new external stakeholders-shareholders, customers, employees and suppliers. Stakeholder theory has also improved the organizational responsibility by giving it a new dimension. It has paid attention to society more than profit maximization. Organizations' first target is its shareholders, but one cannot forget the significance other stakeholders have on successes.According to Hawhins,2006;Philips,2003 stakeholder orientation makes more commercial sense and enables the organization to maximize shareholder wealth and enhancement of total firm value. The theory means focusing on employees and consumers, which should in turn bring about moderate attention to the community stakeholder. When employees are well taken care of they will keep on working in the organization for long and also if customers are treated well they will become loyal to the organization and as a result this leads to better organizational performance.

Concept of Corporate Social Responsibility : According to Frooman (1997), the definition of what would exemplify CSR is the following: "An action by a firm, which the firm chooses to take, that substantially affects an identifiable social stakeholder's welfare." 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, then, 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.

Though CSR is an evolving concept, but currently it does not have a universally accepted definition. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society. As issues of sustainable development become more important, the question of how the business sector addresses them is also becoming an element of CSR. The World Business Council for Sustainable Development has described CSR as the business contribution to sustainable economic development. Building on a base of typically includes beyond law compliance with legislation and regulations, CSR commitments and activities pertaining to: Corporate governance and ethics; Health and safety; Environmental stewardship;

Hum an rights (including core labour rights); Sustainable development; Industrial relations ; Corporate philanthropy and employee volunteering; Customer satisfaction and adherence to principles of fair competition; Accountability, transparency and performance reporting.

Dean (1999) believes that the key potential benefits for firms implementing CSR are summarized as follows; Better anticipation and management of an ever -expanding spectrum of risk; Improved reputation management; Enhanced ability to recruit, develop and retain staff; Improved innovation, competitiveness and market positioning; Enhanced operational efficiencies and cost savings; Enhanced ability to address change; More robust social license to operate in the community; Asset to capital; a good CSR as a proxy for good management; Improved relations with regulators. A catalyst for responsible consumption. It is also important to acknowledge that while positive or neutral correlations between social and environmental responsibility and superior financial performance have generally been supported by the evidence, conclusive causal links have not. Each company differs in how it implements corporate social responsibility, if at all. The differences depend on such factors as the specific company's size, the particular industry involved, the firm's business culture, stakeholder demands, and how historically progressive the company is in engaging CSR. Some companies focus on a single area, which is regarded as the most important for them or where they have the highest impact 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 (Maskowitz, 1972).

The Dean of Rotman School of Management, Roger L. Martin (2002), developed the "virtue matrix" as a framework for how socially responsible behavior enters business practice. The matrix is framed by four quadrants. The two bottom quadrants include socially responsible conduct in which corporations engage by choice, by following norms and customs, or by compliance to existing laws or regulations. Those actions both promote social responsibility and enhance shareholder value. On the other hand, the two top quadrants of the matrix include the strategic and structural frontiers, which include activities whose value to shareholders is either clearly negative or not immediately apparent. The boundaries between the different categories of socially responsible conduct are porous, since a change in the law or in common practices can cause an activity to migrate from the upper quadrants to the bottom ones.

According to Baron (2001), there is a protracted debate about the legitimacy and value of corporate responses to CSR concerns. As CSR comes into contact with many of the issues traditionally addressed by government, like human rights and community investing, there is strong criticism that societal problems are best solved by freely elected governments. The resources of a corporation are poorly suited for addressing those social problems, and therefore, it is argued, they should not be misallocated. On the other hand, there are many appeals by others for corporate adoption of the CSR principles. Although the government is mainly responsible for addressing those issues, the contribution of private firms can be substantial. There is also the argument of the shifting balance of power. According to the OECD, of the 100 largest global economies, as measured by GDP, 51 of them are US corporations, and only 49 are nation states. So economic power has shifted to the corporations; they, therefore, should have an increasing role in and responsibility for addressing social problems. For example, the government sets the regulations and the minimum standards for the workplace, but a company can further improve the work environment and the quality of living of its employees. A firm cannot ignore the problems of the environment in which it operates.

