

**EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON PROFITABILITY OF
THE TELECOMMUNICATION FIRMS IN KENYA**

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DECLARATION

Student's Declaration

This research project is my original work and has not been submitted to any other university or institution of higher learning for any academic award.

Signed..... Date.....

Paul K. Mbaya

D63/74086/2014

Supervisor's Declaration

This research project has been submitted for examination with my approval as the University Supervisor.

Signed.....Date.....

.....

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Signed..... Date.....

DEDICATION

I dedicate this assentation to my family.

ACKNOWLEDGEMENTS

I wish to express my sincere gratitude to my supervisor, Dr. Elly for his objective guidance. I also acknowledge my family and girlfriend Linda for their great support throughout my postgraduate studies.

ABSTRACT

The concept of corporate social responsibility has prevailed since time immemorial and has for a long time paved way for organizations' to have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. Business analysts have documented that CSR benefits the organization by pushing the business to the next level while at the same time benefiting the society. CSR has been associated with financial performance for organizations but this area has not been well researched. The main objective of this study was to assess the effects of corporate social responsibility programs on organizations' financial performance in Kenya. The study will help both private and public companies to realize the need of establishing CSR for achievement of the competitive advantage and improved performance. The study was carried out at Kenyan Telecommunication Firms. The research instrument was an interview guide and data was collected through a drop and pick later method of the questionnaire. The data was then analyzed and the findings recorded by use of tables and figures. The process involved tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives through use of SPSS. The results are based on a response rate of 90% (n=10). The study concludes that CSR has a positive impact on an organizations financial performance and recommends that the organisations should have a well-planned and effective CSR approaches in order to enhance brand and company reputation as well as improve efficiency, reduce the risk of business disruptions, and open up new opportunities driving innovation.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Corporate social responsibility (CSR) is popularly referred by the business fraternity as one of the discretionary societal expectations of organizations be it a small-scale enterprise or a multinational company. CSR as defined by Schnackers (2007) is business commitment to the development seen as the continuing commitment by business to contribute to community development both economically and socially. Multinational companies have well established CSR programs that to some extent work as an independent entity of the organization. Examples of well-established CSR initiatives include MasterCard Foundation, Qatar Foundation, Safaricom Foundation, Equity Foundation, KCB Foundation (KCBF) among others.

This concept has been in existence for a long time guiding the morality, ethics and philanthropic responsibilities of organizations with the sole responsibility of CSR being to the organization/company owners, or stockholders (Marrewijk, 2003). The complexity of CSR has called for the inclusion of other stakeholders like county governments, the state, employees, suppliers, customers, local communities and environmental groups which are affected by the actions of the organization through CSR.

A well implemented and effective CSR plan enhances the image of the firm through improved efficiency, reduced business risk and innovation. Three sustainability pillars that guide CSR are identified as profits, plant and people (Philips, 2005). Jonker and Witte (2006) noted that an effective Corporate Social Responsibility strategy that is bound to offer clear business benefits has a firm foundation of sound ethics and core values. In order for a CSR initiative to be sustainable, it has to incorporate the social, economic and environmental progress.

CSR is reinforced by the impression that firms have to be part of the society in which they operate but not an isolated entity (Mermod & Idowu, 2013). CSR was based on the aspects of profitability, survival and competitiveness which is slowly changing with new drivers coming up. These drivers that have driven businesses to CSR in the contemporary world of business include shrinking role of governments in delivery of social and environmental objectives within business, increased requirement for disclosure in business, changing customer interests, pressure by investors, increased competition and changing supplier relations (Sagebien & Lindsay, 2011). Finn (2007) cites that the adoption of CSR policy come with numerous positive outcomes to the organization, community and the environment. Organizations benefit through customer loyalty, financial performance, brand image, sales, diversified workforce and reduced employee turnover (Ramirez & Selsky, 2010).

1.1.1 Corporate Social Responsibility

Corporate Social Responsibility has been defined as a pledge of organizations to work through the community, family, employees to improve life quality through sustainable economic development. CSR can also be the ethical commitment and contribution to the economic development of employees and the society which leads to improved quality of life.

CSR is the societal expectations from an organization at a given point in time. These programs can provide a variety of benefits for companies enabling the retention and attraction of quality employees, improve the corporate image, and enhanced evaluation (Moon, Crane & Matten, 2005).

1.1.2 Corporate Financial Performance

This is the financial ratio analysis as an assessment of performance (Gray, 2010). In the long run,

profitability improves due to CSR (Sims, 2003; Rantzien, 2003). Increased liquidity, profits, and leverage are the main indicators of superior financial performance. There has to be a proven link to financial performance for investors to adopt CSR (McWilliams & Siegel, 2010).

Financial performance is important to specialists who view it as the most crucial element of organizational performance (Richard, 2009). These include financial, organization development, legal, strategic planning and operations. financial performance has been measured in the recent years through both financial and non-financial measures using the balance score card (Serafeim, 2010).

1.1.3 Corporate Social Responsibility and Financial Performance

A firm has to involve in environmental and social activities in order to improve their financial performance (Margolis & Walsh, 2002). Despite CSR improving firm reputation and image, the costs attached to it lead to reduced profits, high product pricing and competitive disadvantage (Handy, 2002). Studies have shown that there exists a relationship between the two despite them differing on the nature of the relationship. The profits of a firm improve due to involvement in (Berrone, 2007; Orlitzky, 2003).

