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Investment in Corporate Social Responsibility and Sustained Growth in Commercial Banks in Kenya

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Abstract

The study provides a test of the relationship between investment in Corporate Social Responsibility and sustained growth of commercial banks in Nairobi County- Kenya. The study used the Regression analysis technique to estimate the coefficients α,and β, in the function; Y= α + β X where Y was the sustained growth indicator and X was amount funds spent in CSR. The predictive simple regression model was subjected to a sample of 13 commercial banks over a period of five years (2006-2010).

The study revealed that 11.0% of banks' sustained growth can be explained by investing in CSR activities. This implies that there exists a positive relationship between investment in CSR and banks' sustained growth. It was evident from the study that banks' management can use investment in CSR activities to create a platform for improvement on their brand value, promotion and enhance social insurance. The study used a cross sectional survey design.

Key Words: *corporate social responsibility, sustained growth, commercial banks.*

1. Introduction

Corporate Social Responsibility (CSR) is an integral part of what companies do in terms of making positive contribution to the society which can be linked to a firm's sustained growth. Managers are accepting CSR expenses much the same way as they accept other operational expenses. It is every organization's objective to attain a sustainable growth rate over a certain period of time. Companies need to address two aspects of their operations: The quality of their management both in terms of people and processes and the nature of quantity and their impact on society in the various areas. Business organizations don't exist in a vacuum but in a society made up of the employees, customers, government, neighboring environment and other stakeholders. Therefore, organizations should conduct their affairs while promoting the interests of the stakeholders not just considering shareholders (Cecilia & Schants, 2007). Prior studies revealed that CSR can help an organization achieve corporate performance and sustained profitability (Balmer & Greysner, 2006). Commercial Banks have not been left out in this undertaking. Although the role of banks involve taking deposits, granting loans and providing complementary services, banks need to be responsible for their customers in social responsible way.

In Kenya many organizations have embraced CSR and commercial banks have not been left out. Commercial banks engage in CSR to a relatively large extent compared to other institutions in Kenya. However, Kenya is a relatively smaller economy but with quite a large number of commercial banks, thus forced to engage in activities that ensure their sustained growth in order to enhance their market share. Banks need to be more socially responsible as for the service sector organization business with the society has to be predominantly in the highest denomination of social responsibility, and more importantly banks are special and high leveraged business. Failure of one bank may lead to the failure of many other banks as the customers use faith which when lost not easy to regain.

Corporate Social Responsibility is defined as perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all of its key constituents when compared with other rivals. A growing body of research shows that good CSR have strategic value for firms that engage in the practice. According to McWilliams & Siegel (2010), CSR is about how a company manages business to produce an overall positive impact on the society. This is interpreted to mean that a company needs to answer aspects of its operations such as; the quality of their management in terms of people and processes, and secondly, determine the nature of, and quantity of their impact on society in various areas.CSR is said to be an expression used to describe what some sees as a company's obligation to be sensitive to the needs of the stakeholders in its business operations.

In the publication 'Making Good business Sale, the World business council for sustained development, as written by Lord Holme and Richard Watts, defines CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large. CSR is 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 (Balmer & Greysner, 2006). Sydney, (2007) observed that 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. This takes into account the expectations of stakeholders. It is also in compliance with applicable law and is consistent with the required international norms of behavior.

CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and the local community and society at large. Social Responsibility is an integral part of the wealth creation process, which if managed properly should enhance the competitiveness of the business and maximize the wealth of the society (Jeucken 1, 2004). It is closely linked with the principle of 'sustainable growth'. CSR is becoming increasingly important for many large businesses in Kenya, both nationally and internationally, where organizations are realizing the benefits of providing CSR programs. Good CSR is country abound, more so for profit making organizations. Companies in Kenya both private and public have turned to CSR with gusto in the last 5 years focusing on; improving staff welfare and work environment, embracing transparency and accountability in their business transactions, ethically improving profits, self regulation and implementing community development programs (Cecilia & Schants, 2007). However, it's the community component that is highly visible to most people and this gives companies the much sort enviable public image. Companies are involved in various acts such as; sports, environment conservation, health, education, training leadership and governance. CSR is not just a goodwill gesture by organizations but it's a prerequisite for good corporate leadership and governance as well as sustained operation and profitability. It's a corporate competitive marketing strategy for many organizations.

1.1 Commercial Banks in Kenya

Commercial banks started operating in Kenya much before independence but they were owned by foreigners. After independence in 1963 the government developed policies to encourage the formation of African owned commercial banks and non-banking financial institutions. Although, there have been various challenges facing commercial banks such as unfair competition from non-banking financial institutions in the late 1980s and early 1990s, today there are 43 licensed commercial banks in Kenya. These commercial banks in Kenya derive the authenticity of their functions from the Banking Act (Cap. 488 of the Laws of Kenya). This cap. 488 define what a Bank and Financial Institution is and proposes the allowable banking activities and Financial Institution activities. The definition of these broad terms is very basic in the understanding the role of financial intermediation (Okello, 2006).