The poverty of a nation state's citizens, political unrest, and the exhaustion of natural resources can have destructive effects for a corporation. For example, resources that are inputs in the production process and which, at the beginning of the industrial revolution, were abundant, are now in many regions of the planet scarce, polluted, or diminishing. Naturally, this imposes an extra cost to the corporations and may force them to relocate or to cease operations. From one perspective, companies may be poorly equipped to address some of the social or environmental problems, but from another perspective, no matter how poorly equipped, companies may still be best positioned to ameliorate the problems.Socially responsible companies also have less risk of negative rare events. Overlooking negative social and environmental externalities when valuing a company might be equal to ignoring significant tail risk. The risks related to CSR could be grouped into three categories: corporate governance, environmental aspects, and social aspects. Companies that adopt the CSR principles are more transparent and have less risk of bribery and corruption. In addition, they may implement stricter and, thus, more costly quality and environmental controls, but they run less risk of having to recall defective product lines and pay heavy fines for excessive polluting. They also have less risk of negative social events which damage their reputation and cost millions of dollars in information and advertising campaigns. The scandals about child–labor and sweatshops that affect the clothing industry are two fine examples.

In the seminal pieces (McWilliams and Siegel 2001), CSR was linked to profit-maximization by modeling firms‘ products to contain social attributes competing for socially responsible customers. In other words, firms are responding to a demand for CSR. Other studies highlight the role of asymmetric information. In particular, in exercising CSR, firms can signal to consumers that in being =good,‘ perhaps even reliable and honest, they will produce better products. Thus, CSR is a form of product differentiation, a form of advertising to establish or sustain brand loyalty .The general signaling role of CSR was also studied by Dean (1999). That study however is considerably different from the relative authors as it did not consider the brand-value of firms. Rather, he investigated the signaling role of CSR when firms considering FDI are interested in favorable terms. Our study is similar to his in that we also use the well-established signaling theory to perform our analysis.

Mackey and Tyson (2007) depict that in recent years firms have greatly increased the amount of resources allocated to activities classified as Corporate Social Responsibility (CSR). This increase in CSR expenditure may be consistent with firm value maximization if it is solely a response to changes in stakeholders‘ preferences. We find that insiders‘ ownership and leverage are negatively related to the social rating of firms, while institutional ownership is uncorrelated with it. These results support our hypothesis that affiliated shareholders induce firms to over -invest in CSR when they don‘t bear much of the cost associated with it. Leonardo, Rocco and Hasan (2007) found CSR is increasingly a core component of corporate strategy in the global economy. In recent years its importance has become even greater, primarily because of the financial scandals, investors‘ losses, and reputational damage to listed companies. The paper highlights two main findings: a significant upward trend in absolute value abnormal returns, irrespective of the type of event (for example, addition or deletion from the index), and a significant negative effect on abnormal returns after exit announcements from the Domini index. The latter effect persists even after controlling for concurring financial distress shocks and stock market seasonality.

Effect of Corporate Social Responsibility on Profitability of a Bank : The practices of philanthropy has been evolved from the day business existed in this world until today. The main reason for a company to exist is to create profit. Making profits are nothing wrong but the way used to derive such profits are of concerned. Before 1970, basically, corporate shared its profit with the community through philanthropic activity. In other word, CSR is after-profit obligation. If let say, companies are not profitable they do not have to behave responsibly. This impact is even worse during severe economic depression or when an organization is managed by unethical, short-term thinking managers that would lead to societies having no choice and accepting discrimination, child labor, pollution and dangerous working conditions. Another debate arises in this approach is if companies are just being good and donating a lot of money to social initiatives then they will be wasting shareholders' money. That is not sustainable in the long-run, and shareholders will quickly lose interest. Thus, during 1970 to 1990, organization had shifted from sharing profits with the community as a soft approach of philanthropy to the hard approach by using philanthropy for the purpose of profit-making. CSR is perceived as a public relation tool in improving an organization image and performance. CSR is also performed for mitigating adverse impacts of an organization onto environment and society such as those in the oil and gas industry. While philanthropy does little or nothing to help companies make profits, CSR activities are linked to improving a company's bottom line. Therefore, during 1990 to 2001 period, embedding socially responsible principles in corporate management has become a corporate obligation. CSR is increasingly being embedded into the corporate mission, strategy and actions of organizations. For a long term survival, CSR has been adopted as a corporate routine. Strategic CR is whereby an organization achieves sustainability in such a way that its CSR actions have become part and parcel of the way in which a company carries out its business. Its links to the bottom line of a company has been laid out clearly simply because, if it does not contribute to the bottom line, it will eventually be rejected by other stakeholders of the organization (Friedman, 1970).