1.2 Research problem

Serafeim (2010) on the impact of CSR on investment found that some CSR initiatives are costly and may affect the profit margins of the organization. Bhattacharya and Sen (2001) cited that CSR is beneficial in that it defines the decisions of ethical consumers. The relationship between CSR and a financial performance in Kenya is ambiguous. Nkaiwatei (2011) noted that financial performance defines the CSR. Serafeim (2010) found that some CSR activities are exorbitant and may influence firm profitability while Bhattacharya and Sen (2001) indicated that CSR can positively affect the choices of the community members who consume their products.

This study is inspired by the ongoing debate among proponents and opponents of CSR about a shift in adoption of CSR by large corporations. On the other hand, there is a growing social demand for large corporations especially firms in the telecommunication industry to take a leading role in meeting society's needs since these needs have exceeded the government's capacity to fulfill them. According to Mardong and Walsh (2002) the government is traditionally viewed as the sole agent for development but proponents of CSR argue that businesses should share this responsibly. Considering that Telecommunications firms depend on labour, Land or resources, there are growing expectations for them to promote sustainable development. On the other hand, it is argued that companies state their intentions to contribute towards the development of local communities by translating those intentions to actions remain unseen.

Wanjala (2011) did a study on the factors influencing CSR in commercial banks in Kenya. Profitability was found to be a major factor affecting the practice. No relationship was established between CSR and financial performance by Mutuku (2005). Despite the studies focusing on CSR, they have failed to investigate or establish the relationship between the concept and financial performance. This study endeavors to assess the impact of CSR programs on financial performance of the telecommunication industry in Kenya.

1.3 Objectives of the study

1.3.1 General Objective

To assess the impact of corporate social responsibility programs on organizations' financial performance in Kenya.

1.3.2 Specific Objectives

1. To examine how corporate social responsibility leads to increased employee productivity
2. To establish the extent on which CSR leads to improved sales and increased profits.
3. To assess the impact of CSR on the growth of market share
4. To identify the role of CSR on improved company image, reputation, and identity.

1.4 Value of the Study

The findings will create an understanding on the importance of CSR for improved performance. The government will use this study in establishing policies that would ensure improvement in financial performance of IT firms among other firms in Kenya. To the organizations under study, the study gave recommendations for better implementation of CSR programs. And finally, the research contributed to the existing literature on how to assess the effects of Corporate Social Responsibility.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Related literature on the CSR and firm financial performance will be reviewed. These include theoretical review, empirical review, conceptual framework and summary to the literature review.

2.2 Theoretical review

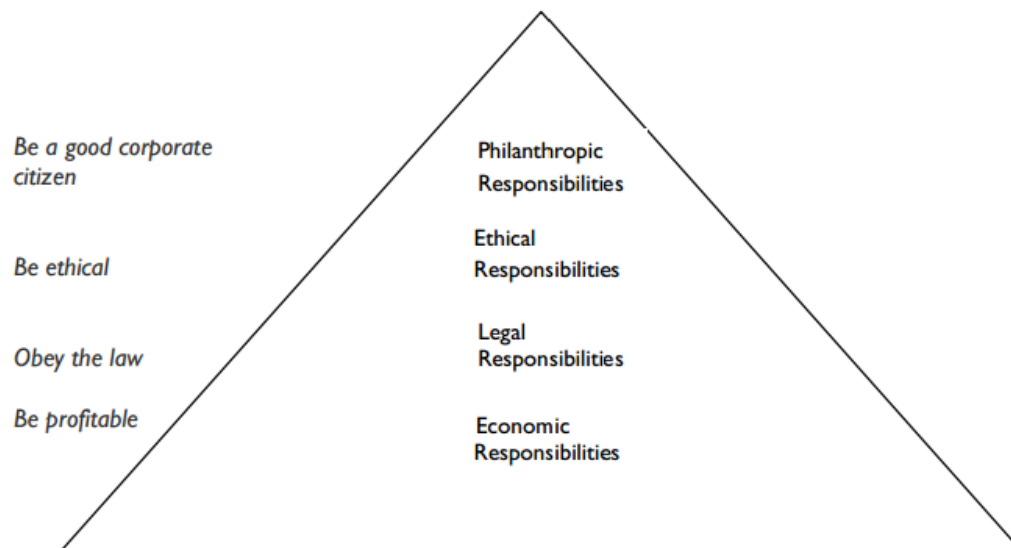
Theories discussed in this chapter are Carroll's pyramid and the triple bottom line model. The discussion and the relationship of the theories to the study are discussed in this section.

2.2.1 Carroll's Pyramid of Corporate Social Responsibility

Carroll's (1991) Model is the most common theory of CSR. The model shows the levels of CSR ranging from philanthropic, ethical, legal and economic responsibilities. These four perspectives can be represented as a pyramid (Pandey, 1999).

Economic responsibility is based on profits serving as a foundation of all other aspects in the pyramid. Legally, a firm is expected to adhere to rules and regulations. The model shows that ethical tasks are defined by societal expectations on the organizational embracement of societal values and norms. Philanthropic responsibilities relate to corporate citizenship through support to community with the purpose of an improved life quality (Santiago, 2004).