A bank is an organization engaged in the mobilization of deposits from the public. Commercial banks execute the traditional role of financial intermediation through mobilizing deposits from the public and appropriate them. The bank and other financial intermediaries are engaged in linking the net savers and borrowers and use customers deposits to advance loans to borrowers. These are investment to the bank (Okello, 2006). Commercial banks use deposits received from customers to make loans which further earns them interest income. Therefore banks do not exist in a vacuum; they make large contribution to the country's GDP growth, meet the demand for the growing middle class contribution to infrastructure spending and reach out to the urban and rural areas.

1.1.1 Corporate Social Responsibility

Corporate social responsibility (CSR) as an aspect of good corporate governance has intrigued many researchers in the recent past (Cecilia & Schants, 2007). The concept is a current loom in business arenas as scholars and managers seek to improve the way corporations do business (Porter & Kramer, 2006). However, over the years there has been confusion over the distinction between charity and CSR. Many organizations have been indulging in several activities in the name of CSR. It is not just about making contributions towards good causes or charitable organizations, but an all year round responsibility that companies should accept to serve the community. It must integrate with corporate values, cultures, business strategy and add to future sustainability too. Most of the major Commercial Banks in Kenya have been involved in various CSR activities with focuse on areas such as education, enterprise development, health and humanitarian intervention. While banks continue to spend millions of money on CSR activities as part of being socially responsible the challenge remains to be whether this gives them an edge in terms of performance. The link between CSR and sustained growth need to be well understood and finely defined because commercial banks' implicit objective, like many other corporations in the market is to attain a sustainable growth rate. The question at hand is whether commercial banks can use CSR activities to ensure sustained growth.

1.2 Motivation of the Study

Debates on corporate social responsibility are gaining greater heat amongst scholars of management. In spite of this, it seems little is still known about CSR and corporate performance (Balmer & Greysner, 2006; Bhattacharya & Sen, 2004). However, considerably huge volumes of research reveal that practice of CSR pays, at least in the long-run (Garriga & Melle, 2004). But should organizations sacrifice their current profitability and differ it to the uncertain future? Corporate performance success is determined by an entity's spirited effort to maximize revenues and minimizing costs of which CSR costs asserts pressure to the negative side (Porter & Kramer, 2006). Commercial banks play a big role in the economic growth of our country as they act as the development stimuli in the economy through maturity intermediation, linking borrowers and savers and maintaining financial liquidity among other functions. However, because of their large number in a small economy they are facing stiff competition forcing them to look for ways of survival and developing competitive advantage. This is why it is important for them to know how corporate social responsibility among other strategies will impact on their performance and long-term sustainability or survival.

There are a number of local studies carried on this subject, Okello (2006) in his survey on the rationale and determinants on levels of CSR among firms in Kenya, made a general overview on CSR. Kweyu (1993) studied managerial attitudes towards CSR among commercial banks and found profitability to be the most dominant objective of engaging in CSR activities. O'brien (2011) did a study on the relationship between CSR and financial performance of companies quoted at the Nairobi Securities Exchange (NSE), and the effect of industry size, sector of the business activity and the ownership structure. The results of regression analysis showed no relationship between CSR and financial performance of all companies listed at NSE. However, Auka (2006) study on factors influencing the practice of CSR of financial decisions in Kenya with the objective of determining factors that influence the practice of CSR in the financial institutions and the benefits they derive from it. The conclusions were that corporate image, moral obligations and need to solve societal problems are the major determinants of CSR. The issues dealing with sustainability has not been addressed adequately.

However, Evelyn (2005), found a positive relationship between Social responsibility and profitability in commercial banks in Kenya but recommended a further study to define relationship between social responsibility and other economic performance measures other than profitability e.g. customer base, growth rate, capital base etcetera. From these studies there seem to be mixed results on the role of corporate social responsibility to corporate financial performance. This study sought to fill this gap by determining the relationship between CSR and sustainable growth rate in commercial banks in Kenya.

1.3 The Study sought

i. To establish the relationship between amounts invested in CSR and firm's sustained growth.

ii. To determine activities in which commercial banks engage in as part of CSR.

iii. To evaluate the amount of investments made in CSR activities in case of the selected banks.

