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**EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL
PERFORMANCE IN THE BANKING SECTOR EVIDENCE FROM THE NAIROBI
SECURITIES EXCHANGE**

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Abstract

Corporate Social Responsibility (CSR) is increasingly being embraced by organizations worldwide. This study aims to investigate the relationship between CSR and financial performance for the banks listed on the Nairobi Securities Exchange (NSE). The study analyzed ten of the eleven banks listed on the NSE for the period 2008 to 2012 using data obtained from audited annual reports and other publications by the banks including information from their websites. The analysis was done using multiple regression analysis and the correlation coefficient (r) was calculated together with the coefficient of determination (r^2) to further determine the relationship between the variables. The research found that there was an insignificant positive relationship between CSR and financial performance in the Kenyan banking industry with CSR having a very minimal effect on financial performance. The model shows that, for every one unit increase in CSR, the firm's financial performance increases by 0.00002 units. The study further concluded that in the Kenyan banking industry, CSR activities are not undertaken for the purpose of improving the banks financial performance but are undertaken for other reasons such as building brand image and building customer loyalty.

Key Words: Corporate Social Responsibility (CSR), Financial Performance, Nairobi Securities Exchange (NSE), Kenyan banking Industry.