Figure 2.1: The pyramid of Corporate Social Responsibility



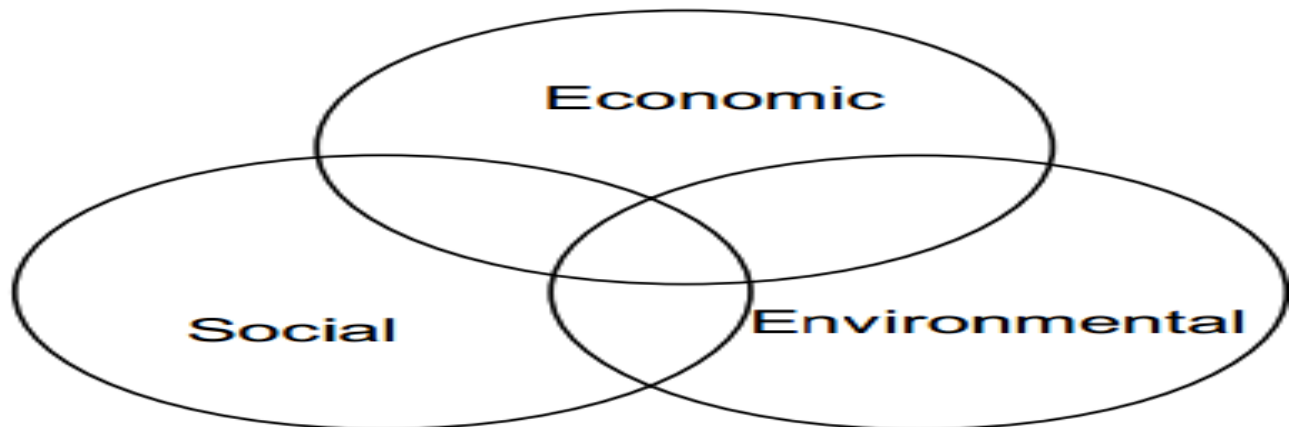
Source: Carroll(1991).

2.2.2 Triple Bottom Line Model

Triple Bottom Line (TBL) was instituted by Elkington (1997). This model is based on the financial, social and environmental aspects of sustainability. TBL depends on the suspicion that organizations don't just have profits as their only goal however they have different targets, for example, increasing the value of society (Crane and Matten, 2004). The model is also based on the 3P's of profit, plant and people (Marrewijk, 2003).

The environmental perspective approaches sustainability from the management of physical resources for future conservation. Economic sustainability involves organizational economic performance. However, due to competition and challenging business environments, the social perspective has not developed compared to other aspects. Norman and MacDonald (2004) refer to the model as a good old-fashioned. Single Bottom Line plus vague commitments to social and environmental concerns (Norman and MacDonald, 2004).

Figure 2.2: Elements of the Triple Bottom Line



Source: Edvardsson and Hay (2005).

2.3 Empirical Review

2.3.1 Determinants of Financial Performance

Financial Performance of an organization is mainly measured by interest income, operation cost, profit before tax and share price. Financial Performance of an organization is mainly measured by interest income, operation cost, profit before tax and share price. CSR exercises are viewed as key in nature, with the understanding that organizations can do well over the long haul by doing great (Vogel 2005). This is demonstration in the worldwide move from single-bottom line to the triple-bottom line approach (Global Reporting Initiative 2002), alluded to as the three 'Ps' (Elkington, 1997). The importance of this measure is that firms are not only audited according to their financial impact but penalized for non-performance on environmental and social effects. The concerns on the environment and society affects firms' market share price. In some nations the ethics of a firm's operations are reflected positively by share prices based on its effect on (Elkington 1997).

TBL includes CSR in the management functions. In the contemporary world, CSR is viewed from the aspect of need satisfaction through profit maximization and stakeholder satisfaction. In

some industries, firms consciously invest extra effort and resources in order to appear socially inclined in the hope of differentiating themselves from less-responsible colleagues (Barnett 2007; King, Lenox and Barnett 2002). According to Utama(2008), a company is motivated to practice CSR if the company's stakeholders (consumers, investors and other stakeholders) reward.

2.3.1.1 Interest income

CSR is viewed to positively relate to financial performance in the long run through the revenue generated. CSR gives a good reputation that can enable firms to increase product prices above the competitors (Auger et al., 2003). This is because customers have the will to pay premiums charged by firms that are socially responsible. In addition, the market share can increase where firms provide information on social and environmental friendly manufacturing which would lead to increased sales revenue (Miller, 1997).

In the banking industry, increased sales of loans translates to increased interest income. According to Katamba (2008), most executives believe intuitively, that CSR can increase sales. And almost no large private and public company would want to be seen engaged in CSR. That is clear admission of how important CSR might be to their bottom line, no matter how difficult it might be to outsource for more resources to top up the financial demands of their CSR programs.

In regard to increased sales, CSR acts as platform on which companies seek to advertise their services and products. The company and the public are in direct contact and hence more information about the products can be offered comprehensively. General Motors East Africa (GMEA), through CSR programs , has attracted more business women and men to buy more of its products such as Isuzu pickups, buses , Lorries etc. More information on repair and various sales agreements are explained to the potential buyers for free on the ground.