2. Theoretical Development and Literature Review

Various theories exist in the business world that justify why firms involve themselves in CSR. These theories present the different views of firms' management and further incorporate mechanisms that the firm employ in order to meet the various claims of the firms' stakeholders. It is apparent that the way business entity treats the concerns of the environment will impact on the way it relates to the environment (Anderson, Fornell, & Mazvancheryl, 2004).

Good relationship between the firm and its environment will enhance the long-term relationship between the firm and its immediate environment which in return will translate into sustained firm's performance. The following theories present different scholars' views in relation to the justification of CSR, the way firms respond to the societal expectations and the relationship between CSR and sustained growth of corporations. These theories have been divided into various groups as follows;

2.1.1 Utilitarian Theories

The utilitarian theories posit that corporations serve as part of economic systems with a mechanical function that is profit maximization. The need for economics of responsibility in the business ethics of the corporation, according to these theories led to emerging of CSR ideas. The old idea of laissez faire business gives way to determinism, individualism to public control and personal responsibility to social responsibility. Utilitarian could be taken as instrumental theories in which the corporation is seen as the only instrument of wealth creation, and its social activities are the only means to achieve economic results. The corporation therefore needs to invest in the local community, in which (Friedman, 1970) the corporation can be able to provide resources and amenities for the community.

Piercy (2008) further divides the utilitarian theories into two: the social costs of the corporation and the functionalism idea. The social cost theory has a basis for CSR in which the socio-economic system in the community is said to be influenced by the corporate non-economic forces. The utilitarian theory therefore suggests that the corporation must accept social duties and rights to participate in Social Corporation. The functionalist theory specifically advocates that the corporation is seen as part of the economic system whose main goal is to make profit. The firm is seen as an investment which should generate profits. Therefore one may conclude that CSR is coined as a defense tactic of the industrial system against external attacks because there needs to provide a balance between profitability and social objectives for the economic systems equilibrium.

2.1.2 The Managerial Theory

Decker (2004) stressed the logic behind the managerial theory that emphasizes on corporation management in which CSR is approached by the entity internally. This distinguishes the managerial and utilitarian perspective of CSR. This implies that everything external to the corporation is accounted for in decision making. Managerial theories have been divided into three; the corporate social responsibility, social accountability auditing and reporting (SAAR) and the social responsibility for multinationals. CSR measures the contribution the social variable makes towards economic performance. Managers face the problem of managing while considering social and economic factors together; based on the assumption that business depends on the society for its growth and sustainability.

Detomasi (2008) asserts that managerial theories are strongly linked to the political theories, stressing that social responsibilities of a corporation arise from the amount of power the corporation has and its involvement in the community. This assertion makes many firms under political pressure to return to the society's part of their profits or earning. The only way that firms can justify their cause and effect to the society is to embrace a number of CSR programmes.

2.1.3 Relational Theory

This theory is sub-divided into four groups namely business and society, stakeholder approach, corporate citizenship and the social contract. Business and society implies business in society where CSR is the interacting factor between the two. It is necessary that the Social responsibility of the business need to reflect social power that the business possesses. Stakeholder approach is one of the strategies of improving the management of the firm. Based on Garriga & Melle (2004) analysis, the approach is both within the interactive and ethical theories, where the former emphasizes the integration of social demands and the later focuses on the right thing to achieve a good society.

Corporate relationship of relational theory depends on the type of community it refers to, and the social contract theory explains the fundamental issue of justifying the morality of economic activities in order to have a theoretical basis of analyzing social relations between the corporation and the society. CSR is derived from the moral legitimacy the corporation achieves in the society and the behavior of the corporation and it is based on human behavior, labor rights and environmental care.

2.1.4 Agency Theory

Corporate Social Responsibility captures concerns of the public regarding business and society relations (Carroll, 1999). It measures the extent to which a firm meets the performance goals and obligations of its stakeholders. Social responsibility is a comprehensive assessment that is not restricted to any one social issue like community relations, employee diversity, and product safety. Some researchers have argued that social responsibility has multiple perspectives including those of investors, employees, consumers, suppliers, community and environment (Mitchell et al, 1997). The essence of CSR is an acknowledgement of the fact that firms have multiple responsibilities to various stakeholders over long term.

CSR encourages managers to adopt a long term perspective towards the business and the society; firms normally engage in social responsibility to improve the long run performance rather than the short run performance and reputation (Godfrey, 2005). He argues that without a long term perspective, the effects of CSR cannot be readily observed because benefits of much CSR expenditure do not occur until future periods. Conclusions drawn from CSR theories are as follows; utilitarian is simplified in its views by the individuals and mechanical from the corporation perspective, managerial is very organizational oriented and measurable, relational is values-based and interdependent between corporation and society.