Mackey &Tyson (2007) addressed the debate about whether firms should engage in socially responsible behavior by proposing a theoretical model in which the supply of and demand for socially responsible investment opportunities determine whether these activities will improve, reduce, or have no impact on a firm‘s market value. The theory shows that managers in publicly traded firms might fund socially responsible activities that do not maximize the present value of their firm‘s future cash flows yet still maximize the market value of the firm. Using a sample of non-financial Brazilian companies from 2005 to 2007, they analysed whether corporate social responsibility (CSR) has an impact on firm value. Using companies‘ Tobin‘s Q as a proxy for their market value, the paper finds that firms that compose the Bovespa Corporate Sustainability Index (ISE) are traded at a premium compared to the other publicly traded firms. They also indicate that the positive impact of these policies is independent of the econometric method and period analyzed.

The results confirm that the benefits of corporate social responsibility policies surpass the possible costs implied by the adoption of such policies, leading corporate social responsibility to exert a positive impact on firm value. Prior empirical research has reported mixed results. McWilliams and Siegel (2001) have indicated how methodological issues can affect the findings and may be used to resolve some of the differences. The research studies reviewed so far have mostly highlighted on linkage of CSR with profit maximization, establishing brand loyalty to the organization, benefits of CSR, short term and long term impact of CSR etc. Therefore, it is clear that no in-depth study was conducted specially on the relationship between CSR investment and value of the firm as well as impact of CSR investment on value of the firm. Here, we find the gap on CSR, the most vital issue for the enterprises. Especially the service industries like banking. Dean (1999) argues that the practice of CSR is subject to much debate and criticism. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses; others argue that it is nothing more than superficial window-dressing; others yet argue that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations.

Effect of Corporate Social Responsibility on Customer Satisfaction : Barnea and Rubin (2005) believes that organizations' too, need to meet the customer's demand and expectations. Today, buying behavior is changing whereby consumers have increasingly required information and reassurance interests on the environmental and social concerns. As to maintain good relationship and attract more customers, enterprises are taking initiatives to fulfill the demand of providing such information. For instance, eco-labeling is a way of communicating organization's social responsibility to public.

Successful executives know that their long-term success is based on continued good relations with a wide range of individuals, groups and institutions. Smart firms know that business can‘t succeed in societies that are failing — whether this is due to social or environmental challenges, or governance problems. Moreover,the general public has high expectations of the private sector in terms of responsible behavior. Consumers expect goods and services to reflect socially and environmentally responsible business behavior at competitive prices. Shareholders also are searching for enhanced financial performance that integrates social and environmental considerations, both in terms of risk and opportunities. Governments, too, are becoming aware of the national competitive advantages to be won from a responsible business sector. At the same time, leading industry associations, such as the World Business Council for Sustainable Development have also suggested that countries as well as companies might gain a competitive advantage from corporate social responsibility. Even companies which may have a good reputation can risk losing their hard-earned name when they fail to put systematic approaches in place to ensure continued positive performance. The effect of a tarnished reputation often extends far beyond that one firm: entire sectors and, indeed, nations can suffer. Hardly a month goes by without some example of a major corporation suffering a reduced market position as a result of questionable behavior, with many others subsequently finding themselves to be a part of the collateral damage. These firms frequently expend considerable time and money attempting to regain their reputation, with mixed results, (C F Baron, 2001).

Social responsibility is an ethical or ideological theory that an entity whether it is a government, corporation, organization or individual has a responsibility to society at large. This responsibility can be "negative", meaning there is ex emption from blame or liability, or it can be "positive," meaning there is a responsibility to act beneficently (proactive stance).Businesses can use ethical decision making to secure their businesses by making decisions that allow for government agencies to minimize their involvement with the corporation. Corporate social responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance, is a form of corporate self-regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its adherence to law, ethical standards, and international norms. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making and the honoring of a triple bottom line: People, Planet and Profit (Frooman, 1997).

Effect of Corporate Social Responsibility on Employee Retention : Companies perceived to have a strong CSR commitment often have an increased ability to attract and to retain employees (Turban & Greening 1997), which leads to reduced turnover, recruitment, and training costs. Employees, too, often evaluate their companies CSR performance to determine if their personal values conflict with those of the businesses at which they work. There are many known cases in which employees were asked, under pressure of their supervisors, to overlook written or moral laws in order to achieve higher profits. These practices create a culture of fear in the workplace and harm the employees' trust, loyalty, and commitment to the company.

Companies that improve working conditions and labor practices also experience increased productivity and reduced error rates. Regular controls in the production facilities throughout the world ensure that all the employees work under good conditions and earn living wages. These practices are costly, but the increased productivity of the workers and improved quality of the products generate positive cash flows that cover the associated costs. Thus, firms may actually benefit from socially responsible actions in terms of employee morale and productivity (Moskowitz, 1972). Besides, CSR is also concerned with employment, lifelong learning, consultation and participation of workers, equal opportunities and integration of people towards restructuring and industrial change. Employees who feel protected and appreciated will increase their productivity in production and thus, achieving economies of scale.