Information about the products is received directly from the public and this facilitates inventions and innovations in the company hence winning public interest. In contrast other rivaling companies that do not take part in the CSR programs are forced to spend more on advertisements so as to increase their market share (Katamba, 2008). Within the banking sectors, sales are termed in numbers of account opened and the number of credit facilities offered.

2.3.1.2 Operating costs

CSR can enable a firm to gain supplier confidence which enables the firms to utilize the available financial products which lower the costs which increases firm value (Turban & Greening, 1997). Supplier' responsibility of a firm involves respecting the contract and payment of suppliers on time. Supplier responsibility leads to increased suppliers which lowers the cost of raw materials. The firm can also enjoy good credit terms, funding efficiency which increase firm value (McWilliams et al., 2002).

Epstein and Roy (2001) report that CSR not just decreases different costs, it likewise advances effectiveness in the utilization of assets. Friedman and Miles (2001) contend that taking part in CSR exercises can diminish the waste and the related treatment costs. Additionally, profitability can be improved by actualizing vitality protection and other ecological projects.

CSR reduces the operating costs through reduced risk of negative events (Turban & Greening 1997). CSR calls for transparency and hence reduced cases of fraud. The socially responsible firms have low risk of social challenges to reputation which may cost the firm in order to mitigate the risk. This reduces organizational operating costs (Logsdon & Wood, 2002).

2.3.1.3 Profit Before Tax

Katamba (2008) cites that although CSR may not directly contribute to profit increase, it creates an environment for growth of profits of a company. Marcela of the West Bohemia University, Czech Republic, identifies attraction by investors, good reputation and strong market position, decreasing expenses on risk management, distinguishing from rivals and attraction for quality and talented potential employees. Siegel and Vitaliano (2007) in their works on the role of CSR in the mining industry cited that the nature of competition within the retail environment has shifted and this has made it difficult for organizations to differentiate themselves from other firms.

According to Marcus (1993), majority of the consumers base their buying decisions on CSR other than the Ps of marketing. Mori (2003) supports this assertion by stating that a high price can be paid by customers if they view a product as superior ethically. This maximizes profitability which shows that the motives to make profits should be anchored on CSR.

McWilliams and Siegal (2001) specifies that CSR can lessen social and environment costs which increases profits. Good CSR spurs clients to purchase the item (Meijer and Schuyt, 2005). Mohr and Webb (2005) states that CSR increases the intention to buy which makes the consumers ready to pay for the ethical aspects of the product. The loyalty of the customer through CSR leads to increased profits through reduced marketing costs (Hallowell, 2000).

Ofori and Hinson (2007) state that CSR leads to effectiveness of the organization and its financial performance. CSR lead to improved financial performance through protection of profit levels and new revenue generation (Hahn & Scheermesser 2006). Assuming negative effects of CSR can lead to profitability in the short run but not in the long run (Pearce & Robinson, 2009).

In the implementation of CSR there are many factors that differ in the implementing firms. To implement CSR there is need to make CSR part of the strategic plan while at the same time ensuring commitment of employees and management to CSR (Backhaus, 2002). It is also crucial to align the CSR strategy aligned with the organization core competencies (Katamba, 2008).

2.3.1.4 Share price

CSR is viewed to positively relate to financial performance in the long run through the revenue generated. CSR gives a good reputation that can enable firms to increase product prices above the competitors (Auger et al., 2003). This is because customers have the will to pay premiums charged by firms that are socially responsible. In addition, the market share can increase where firms provide information on social and environmental friendly manufacturing which would lead to increased sales revenue (Miller, 1997).

The importance of this key measure is that organizations are not just examined by their economic and profitability effect but non-performance based on CSR which has an effect on the share price. Along these lines, in a few nations, share costs reflect the moral measurements of an organization's operations where money related markets judge organizations by their more extensive effect on society (Elkington 1997; Frankental 2001). Market share price which represents shareholder value is maximized through CSR (Tudway & Pascal, 2006).

2.4 Conceptual Frame work

Figure 2.2 Conceptual framework

2.5 Summary of the literature Review

A positive relationship was established by Beurden and Gossling (2008) established between CSR and financial performance. However, some established a negative relationship (Orlitzky, 2003), bilateral relationship (Waddock & Graves, 1997; Scholtens, 2008) with a few establishing no relationship. Such inconclusiveness creates knowledge gap on the actual CSR attributes that influence a firm's financial performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The methods used in the study is given in the chapter. The research design, population, sample, procedures of data collection and data analysis are given.

3.2 Research design

Census survey design was adopted in the study. According to Orondo (2002), in census surveys each member of the population is involved in the study. In census surveys, the researchers visit individual households to interview the members of the population. The main objective of the researcher who conducts census surveys is to make sure that all members of the population have been surveyed.

3.2 Study Population

206 telecommunication firms in Kenya form the target population (Appendix 2). This is because they will provide the required information on CSR approaches and their relationship with competitive advantage. The researcher therefore found the sector to be ideal for the study. The data collected was used to analyze the secondary data of twenty-one (21) telecommunication firms that were randomly picked. The three (5) years were used to get an average return for the telecommunication firms.

3.4 Data Collection

A structured questionnaire containing closed ended questions was used in the collection of primary data. Structured question that were administered to the respondents to tick the options given. The questionnaires were based on the variables of the study. Likert questions based on the objectives of the study were also used in the study.