2.2 Corporate Social Responsibility and Corporations Value

Corporate social Responsibility is an expression used to describe what some sees as a company's obligation to be sensitive to the needs of the stakeholders in its business operations. Corporate executives and its workforce in turn have strong incentives to utilize the organization resources to maximize profits to the extent that they abdicate their individual moral and ethical obligations as human beings. CSR is closely linked to the principle of 'Sustainable Growth', thus organizations should be encouraged to make decisions based beyond financial and economic factors. There should be provision for social and environmental aspects of the society.

Corporate social responsibility issues stem from the desire for corporations to become more competitive (Porter & Kramer, 2006). Rather than merely concentrate on the aspects which enhance a corporation's success, organizations tend towards being responsible to the members of the community. It is important for organizations to consider all the members of the community in which they do business because they rely on them (Porter & Kramer, 2006). Although organizations exist to create more shareholder value by increasing the value of the share prices, the concept is slowly getting a replacement by terms such as corporate governance and corporate social responsibilities which are markets led philosophies (O'brien, 2011; Piercy, 2008). But, does it mean that corporations should not cease to aspire to maximize the shareholder value? Not at all, the CSR invites corporations to aim at increasing the share prices in a legal and responsible manner.

The general signaling role of CSR was also studied by Goyal (2006), however, the study is considerably different from the relative authors as it did not consider the brand-value of firms. Rather, Goyal (2006) investigated the signaling role of CSR when firms considering FDI are interested in favorable terms. 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.

Corporations can develop and implement competitive strategies using porter's five forces. However, other agents of the society such as government, interest factions, activity and public concerns are the non-market factors sometimes conjugated together and referred to as the sixth porter's force (Victoria & Muhammad, 2009). In spite of the fact that these are important, the aspects cannot be integrated in aspects of the market for decision making. These social agents should be considered since they also affect the entity competitiveness. The capacity to compete in the market is dependent on an entity's understanding of the needs of not only the customers, but also the expectations of the members of the society such as the government, media and the entire public so as to tailor the strategy to fit the market demands (Balmer & Greysner, 2006)

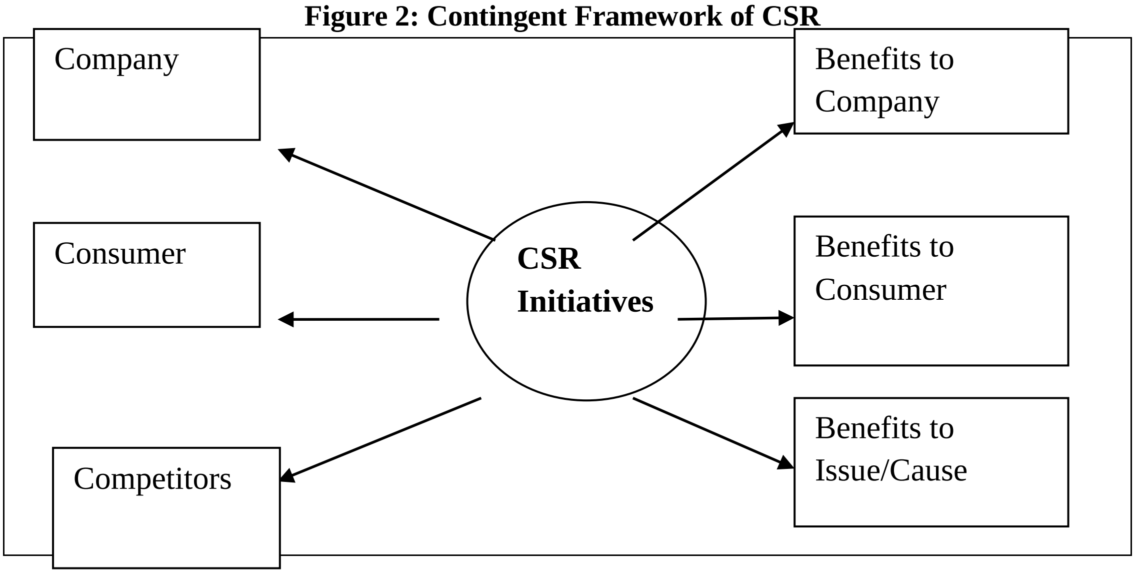
The success of a corporation is pegged on how the leadership marshals its resources in meeting the needs of the above stakeholders (Jeucken, 2001). The achievement of the perceived corporate success via implementation of the strategies of an organization will definitely be influenced by the ability of the organization to effectively meet the expectations of the many stakeholders. Porter's five forces help the strategy implementer to focus on the market forces that represent threats or opportunities (Bhattacharya & Sen, 2004). The organization therefore analyzes the possible outcomes as regards the market so as to mitigate the impact of negative occurrence or to maximize the positive possible occurrence (Porter & Kramer, 2006). By including the nonmarket forces the decision encompasses a broader sense of effects.