Conceptual Framework

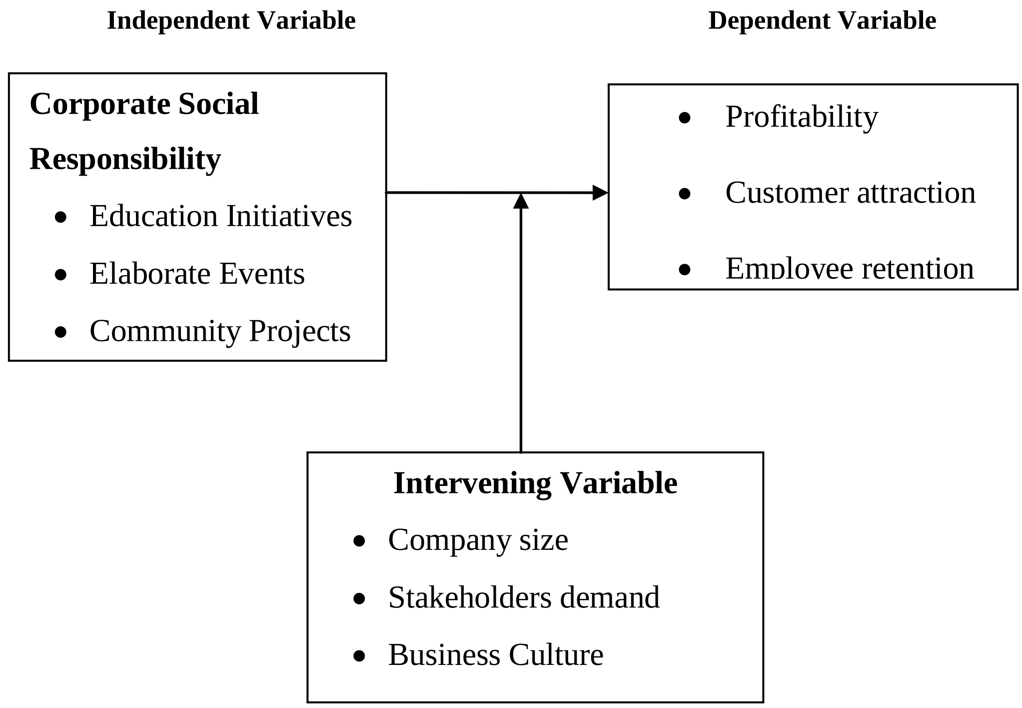

Fig 1: Conceptual Framework

Research Design : The study employed a descriptive survey design. Descriptive survey design is systematic, empirical inquiry into which the researcher does not have direct control of independent variables as their manifestation has already occurred or because they are reflecting the state of happenings and qualify the obtained findings through the use of quantitative analysis (Mugenda & Mugenda, 1999). It involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection.

Target Population : The target population for the study was 5655. This constitutes 5600 customers visiting the bank for one week and 55 employees working in Equity bank, Kitale branch.

Table 1: Target population

Respondents	Total
Customers	5600
Employees	55
Total	**5655**

Sampling Size and Techniques : The sample size was 565 respondents which represents 10% of the target population as shown in table 3.2. According to Kasomo (2007), when the population is above 1000, then 10% is representative. Both stratified and random sampling was used to select the respondents, whereby stratified was used to group respondents into homogeneous group and then random sampling was used to select respondents from each strata.

Table 2: Sample size

Respondents	Sample size determination	Sample size
Customers	**5600*10%**	**560**
Employees	**55*10%**	**5**
Total	**565**	**565**

Data Collection Methods : The questionnaire was administered using a drop and pick later method. The respondents in the questionnaire were 105 employees and head of departments. The primary source of data collection method used in the study included use of questionnaire that was used to source for crucial information from the county's authorities. The questionnaire was both open and closed ended questions in order to enable effective data collection filled in the questionnaire. The secondary data was attained from the written materials which included the journals magazines, and other past studies and other relevant books. This enabled the researcher to compare the data from the questionnaires with the written materials. This helped to enable effective data collection and analysis from county government.