3.5 Data collection procedures

The questionnaires were left with the respondents and picked later by the researcher. The questions were explained to ensure that the respondents understood the questions. The data was collected with the assistance of three research assistants.

3.6 Data Analysis

The data was analyzed using descriptive (mean, percentage, standard deviation and frequency). Inferential analysis was done to establish the relationship between the variables. This was done through correlation and regression analysis. Correlation analysis was done to through Pearson correlation coefficient.

The analytical model to be used is;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$$

Where:

Y is the dependent variable (financial performance) and will be measured using the Return on Investment (ROE)

B is the regression coefficient

X1 =Employee productivity

X2 is Sales

X3 is growth of market share

X4 is the company image and

ε is the error term.

3.6.2 Test of Significance

The test of significance for the regression model was determined using ANOVA. This tries to establish the relevance of the model to the data and the extent to which the model fits the data.

CHAPTER FOUR

DATA ANALYSIS RESULTS AND DISCUSSIONS

4.1 Introduction

Presentation and analysis was done in this chapter. The findings were based on the objective of the study. Both inferential and descriptive statistics were used in the analysis.

4.2 Descriptive Statistics

Table 4.1: Descriptive Analysis

	Employee productivity	Sales	Market share	Company Image	Financial performance
observations	21	21	21	21	22
Range	3.090	0.040	2.093	0.154	0.022
Minimum	.690	.001	2.001	1.030	0.035
Maximum	10.40	0.140	6.093	5.154	0.154
Mean	2.164	0.034	3.027	3.031	0.031
Std. Deviation	0.601	0.032	1.320	0.030	0.030
Skewness	1.475	1.033	1.095	1.117	1.11
Kurtosis	6.465	0.042	0.762	0.865	0.465

Employee productivity was found to have a mean of 2.164 with a minimum of .690 a maximum of 10.4 and standard deviation of .601. Comparatively, the sales had a mean of .951, minimum of .001, maximum of .14. Showing that on average, the firm had average sales of 3.4% with a minimum of .1% and a maximum of 14%. Market share had a mean 3.027, minimum of 2.001, maximum of 6.093. This showed that on average market share of the telecommunication firms was estimated at 4.027 trillion shillings with a minimum being of 2.001 trillion ksh. The company image was estimated on average at 3.031 with a maximum of 5.154 and a minimum of

.054 while the financial performance was estimated at .031 with the minimum being .05 and the maximum being .154. The fluctuations from the mean were estimated at .030.

4.3 Diagnostic Statistics

The preferred regression model was subjected to a number of diagnostic tests to evaluate the validity of the model. The diagnostic tests included: Breusch-Pagan test for heteroskedasticity and White Heteroskedasticity Test (LM) for constant variance of residual over time, the ARCH (Autoregressive conditional heteroscedasticity) test which detects the problem of heteroscedasticity and Ramsey RESET test for the specification of the regression. Further regression and correlation analysis were used to establish the relationship between the independent and the dependent variables. Independent variables i.e. employee productivity, Sales, Market share and Company image to determine the changes in coefficient of determination (R^2 change). Table 4.2 presents that results.

Table 4.2: Diagnostic Tests

Test	F-statistics	Probability
Ramsey RESET Test:	1.76	0.16
White Heteroskedasticity Test:	2.12	0.079
ARCH Test:	1.18	0.32
Breusch-Pagan Test for Heteroskedasticity LM Test:	1.12	0.57

Table 4.2 shows that the parameters of the regression analysis were stable and the model can be used for estimation at 5 percent confidence level. The Ramsey RESET Test for model specification, ARCH Test and White Heteroskedasticity Test for constant variance of residuals and Breusch-Godfrey Serial Correlation LM Test for serially correlated residuals used the null hypothesis of good fit (specification, heteroskedasticity, and non-autocorrelated against the alternative hypothesis of model mis-specification, heteroskedasticity, and autocorrelated respectively. All the probability values were less than F-statistics coefficients at 5 percent level

of significance and therefore the null hypothesis was not rejected. The diagnostic test outcomes were therefore satisfactory.

4.4 Correlation Analysis

Correlation analysis was done in the study. A p-value of more than 0 reflects a positive relationship whereas p-value below 0 reflects a negative relationship. The matrix is presented in table 4.3.

Table 4.3: Correlation coefficient

		Employee productivity	Sales	Market share	Company Image	Financial Performance
Employee productivity	Pearson	1				
	Sig. (2-tailed)	.				
Sales	Pearson	.346	1			
	Sig. (2-tailed)	.003				
Market share	Pearson	.462	.284	1		
	Sig. (2-tailed)	.019	.003			
Company Image	Pearson	.892	.653	.547	1	
	Sig. (2-tailed)	.032	.043	.031		
Financial performance	Pearson	.842	.632	.582	.839	1
	Sig. (2-tailed)	.013	.001	.008	.005	
	N	150	150	150	150	150

Tabulation 4.16 show that a strong positive and significant relationship exists between financial performance and employee productivity (0.842), sales (0.632), market share (0.582), company image (0.834). This was reflected by the correlation coefficients which were above 0.5 and positive.