2.3 Corporate Social Responsibility and Customer Satisfaction

The customers are considered as the most important factor in ensuring the success of organization. Other parties whose actions influence the performance of the organization are the competitors, financiers, creditors and government and lobby groups among others (Decker, 2004).

Corporate social responsibility creates value for the organization in the future. The value proposition for CSR activities attracts the customers into the organization in the future making more business for the company which leads to higher profits and overall corporate performance (Victoria & Muhammad, 2009). The CSR endeavors should benefit the company, the consumers and give the company a strategic advantage as expressed in the below framework.

Figure 2: Contingent Framework of CSR



Source: Bhattacharya and Sen 2004.

2.4 Empirical Review

According to Kweyun (1993) studied managerial attitudes towards CSR among commercial banks and found profitability to be the most dominant objective of engaging in CSR activities. O'brien (2011) did a study on the relationship between CSR and financial performance of companies quoted at the Nairobi Securities Exchange (NSE), and the effect of industry size, sector of the business activity and the ownership structure. The results of regression analysis showed no relationship between CSR and financial performance of all companies listed at NSE.

Auka (2006) did a study on factors influencing the practice of CSR on financial decisions in Kenya with the objective of determining factors influencing the practice of CSR in the financial institutions and the benefits they derive from CSR. His conclusions were that corporate image, moral obligations and need to solve societal problems are the major factors that had the greatest influence towards practice of CSR. Balmer & Greysner (2006) noted that in recent years firms have greatly increased the amount of resources allocated to activities classified as Corporate Social Responsibility (CSR). The conclusion was that insiders' ownership and leverage are negatively related to the social rating of firms, while institutional ownership is uncorrelated with it.

Leonardo, Rocco & 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.

Summary**:** A company can perform its responsibility well if it is in a favorable position. As long as the company makes profits, it tends to engage in CSR unlike when it is making losses. After our literature review, the following observations have been made: responsible companies can be rewarded by their good reputations, however, the inability of scholars to reach an empirically grounded resolution to this debate indicates that the relationship between CSR and corporate performance and growth may be quite complex (Rowley and Berman, 2000). Although there is a strong implication that CSR and corporate performance are positively correlated no definite answers have been provided therefore further research was found necessary in this area.

3. Methodology

3.1 Research Design, Target Population and Data Analysis

The study adopted both longitudinal and cross sectional survey design. The design presents an opportunity to fuse both quantitative and qualitative data as a means to reconstruct the information concerning the current status of commercial banks. The design makes it possible to determine the relationship between and among variables. The research designs also offer a unique means of data collection which cuts across all the study variables.

The study population comprised 42 commercial banks registered as per Central Bank of Kenya report 2011. The study used a sample of 13 commercial banks which was 30% of the population (Mugenda and Mugenda, 2003). It is generally believed that 30% of a population is an adequate representative of the population and findings based on the sample can be used to generalize the findings. Purposive sampling technique was employed to come up with the sample size of the study this was due to the fact that some Banks in Kenya do not fully participate in the CSR. The study being a survey the sampling size was considered appropriate for generalization. However, only nine commercial Banks provided the full information sought. The other four banks provided incomplete information that could not form the basis of our findings.

Both primary and secondary data were used in the study. The primary data was collected using structured questionnaire targeting banks corporate managers and relationship managers and secondary data was obtained from published annual financial reports using secondary data capture forms from the sampled commercial banks between 2006 to 2010. The information captured included CSR approaches, actual data on the CSR expenditure from different years and the information obtained was used in computing sustained growth rate in terms of ROE and retention ratio and identifying major areas of CSR.

Content analysis and simple regression analysis were both employed in data analysis. The analysis techniques were employed to suit the research design. Descriptive statistics such as percentages mean scores and proportions were computed and presented in tables and figures. The regression model used in the study was as follows:

$$Y = \alpha + \beta X$$

Where;

Y= sustained growth rate for firm **M** in year **t**

Sustained growth=return on equity (ROE) *retention ratio

α = constant growth rate when zero amount is spent on CSR activities. This growth can vary depending with the bank size, management among other factors.

β = correlation coefficient

X= Actual amount spent on CSR activities by firm **M** in year **t**

3.2 Data Analysis and Findings

This section presents the analysis of data collected from the administered questionnaires, financial statements and annual reports of banks under study. The researchers targeted to obtain information through questionnaires, financial statements and annual reports of 13 commercial banks but only managed to obtain full information from 9 commercial banks representing 56.3%. The research sought to establish the relationship between sustained growth and investment in corporate social responsibility for commercial banks in Kenya. It was not easy to obtain reliable information on corporate social responsibility from some commercial banks.