Validity and Reliability of the Instruments : Orodho (2009) defines validity of a test as a measure of how well a test measures what it is supposed to measure while reliability is a measure of how consistent the results from a test are .Validity is the degree to which results obtained from analysis of the data actually represent the phenomenon under investigation and reliability as the consistency in producing a reliable result. The content validity was assured through expert judgment. This is where the copies of questionnaires were given to the supervisors in the department of business who have authority in this area of study to determine the validity of these instruments. Their critique was used to improve the instruments. Reliability refers to the consistency that an instrument demonstrates when applied repeatedly under similar conditions (Kerlinger, 1978). The reliability of the research instruments was established by the researcher before analysis and consequent presentation. This was achieved by comparing the pilot and final data collected. A pilot study was carried out in KCB bank, Kitale same county. During pilot study, test retest technique was used to test reliability. The purpose of conducting the pilot study was to check on suitability and the clarity of the questions in the instruments, the language used to construct the questions and the relevance of the information which was required. The information that was obtained from the pilot study was used to improve the research instruments.

III. DATA ANALYSIS

Data analysis is a process of inspecting, transforming, and modeling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making. The researcher first establishd if adequate data had been collected through the administration of the described instruments. Statistical Package for Social Sciences – SPSS Version 17.0 was used in coding, entry and analysis. Both descriptive statistics (frequencies and percentages) and inferential statistics (t – test) was used to analyze data. Research findings was presented using tables, pie charts and graphs in the next chapter.

IV. RESULTS AND DISCUSSION

Effect of Corporate Social Responsibility on Profitability : The first objective of the study was to determine the effect of CSR on profitability of Equity bank, Kitale branch. In order to meet the objective, the study sought to find respondents (customers) knowledge and awareness of CSR existence, employee awareness of CSR, aims of CSR and frequency on visitation to the bank by the customers.

Customers' awareness of the CSR : Profitability of the bank can be achieved through customers' awareness of CSR. At first the respondents were asked to indicate if they were aware of the CSR. **The result is presented in**

Figure 4.3.

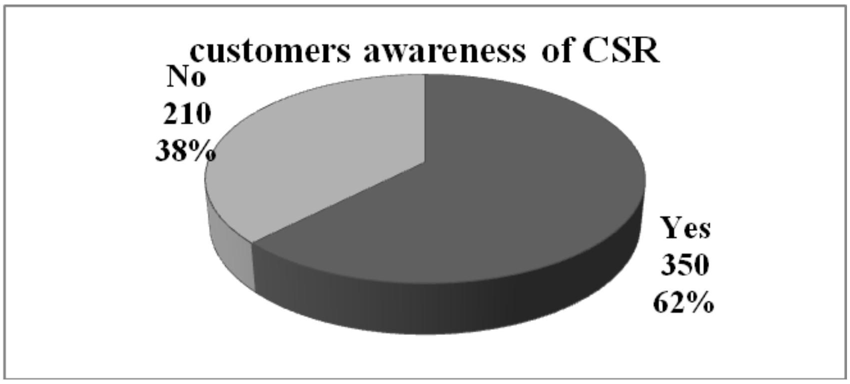

Figure 2: Customers awareness of CSR

The results indicates that 350 (62%) of respondents (customers) agreed that they were aware of the existence of CSR while 210 (28%) said that they were not aware of its existence. This shows that a significant number of customers have information on the existence of corporate social responsibility. Those (63%) who said that they are aware of existence of CSR, were further asked to indicate the medium through which they got information on the existence of CSR as to whether it was through; mass media, friends, sponsoring a child, initiatives like sports among others. The results are given in Table 4.5.

Table 3 Source of information on CSR

Information sources	Frequency	Percent
Sponsored my child	35	10
Mass media	140	40
Friend	105	30
Initiatives like sports	70	20
Total	**350**	**100**

Source: Field Data (2013)

From the findings 35 (10%) of customers said they got information on Corporate Social Responsibility as beneficiaries of Wings to Fly programme , 140 (40%) said they got the information from mass media,105 (30%) indicated that they got the information from friends and 70 (20%) got the information from initiatives like sports. From the findings, it is evident that most customers get information on CSR from mass media. This implies that unless customers access mass media, they cannot get enough information.

Employee Awareness of the CSR Aims and Objectives : First before determining the effect of CSR on profitability of the bank, the study sought to find out respondents opinion on knowledge of CSR and for how long they have been aware of the existence of CSR. The respondents indicated that they were aware of existence of CSR for the past fourteen years. This shows that employees know the period of CSR existence.
Employees respondents were asked to indicate the level of their awareness of the aims and objectives of CSR. The results are given in Figure 4.4.