4.5 Regression

Table 4.17: Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.708(a)	0.502	0.491	.52126

Table 4.17 tabulates the summary of the regression model. R2 of 50.2% change in financial performance due to change in the independent variables.

Table 4.4: ANOVA^b

Model		Sum of Squares	Df	Mean Square	F Calculated	Sig.
1	Regression	34.212	4	8.553	5.022	.0015 ^a
	Residual	27.248	16	1.703		
	Total	61.46	20			

Source: Author 2016

Anova table shows that the regression model fits the data. this is reflected in the sig. value of 0.0015 which is below 0.05. The F critical (2.33) was less than F calculated (value = 5.022).

Table 4.5: Coefficient of Regression

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.932	1.355		1.685	0.574
Employee productivity	0.622	0.209	1.634	2.976	0.018
Sales	0.146	0.062	0.927	2.355	0.026
Market share	0.871	0.149	1.388	5.846	0.009
Company Image	0.527	0.058	0.992	9.086	0.005

Financial performance= .932 + 0.622*Employee productivity + 0.146*Sales + 0.871*Market share + 0.527*Company Image

From the regression equation and table 4.5 holding the independent variables under research constant, the financial performance of telecommunication firms in Kenya would be at 0.932. 1%

increase in employee productivity increases financial performance by 0.622, 1% increase in sales results to a .146 unit increase in financial performance. 1% increase in market share results in .871 unit increase in financial performance while 1% increase in image results to .527 unit increase in financial performance. All the variables were significant as $p < 0.05$.

4.6: Interpretation of Findings

Employee productivity had a mean of 2.164 was found to have a mean of .690. Comparatively, the sales had a mean of .951. Showing that on average, the firm had average sales of 3.4% with a minimum of .1% and a maximum of 14%.

The Ramsey RESET Test for model specification, ARCH Test and White Heteroskedasticity Test for constant variance of residuals and Breusch-Godfrey Serial Correlation LM Test for serially correlated residuals used the null hypothesis of good fit (specification, heteroskedasticity, and non-autocorrelated against the alternative hypothesis of model misspecification, heteroscedasticity, and auto correlated respectively. All the probability values were below 0.05 F and hence the null hypothesis was rejected. The diagnostic test outcomes were therefore satisfactory.

50.2% change in financial performance was accrued to the selected variables. The study thus established that the model variables were significant in measuring performance of the telecommunication firms in Kenya.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter the findings are summarized, conclusions and recommendations made based on the findings.

5.2 Summary of Findings

Main results of the research were process of CSR programs that affect organizations profitability in order of popularity are Improved sales and increased profits, Growth of market share and achievement of strategic goals, Improved Company Image, Reputation, and Identity and Increased employee productivity.

The study also sought to find out how CSR programs leads to increased employee productivity. The respondents cited retaining employees, reduced turnover, recruitment, and training costs. The respondents cited that CSR programs leads to increased sale by identifying attraction by investors, good reputation and strong market position, decreasing expenses on risk management, distinguishing from rivals and attraction for quality and talented potential employees.

Firms that focus on the improvement of labour practices and working conditions reduce instances of error and increase the productivity of the employees and the organization at large.

Regular controls are costly, but the costs are covered by improved quality and productivity.

5.3 Conclusions

A positive relationship between CSR and financial performance was established. This is due to revenue generation from improved public image which creates room for premium pricing. CSR may not directly contribute to profit increase but creates an environment for growth of profits of a company.

Linking this study with the current telecommunication situation where intense competition exists, other activities like CSR have gained momentum. Hence, this study concludes that employee productivity, Sales, Market share and the company's image had significant influence on financial performance as corporate social responsibility variables.

5.4 Recommendations

Although the study did not go into details of the CSR initiatives carried out by telecommunication firms in Kenya, some of the CSR initiatives by the organisations have not been realized by majority of its customers and society at large. It is recommended that the telecommunication firms establish CSR approaches that are effective and efficient in order to drive financial performance.

CSR information for this study was purely obtained from secondary data with little use of primary data which may also be significant in measuring the firm's CSR level. So there could be a lot of information about the telecommunication firms CSR that was not captured in the study that needs to be incorporated in further studies. The study also recommends the need to incorporate employee productivity, sales, market share and company image to enhance financial performance in the telecommunication industry.

5.5 Limitations of the study

It may have been difficult to find certain type of data considered sensitive. However, the research gave firm assurance to the participants on confidentiality and non-disclosure of information provided. The assurance was that the information provided would only be used for academic purposes.

Some respondents took long time to complete the questionnaire however the researcher emphasized the importance of completing the questioner as scheduled. To ensure timely collection of the data, the researcher took the respondent through the questioner for more clarity.

5.6 Suggestions for further research

Research should be carried out on the stakeholder and customer perception of CSR initiatives within the telecommunication industry. There is a need to establish whether the CSR initiatives meet their goal and benefit their beneficiaries as well as establish their sustainability. In addition, there is a need to establish whether the customers use company products due to its CSR initiatives or as a result of product diversity, quality customer service among others.

Further research is recommended on the effect of CSR on the performance top 100 SMEs and telecommunication firms but using data as obtained from the management accounts or the accounting system. The information provided should also be compared with other sources to determine the accuracy and consistency of the same. This will lead to more accurate and reliable results.