3.2.1 Data analysis and presentation

The researchers calculated the ROE of each Commercial Bank and respective retention ratio which were multiplied to obtain the sustained growth in each commercial bank under study using the information provided in the end year financial statements and annual reports. A five year period was considered between 2006 and 2010.

All the commercial banks disclosed the amount of money they spent on Corporate Social Responsibility in their annual reports independently from the other financial statement items. Both descriptive statistics and inferential statistics were used to determine the extent to which investing in CSR could explain a bank's sustained growth.

Frequencies, percentages, mean and standard deviations for various aspects in the questionnaire were run so as to address the objective of the study. Majority of the respondents indicated that their banks had been in operation for a period of between 30-50 years as shown in table 4.1 and figure 4.1 below.

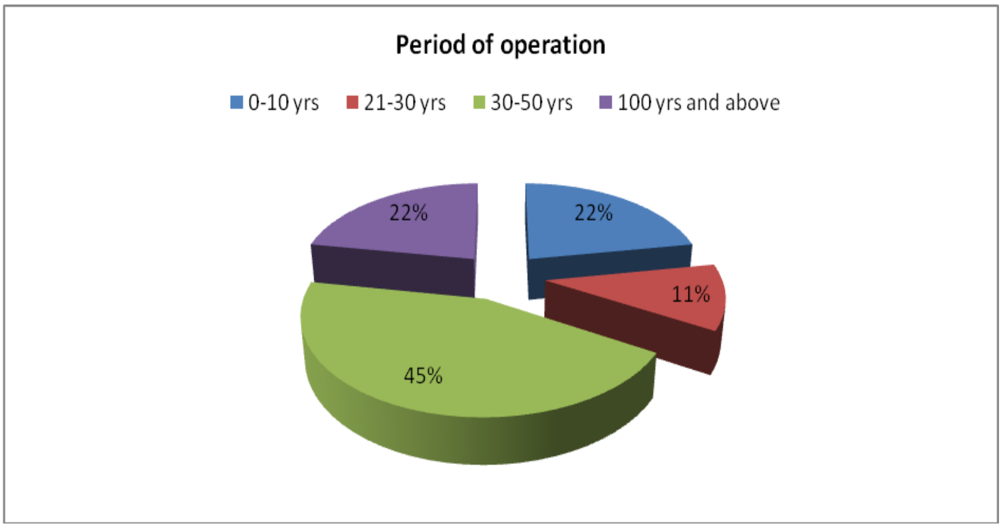


Figure 4.1

3.2.2 Products/ services offered

Respondents were further required to indicate the kind of products/services they offer. The findings indicated the following: Account opening, provision of mortgages, mobile banking, credit services (loans), over the counter services, money transfers, bid bonds, international finance and asset finance, provision of credit and debit cards, investment services, financial advisory services, personal unsecured loans, overdrafts, guarantees, documentary collection and foreign exchange. The question was sought to help determine the proportion of major banks services to the level of corporate responsibility.

3.2.3 Investment in Corporate Social Responsibility

All the respondents categorically indicated that business social responsibility was an objective for their banks. However, it is pegged on the level of annual net profits of the banks and degree of competition in the sector or industry. There was a notable positive increase in CSR investment over the five year ranging between shillings 5,779,429 in 2006 and shillings 9,083,757 in the year 2010 as shown in table 4.2 below. These monies were spent in financing sport events, donations to charity homes, hospitals or schools, environmental conservation initiatives, community conservation initiatives, sponsoring of charity walks, building recreational facilities for communities, assisting victims of disasters, curtailing advertising which promotes products which are harmful to health, employment initiatives in favour of minority groups, reduction of environmental pollution, provision of medical care for employees and designing jobs to ensure increased satisfaction of employees. These huge expenditures on these activities are viewed by many banks as worth the course since competition in the banking sector has a non price nature. Many banks offer similar conditions in the same market hence must use other strategies to remain on course by developing new products and brands through CSR.

The annual financial reports reviewed indicated that the highest commercial Bank had invested an average of Sh. 253.98 Million ($2.953M) in CSR for the period under study. Through content analysis of the activities that most banks undertake in CSR it was revealed that the Bank Group Foundation champions the socio-economic transformation of the people of Kenya and Africa at large and seeks partnership along six clusters in the thematic areas such as: education and leadership development, financial literacy, entrepreneurship, agriculture, health, innovations and environment. From these categories it was reported that many of the commercial Banks invested heavily in training and literacy forums where customers are taught on better financial management and financial literacy and environmental conservation. To achieve these targets, banks use tools of socially responsible business which is in turn are determined by financial possibilities of banks and the level of development in CSR systems.