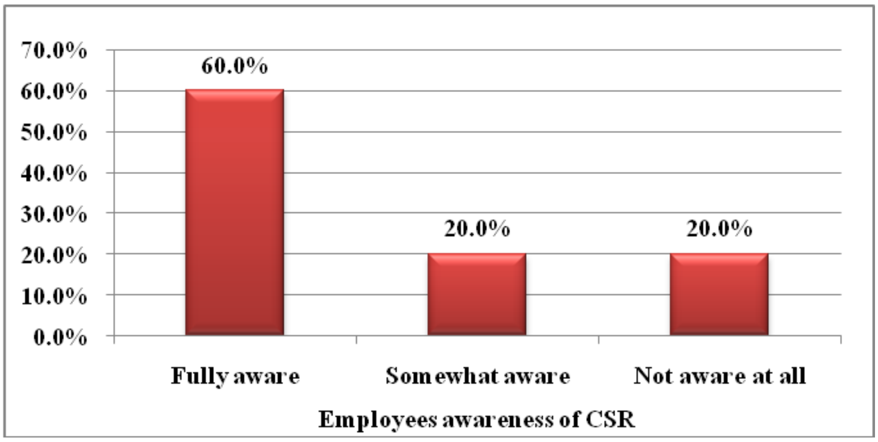

Figure 3: Employees awareness of CSR

The result shows that 60% of employees' respondents were fully aware of CSR aims and objectives, 20% were somewhat aware and 20% were not aware at all. The ones who were not aware of CSR aims and objectives could be the ones who had been employed recently. However, it can be deduced that majority (60%) employees working in banks are aware of CSR.

Effect of political environment on procurement performance in Uasin Gishu county government : An average of eighty respondents strongly agreed that the aspects of the political environment mentioned in the study affect procurement performance. Fifteen respondents cited that they agreed with the statement, six respondents were undecided, one respondent disagreed with the statements while three respondents strongly disagreed with the statements that sought to find out the effect of the legal environment on procurement performance at the County government of Uasin Gishu.

Frequency of bank visitation by customers : As one of the measures and indicators of accessibility of bank institution, the customers were asked on the last time they visited the bank. The results of analysis are presented in Table 4

Table 4 Frequency of bank visitation by customers

Frequency of bank visitation	Frequency	Percent
Less than a month ago	350	62.5
1-6 months ago	175	31.25
7-12 months ago	35	6.25
Over a year ago	0	0
Total	**560**	**100.0**

The result show that 350 (62.5%) visited the bank less than a month ago, 175(31.25) visited the bank between 1-6 months ago,35(6.25) visited the bank between 7-12 months ago and none visited the bank over a year ago. The result shows a good number of customers visit the bank daily and this affect the profitability of the bank due to the many number of transaction that are done on daily basis.

Bank performance after Adoption of CSR : The study sought to determine the performance of administrative services after the introduction of CSR in the bank. Six statements on a Likert scale. A one sample t – test was computed at 95% confidence level to check the significance of the results. The summarized results are given in Table 5.

Table 5 One-Sample Test

	Test Value = 2.5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Employees stay in bank for a long time	5.396	20	0.001	1.357	0.83	1.88
Employees offer quality service to its customers	5.701	20	0.001	0.929	0.59	1.27
Employees are motivated to take part in community development	7.286	20	0.001	1.357	0.97	1.75
Service provision is punctual and timely	7.246	20	0.001	1.500	1.07	1.93
Customers' confidence in the bank has increased.	2.092	20	0.049	0.500	0.01	1.00
Responsiveness to customers needs and requirements has increase	9.068	20	0.001	1.786	1.37	2.20

The results show that the result are significant at $p<0.05$ level. This therefore means that there was significant change in bank profitability after the introduction of CSR since employees recorded that service provision became better and customers' confidence in the bank increased. It can be deduced that implementation of CSR has made improvement in profitability of Equity bank.

Effect of CSR on Customer Satisfaction : The second objective of the study was to establish the effect of Corporate Social Responsibility on customer satisfaction at Equity Bank,Kitale branch. At first, the respondents were asked if they were satisfied with the services offered at the bank. The results are given in Figure 4.