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APPENDIX ONE: INTERVIEW GUIDE

EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON ORGANISATIONS' PROFITABILITY OF THE TELECOMMUNICATION FIRMS LISTED ON NAIROBI STOCK EXCHANGE.

This research is meant for academic purpose. You're kindly requested to provide answers to these questions honestly and precisely as possible. Responses will be treated with utmost confidentiality. Please tick [√] appropriate or fill in the required information on the spaces provided.

SECTION A: OVERVIEW OF THE CSR ACTIVITIES

- 1. What are the main CSR programs undertaken by your organisation?

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- 2. Who are the beneficiaries of your CSR programs?

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SECTION B: CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES

1. To what extent do you understand Corporate Social Responsibility Programmes in your organisation? Please rank between 1-5 (5 being the highest).

Not at all	Small Extent	Not Sure	Some Extent	Large extent

SECTION C: INCREASED EMPLOYEE PRODUCTIVITY

2. To what extent do you agree that corporate social responsibility programmes leads to increased employee productivity which impacts organisations' financial performance? Please rank between 1-5 (5 being the highest priority).

Process	Strongly Agree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
Increased employee productivity	①	②	③	④	⑤

4b. According to you how does increased employee productivity impact organisations' financial performance?

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SECTION D: IMPROVED SALES AND INCREASED PROFITS

3. To what extent do you agree that corporate social responsibility programmes leads to Improved sales and increased profits which impacts organisations' financial performance? Please rank between 1-5 (5 being the highest priority).

Process	Strongly Agree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
Improved sales and increased profits	①	②	③	④	⑤

5b. According to you how does improved sales and increased profits impact organisations' financial performance?

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SECTION E: GROWTH OF MARKET SHARE OR ACHIEVEMENT OF STRATEGIC GOALS

4. To what extent do you agree that corporate social responsibility programmes leads to a growth of market share or achievement of strategic goals which impacts organisations' financial performance? Please rank between 1-5 (5 being the highest priority).

Process	Strongly Agree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
Growth of market share or achievement of strategic goals	①	②	③	④	⑤

6b. According to you how does growth of market share or achievement of strategic goals impact organisations' financial performance?

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SECTION F: IMPROVED COMPANY IMAGE, REPUTATION, AND IDENTITY

5. To what extent do you agree that corporate social responsibility programmes improve company image, reputation, and identity which impacts organisations' financial performance? Please rank between 1-5 (5 being the highest priority).

Process	Strongly Agree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
There is Improved Company Image, Reputation, and Identity	①	②	③	④	⑤

- 7b. According to you how does improved company image, reputation, and identity impact organisations' financial performance?

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Thank you for your participation in this study.

APPENDIX TWO: LIST OF TELECOMMUNICATION FIRMS IN KENYA

6. A D A Ventures Ltd
8. Abracha Quick Telephone Services
10. ACP Telecom Ltd
12. Adrian Kenya Ltd
14. Adtel Phone Co Ltd
16. Africom and Data Solutions Ltd
18. Afrisec Telecoms
20. Airport Business Centre Ltd
22. Airtel Networks Kenya Ltd
24. Airtime Business Solutions
26. Alan Dick & Co (E A) Ltd
28. Alcatel-Lucent (E. A.) Ltd
30. Alfa Solutions Ltd
32. Alphatech Logistic Ltd
34. American Communication Technologies Ltd
36. Amiran Communications Ltd
38. Antco Automation & Telecommunication
40. Aquascope Services
42. Aster Global Services Kenya Ltd
44. Away Trading Co i
46. Beamspot Communications
48. Beaver Telecommunications Systems Ltd
50. Bell International (K) Ltd
52. Bellamy Trading Co
54. Best Telecom Ltd
56. Better SMS Ltd
58. Bon Voyage Ltd
60. Broadband Communications Network Ltd
62. Brolaz East Africa Ltd
64. Brulto Trading Co. Ltd
66. Bzed Networks Ltd
68. Capital Airtime Ltd
70. Carsil Ltd
72. Chirema Telecommunications Ltd
74. Com Twenty One Ltd
7. East African Marine Systems Ltd
9. Echonove Communication Limited
11. EEA Kenya Ltd
13. Electrocom Systems Services Ltd
15. Electronic & Transmission Media
17. Electronic Power & Communications
19. Emtel (K) Ltd
21. Ericsson Kenya Ltd
23. Espeed Technologies Ltd
25. Essar Telecom (K) Ltd
27. Flexenclosure (K) Ltd
29. Fones Direct Ltd
31. Four Winds Communications Ltd
33. Fracom Sales and Service
35. Galexon (K) Ltd
37. Geopath.net
39. GES Engsales (Kenya) Ltd
41. Gilgil Telecoms Industries Ltd
43. Global Telecomms Ltd
45. Goldrock International Enterprises (K) Ltd
47. Green Future
49. GSM systems East Africa
51. Hilltop Communication & Engineering Ltd
53. HitechRadioCall Services Ltd
55. Holistic Communication
57. Huawei Technologies (K) Co. Ltd
59. Hyde Park Communications Ltd
61. Icom Technologies Ltd
63. Icon Telesec Services Ltd
65. Indigo Telecom Limited
67. Intel Networks
69. Interactive Media Services
71. Intrade Africa Ltd
73. iPhone Global Ltd
75. IT Africa OfficeSuite