Respondents were further required to rate the extent to which they agreed with various aspects on CSR. Majority of the respondents disagreed with the ideas that the only social responsibility of business was to increase profit (Mean of 2.5556) and that social responsibility was the domain of the government and not of business firms (Mean of 1.7778). Further, they strongly disagreed that the fulfillment of social duties created short run costs, which the business firms could not afford (Mean of 3.0) and that the government should enact legislations to ensure all business firms met societal social obligations (Mean 3.6667). This response should not be confused with banks focusing heavily on philanthropy and charity rather than bottom- up sustainability initiatives.

The main objective of this research study was to establish the relationship between banks sustained growth and investment in CSR. In order to achieve this objective a simple regression analysis was conducted to determine the relationship between CSR and sustained growth in most of these commercial banks investing heavily in CSR initiatives. The findings indicated there was a weak positive relationship (R= 0.331) between the variables. And that only 11.0% of bank sustained growth can be explained by investing in CSR activities. It is evident that at 95% confidence level, the variables produced statistically significant values and can be relied on to explain sustained growth in commercial banks. The findings were as shown in the tables 4.5, 4.6 and 4.7 below.

Table 4.5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.331	.110	.018	0.27695785

R is the correlation. 0.331 represents a weak positive relationship between investment in CSR and a banks sustained growth. R square is the coefficient of determination, 0.11 level explains extend to which sustained growth is explained by investment in CSR.

Table 4.6: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.518	11	.138	.746	.003
Residual	.185	1	.185		
Total	1.702	12			

This is the Analysis of Variance. At a 95% confidence level, the variables produce statistically significant values, with positive levels of 0.003 in variance.

Table 4.7: Coefficients of Corporate Social Responsibility

Unstandardized Coefficients		Standardized Coefficients		
B	Std. Error	Beta	T	Sig.
(Constant)	8.658	2.802		3.090

Investment in Corporate Social Responsibility (CSR)	2.640E-5	.000	.331	.003

From this study it was evident that at 95% confidence level, the variables produce statistically significant values for this study (high t-values, $p < 0.05$. The results of the regression equation shows that for a 1- point increase in the independent variables, bank sustained growth are predicted to increase by 2.640E-5, given that all the other factors are held constant.

Discussion of Findings: The research sought to establish the relationship between banks sustained growth and corporate social responsibility. The findings showed an increasing positive attitude towards CSR in terms of investment. There was a general agreement that corporate responsibility is essential for the success of the firm and that profitability is not entirely the sole reason to embraced CSR. CSR in commercial banks in Kenya is determined by the guidelines on corporate social responsibility for banking Institutions. Since banks are commercial institutions that work for generation of profits by offering right type of financial services to customers that would provide proper care to its customers.

It is very clear from our research findings that majority of the commercial banks concentrated on CSR investments in the major areas of education, environmental conservation, financial literacy, and health and leadership development. The descriptive statistics indicated that there was a notable increase in bank sustained growth over the five year period and the inferential statistics used indicated that investment in CSR has a significant effect on sustained growth of commercial banks in Kenya however, the relationship was weak.

4. Conclusion and Recommendations

The objective of this research was to establish the relationship between sustained growth and investment in corporate social responsibility for commercial banks in Kenya. The researchers found out that investment in corporate social responsibility activities had a positive effect on a banks' sustained growth. This was attributed to the fact that CSR activities creates a platform for banks to improve on their brand value, promotion and enhancing social insurance. The study findings were in line with the theoretical review. The utilitarian, managerial, relational and agency theories fitted well in the study. CSR is derived from the moral legitimacy of the corporations and the society and at the same-time captures the concerns of the public regarding business and society relations. However, CSR measures the contribution the social variables makes towards economic performance and at the same time provide balance between profitability and social objectives for the economic systems equilibrium.

Corporate Social Responsibility is the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. It is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment and a concept whereby companies integrate social and environmental concerns in their business operations in their interaction with stakeholders on a voluntary basis. However, this term CSR may pose a lexical and conceptual problem within the society, as their expectation may grow beyond the capabilities of many commercial banks.

CSR has many benefits other than increasing profits, however, it may create social duties and short run costs which the business firms may not afford hence there is need for the government to enact legislation to ensure all business firms meet societal social obligations. From the study findings we may conclude that commercial bank's investment in CSR activities has a positive impact on their sustained growth to a great extent. CSR generates short-term benefits and also potential long-term benefits. However, to maintain social philanthropic tendencies could be very involving for the concerned banks. Maintaining CSR tendencies may mean that the commercial banks should budget and keep the CSR expense as high as it has been in the past. This could highly impact the corporation's success especially in meeting the demands of other agendas of the company. However, one should always keep in mind that it takes time and money to acquire a customer but minutes to lose it. Hence the primary goal of social responsibility for commercial banks should always be customer retention in order to sustain future growth of business.