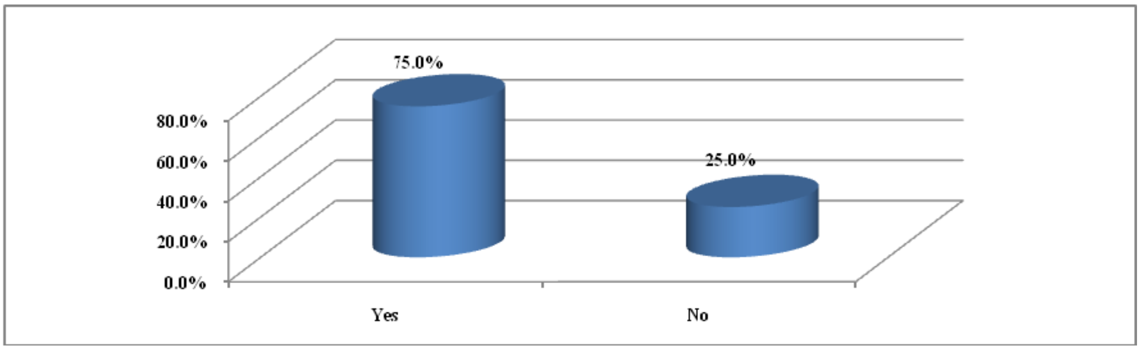

Figure 4: Customers satisfaction

The findings shows that 75% of customers said that they were satisfied with the services being offered at Equity bank, Kitale branch although a substantial (25%) said that they were dissatisfied with the quality of services being delivered at Equity bank, Kitale branch. The 25% of respondents who said that they were dissatisfied were asked to give the reasons for their dissatisfaction as reflected in Table 6.

Table 6 Reasons for customers dissatisfaction

Reasons	Frequency	Percent
Arrogant employees	27	19.29
Long queues	45	32.14
Lack of adequate facilities	22	15.71
Demand for bribe	19	13.57
Moved around in circles	16	11.43
No officer to service	11	7.86
Total	**140**	**100.0**

Source: Field Data (2013)

The result show that respondents (19.29%) were dissatisfied because; employees were arrogant (32.14%), there were long queues (15.71%), lack of adequate facilities (13.57%), demand for bribe (11.43%), movement around in circles (7.86%) and unavailability of officers to offer services in offices. This shows that customers are engulfed in a myriad of problems when seeking assistance from banking institution.

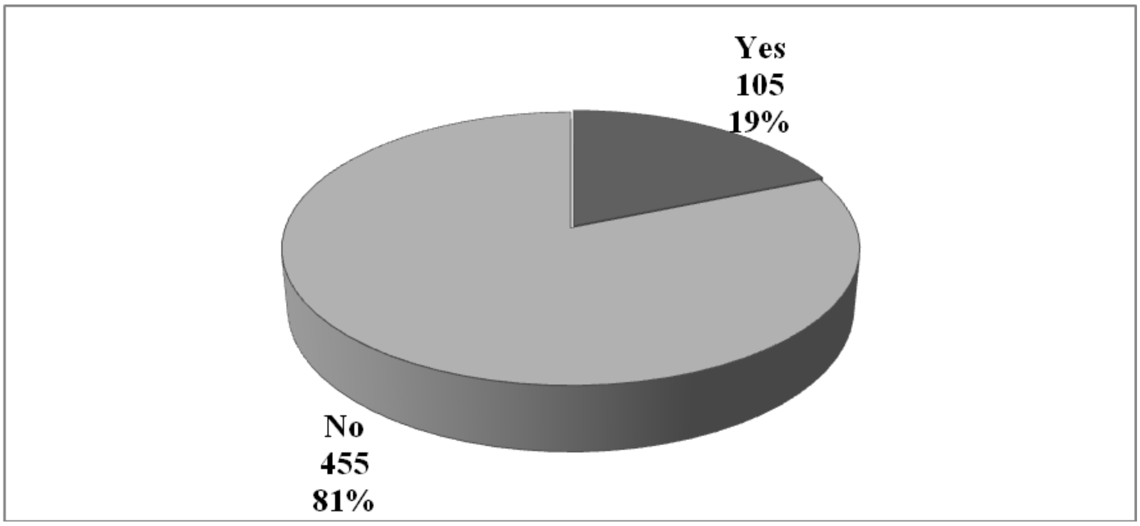

Figure 5: Whether respondents had given bribe

Those customers 105(19%) who had given bribe were further asked to state the amount they gave as bribes. This is shown in table 4.10 below

Table 7: Amount of money paid as bribe

Amount	Frequency	Percent
Less than 500	15	14.29
Kshs 501 - 1000	20	19.05
Kshs 1001-5000	30	28.57
More than 5000	40	38.10
Total	105	100

The result show that most 40 (38.10%) gave more than kshs 5000 to employees, 30 (28.57%) gave between Kshs 1,001 – 5000/=, 20 (19.05%) gave between Kshs. 501/-1000/= while 15 (14.29) said they gave less than Kshs. 500/=. The result implies that implementation of CSR as a measure of eradicating corruption cases in banks, the same happens although not to majority of customers. The corruption cases observed tends bad image to the public thereby influence customer satisfaction in Equity bank, Kitale branch since the bank will lose some of its customers due to cases of giving bribes.