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| 76. Communications Carrier Ltd | 77. Jamii Telecommunications Ltd |
| 78. Complex Telecom Services | 79. Jays Call Mobile Co Ltd |
| 80. Comtec Group (2007) Ltd | 81. Jumbo Telecommunications Ltd |
| 82. Copper Fibre& Radio Technologies Ltd | 83. Kehuco (K) Ltd |
| 84. Cyfra Communications (K) Ltd | 85. Kenpat Communications Ltd |
| 86. Danas Investment Co Ltd | 87. Kenvah Limited |
| 88. Dansue Communication Services | 89. Kenya Auto Electrical Ltd |
| 90. Dial Africa Ltd | 91. KilimanjarosNetcoms Ltd |
| 92. Diamant Systems Ltd | 93. Kimunje Enterprises |
| 94. Digital Media Aggregator Ltd | 95. Kiun Communication Ltd |
| 96. Discovery Products (EA) Limited | 97. Lake Sango |
| 98. Dove Communication Services | 99. Lake Systems Limited |
| 100. E P Communications Ltd | 101. Laser Infrastructure & Technology Solution |
| 102. E-Talk Wireless Ltd | 103. Legend Telecommunication Service |
| 104. EAST AFRICAN CABLES LTD | 105. Legusa Communications |
| 106. Lekha Enterprises | 107. Reime (K) Ltd |
| 108. Linksoft Communications Systems | 109. Reman Network Services Ltd |
| 110. Liquid Telecom Kenya | 111. Rijona Enterprises |
| 112. Lizzie Hope Springs | 113. Rimco Communications Ltd |
| 114. Lyntone Communication Systems | 115. Safaricom Ltd |
| 116. Marge Enterprises Ltd | 117. Sagem Communication |
| 118. Marson Electronics Ltd | 119. Sageo Technologies Ltd |
| 120. Masaba Services Ltd | 121. Samchi Telecommunications Ltd |
| 122. Mbagu Enterprises Ltd | 123. Samkolit Kenya Ltd |
| 124. Metsec Cables Ltd | 125. Sea Submarine Communications Kenya Ltd |
| 126. Midcom Ltd | 127. Servtel Communications Ltd |
| 128. Minds Communication | 129. SITA |
| 130. Mitchelsat Communications Ltd | 131. Smoothtel& Data Solutions Ltd |
| 132. Mixcom Solutions | 133. Sol Cellular (K) Ltd |
| 134. Mobile Phones Warehouse Ltd | 135. SolitonTelmec Ltd |
| 136. Mobitech (K) Ltd | 137. Solunet Business Solutions Ltd |
| 138. Mokir Enterprises | 139. South Keyboll Television Network Ltd |
| 140. Morse Telecommunications Ltd | 141. Spacewave Technologies |
| 142. MTN Business Kenya Ltd | 143. Spectrum Engineering Ltd |
| 144. NEC Africa (PTY) Limited | 145. St John's Telephone Bureau |
| 146. Neptune Telecoms (K) Ltd | 147. Switching Products (Kenya) Ltd |
| 148. Netforce Ltd | 149. Symbiotic Media Consortium |
| 150. Netphone Services | 151. Systems Reliability Ltd |
| 152. Nimutelcomm Engineering Systems Ltd | 153. Talkom Communication Group |

154. Nokia Telecom Corporation Ltd
156. Norpacom& Data Solutions Ltd
158. Nuhu Agencies
160. Old East African Trading Co Ltd
162. Omini Ventures Ltd
164. Onfon Media Ltd
166. Onmobile Kenya Telecom Limited
168. Optima (E.A) International Ltd
170. Orison Tech Ltd
172. Pamu Communications Ltd
174. Pathfinder Communications Systems
176. Pegrume Limited
178. Pete Aviation & Electronics Ltd
180. Phone Comm Trading Co
182. Phonemasters Ltd
184. Phonetel Kenya Ltd
186. Pic Telecomms Ltd
188. Ping Agencies
190. Pneumatics Kenya Ltd
192. Popote Wireless
194. Pre-Ed Enterprises Ltd
196. Pricofax Office Services
198. Professional Digital Systems Ltd
200. Progressive Technologies Ltd
202. Quantum Wireless Technologies Ltd
204. Radmark Technologies
155. Team Ltd
157. Telfrique Ltd
159. Telco Solutions Ltd
161. Telea (Kenya) Ltd
163. Telecommunications Solution Centre
165. Telnetcom Ltd
167. Terrgin Communication Services
169. Tespok Ltd
171. Tnine Smart Generation Electronics
173. Touchline Technologies Ltd
175. Ushindi Communications Ltd
177. Venus Communication Services
179. View Point Communication Ltd
181. Vinkam (K) Ltd
183. Vinste Electronics Ltd
185. Voacom Network Ltd
187. VTS Foneworx Ltd
189. Wasp Africa Ltd
191. Webb Industries Ltd
193. Wen Communications Ltd
195. Widespec Communication Ltd
197. Wilken Group of Companies
199. Wiresky Communication Ltd
201. Woodbine Co. Ltd
203. Xantic Solutions Ltd
205. Zinia Trading Co Ltd
206. ZTE (K) Ltd