With due regard to the ever increasing desire to have sustained growth by banks, there is need to invest in socially benefiting activity strategies so as to meet the expectations. This should be done in a manner in which all the stakeholders are happy with since not all of them prefer high investment in CSR. This therefore calls for embracing proper CSR activities which are acceptable, accessible, ethically sound, have a positive perceived impact, relevant, appropriate, innovative, efficient, sustainable and replicable. Evidently, CSR should integrate the interaction between principles of social pro-activeness and social responsiveness.

4.1 Limitations of the Study

Since the research was to rely mostly on secondary data, from published end of year financial statements and reports, the researchers encountered many challenges particularly during the process of data collection. The search for the information was not smooth due to bureaucracy in the banking sector. The information posted in the website of most commercial banks was not current and this called for verifications. Hence, the information posted by some banks was insufficient enough to facilitate the research. This is because some banks never disclosed the figures used for CSR while some banks released figures that covered several years like five years hence difficulty in estimating of the amounts used annually. The researchers also faced challenges while collecting primary data using questionnaires as some respondents refused to fill-in questionnaires or deliberately gave incomplete information citing reasons as privacy and busy schedules of work. Finally the study did not obtain information from some commercial banks sampled this could have affected the result of the study since the sample size reduced drastically to nine commercial banks.

4.2 Suggestions for Future Research:

Arising from this study, the following directions for future research in CSR are suggested. This study focused on the Commercial Banks in Kenya and therefore, generalizations cannot adequately extend to other Non-Commercial Financial Institutions in Kenya with increased sample size. Further research should also focus on the entire financial institutions in Kenya, the impact of CSR on the performance non-bank commercial institutions, and should also concentrate on the impact of CSR on the stock price of firms listed at the NSE. The future studies should improve on methodology used, that is more advance analysis techniques in order to obtain better results and increased sample size. The current study only used simple regression analysis and content analysis techniques and a small sample size of the study population. This was considered appropriate because the study was a cross-sectional survey.

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Appendices

Table 4.1: Period of operation

Period of time in operation	Frequency	Percentage
0-10 yrs	2	22.2
21-30 yrs	1	11.1
30-50 yrs	4	44.4
100 yrs and above	2	22.2
Total	9	100.0

Table 4.2: Mean and Standard Deviation for CSR

Year	Mean	Std. Deviation
2006	5,779,429	77077.716
2007	6,337,214	80383.893
2008	7,643,571	82066.064

2009	8,405,471	87853.124
2010	9,083,757	120481.603

Source: Research Data 2012

Table 4.3: Corporate Social Responsibility

YEAR	2006 (CSR)	2007 (CSR)	2008 (CSR)	2009 (CSR)	2010 (CSR)
BANK CODES	**SHS. "000"**	**SHS. "000"**	**SHS. "000"**	**SHS. "000"**	**SHS. "000"**
1.	215,956	220,565	231,700	253,200	348,500
2.	97,354	117,420	126,200	135,800	16,758
3	850	720	800	955	1,005
4	20,000	20,000	82,500	36,828	90,000
5	47,000	61,080	67,000	90,200	110,500
6	7,905	8,020	9,050	11,500	20,000
7	15,495	15,800	17,800	59,900	49,100
8	9,745	4,190	4,083	8,810	9,818
9.	9,342	6,067	8,095	9,099	9,107

Source: Bank Financial Statements and Annual Reports

Table 4.4: Aspects on Corporate Social Responsibility (CSR)

Aspect	Mean	Std. Deviation
Managers of firms to ensure the diversity of stakeholder interest and expectations are accommodated	4.3333	.50000
The business of business is business and only social responsibility of business is to increase profit	2.5556	.88192
Social responsibility is the domain of the government and not business firms	1.7778	.44096
Careful attention to aspects of social responsibility could be in the long term interest of the firm	4.7778	.44096
Business firms should be prepared to bear reductions in profitability, for social good	4.4444	.52705
Social responsibility of a firm is commensurate with the size of social power it exercises. The larger the firm the greater the responsibility	4.3333	.70711

The fulfillment of social duties creates short run costs, which the business firms cannot afford	3.0000	1.32288
Government should enact legislation to ensure all business firms meet societal obligations	3.6667	1.58114
Top management has the prime responsibility for organizing social responsibility activities and evaluating a firm's effectiveness in meeting them	4.7778	.44096
Firms that engage in social responsibility activities are good corporate members of the society in which they are based, as opposed to those who do not	4.6667	.50000