Employees Response on Satisfaction of Customers After Introduction of CSR : The study also sought employee respondents' opinion on how satisfaction of customers had been achieved as a result of the implementation of CSR. The employees were asked to indicate their response on the five point Likert scale on customer satisfactory levels. The results are presented in Table 8.

Table 8: Employees Response on Satisfaction of customers After Introduction of CSR

	Very satisfied		Satisfied		Very dissatisfied	
	F	%	F	%	F	%
After introduction of CSR	3	60	2	40	0	0

The results shows after introduction of CSR 3 (60%) their employees had become very satisfied. This shows that there is significant change of satisfaction levels after introduction of CSR in the banks.

This is also supported with findings from customers who indicated that satisfaction levels had changed as a result of introduction of CSR. It can be deduced that CSR implementation in banks resulted to increased customers satisfaction levels. This is due to quality service delivery that was being provided for to customers by employees from the bank.

Effect of CSR in employee retention in Equity Bank, Kitale Branch. : The last objective of the study was to find out the effect of CSR on employee retention in Equity Bank, Kitale branch. The study sought to find out whether the employees were satisfied working with Equity Bank,Kitale branch. The findings is as shown in table 9.

Table 9: Treatment of employees and work overload

	Very Satisfied	Partly Satisfied	Partly dissatisfied	Very dissatisfied	Don't know
Treated Well	2 (40%)	3 (60%)	0	0	0
There is work overload	0	1(20%)	4 (80%)	0	0

The results show that 40% are very satisfied with the way the bank treats them while 60% are partly satisfied.20% of the employees are partly satisfied that there is work overload while 80% are partly dissatisfied that there is work overload. This indicates that the bank treats employees well and hence there is employee retention.

How CSR Benefited the Community : In order to know whether the bank has retained its customers, the respondents were asked to tell whether CSR has benefited the community and the result are as shown in table 4.13

Table 10 Has CSR benefited the community

Has CSR benefited the community	**Frequency**	**Percentage (%)**
Yes	140	25
No	385	68.75
Hard to tell	35	6.25
Total	**560**	**100**

140(25%) of customers stated that the community has benefited from CSR, 385(68.75%) of customers said that they had not benefited from CSR while 35(6.25%) said they cannot tell whether they had benefited from CSR. Those who said yes went further to say how they had benefited from CSR and majority state they their children had benefit from sponsorship that are offered by bank, they also get loan from the bank and they also get interests when they save their money in the bank.

Customers' perception on the ways through which the banks could do to improve on customer satisfaction : The study has observed that the objectives of customer satisfaction have not been achieved in Equity bank, Kitale Branch. Therefore, customers were asked to indicate ways through which the banks could do to improve on customer satisfaction which would lead to customer retention by the bank. The results are given below;

Increase number of staff to avoid long queues in the banking section
Improve on customer relations to ensure they are satisfied
Service their ATM machine from time to time to avoid breakdowns
The bank should lower on the interest rate they charge to customers
The bank should open branches in remote areas to access those customers in rural areas
Due to the long queues the bank should provide seats to customers to rest while they wait to get the service

V. CONCLUSIONS

The findings of the study have shown that CSR has improved the performance of banks in the financial sector. The study observed that most employees were aware of the existence of CSR in the financial sector and this has raised their confidence level after the introduction of CSR. The findings of the study showed that there was significant change of services; Improvement in bank profitability, customer satisfaction, customer retention and improved service delivery after the introduction of CSR in the financial sector. However, the study observed that a lot need to be done to improve customers confidence on the quality of services provided at the bank as some reported that there were long queues in the bank, interest rate charged on loans were high and some of the employees were arrogant when delivering the services to customers.

VI. ACKNOWLEDGEMENT

First and foremost my sincere gratitude goes to the almighty God for the gift of life, health, wisdom, and strength that He granted me during the time of undertaking this study. I also extend my gratitude to Fountain Cyber cafe for availing resources and more so their Academic Research Consultants who worked hand in hand with me to make this work a success. Finally, to all the participants; that are the residents of Kitale town Trans zoia County, I extend my sincere gratitude for taking part in this study.

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