

**EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL
PERFORMANCE OF COMMERCIAL BANKS IN MIGORI COUNTY, KENYA**

IMMACULATE AWINO

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS
ADMINISTRATION DEGREE IN ACCOUNTING OF MOUNT KENYA
UNIVERSITY**

JUNE 2024

DECLARATION AND APPROVAL

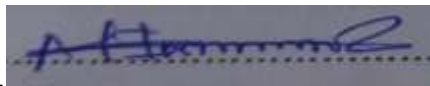
Declaration by the Student

This research project is an original intellectual creation that has not been previously submitted to any educational institution for academic acknowledgment. Reproduction of any part of this proposal is prohibited without getting the author's clear written permission.

IMMACULATE AWINO

MBA/2022/46553

Signature...



Date: May 25, 2024

Approval by the Supervisor

I hereby approve this research project as having been carried out by the candidate under my supervision.

Signature



Date ...May 25, 2024

DR. ROBERT OMBATI

LECTURER

SCHOOL OF BUSINESS AND ECONOMICS

SOUTH EASTERN KENYA UNIVERSITY

DEDICATION

I dedicate this research work to my lovely husband, Erick George Odhiambo my children Elianne Millie Odhiambo, Eddie John Odhiambo and Pr. Berine Otieno Ngore.



ACKNOWLEDGEMENT

I express my profound appreciation to the divine being for granting me the physical and mental strength required to successfully complete this study project. I am deeply grateful to my supervisor, Dr. Robert Ombati, whose outstanding counsel has played a crucial role in the success of this study. Lastly, I would like to convey my gratitude to all the faculty members whose profound knowledge and skills have greatly contributed to the successful culmination of this project. May everyone be bestowed with divine blessings.



ABSTRACT

Prior studies have demonstrated that allocating resources towards Corporate Social Responsibility (CSR) initiatives yields advantages for organizations by enhancing consumer views. Nevertheless, there is limited knowledge regarding the impact of various forms of corporate social responsibility (CSR) expenditures on the financial performance of banks, particularly in developing nations such as Kenya. The objective of this study is to investigate the correlation between corporate social responsibility (CSR) investment and the financial performance of commercial banks in Migori County, Kenya. It specifically analyzes the effects of establishing financial literacy initiatives, employee volunteering, educational sponsorships, and contributions to community health programs on bank performance. The study is based on the principles and concepts of Social Cost Theory, Stakeholder Theory and Agency Theory. The study employs a descriptive research approach, specifically targeting 10 commercial banks located in Migori town. The sample consists of 135 employees distributed across different departments. A total of 49 respondents were given questionnaires, and the data analysis involved the use of descriptive and inferential statistical techniques. A census methodology was utilized to engage all 10 branch managers in this investigation. Data collection was expedited by distributing questionnaires to 49 participants, thus allowing for quantitative analysis. After collecting the data, we employed both descriptive and inferential statistical methods. The study discovered that the involvement of employees in volunteering activities within the community, such as supporting community health initiatives, education programs, and providing financial literacy, had a substantial impact on the financial success of these commercial financial institutions. The study found that these corporate social responsibility (CSR) activities and programs have an impact on the connection between enterprises and their stakeholders, including suppliers, clients, and the donor community. Furthermore, CSR activities and programs also improve corporate reputation and increase sales. In order to enhance the visibility and improve the coordination of corporate social responsibility (CSR) initiatives, it is imperative for commercial banks' management to augment the financial resources allocated to the CSR fund. The report suggests that the existing Corporate Social Responsibility initiatives should be broadened to address increasing societal concerns. Additionally, it proposes involving a larger number of employees and extending the program's reach outside Migori County.

TABLE OF CONTENTS

DECLARATION AND APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	viii
LIST OF FIGURES	ix
CHAPTER ONE: INTRODUCTION.....	1
1.0 Introduction.....	1
1.1. Background to the Study	1
1.2 Statement of the Problem.....	6
1.3 Purpose of the Study	8
1.3.1 Specific Objectives	8
1.3.2 Research Questions.....	8
1.4 Significance of Study.....	9
1.5 Scope of the Study	10
1.6 Limitations of the Study	10
1.7 Assumptions of the study	11
1.8 List of Abbreviations and Acronyms.....	12
CHAPTER TWO: LITERATURE REVIEW	13
2.1. Introduction.....	13
2.2. Theoretical Review	13
2.2.1. The Theory of Social Costs	13
2.2.2. Stakeholder Theory.....	15
2.3. Empirical Literature Review.....	21
2.4 Conceptual Framework.....	36
CHAPTER THREE: RESEARCH METHODOLOGY	39
3.2 Research Design	39
3.3 Population and Sampling Design	39
3.3.1 Population	39
3.3.2 Sampling Design.....	40
3.3.3 Sampling Procedure.....	40
3.4 Data Collection Instrument.....	42
3.5 Validity and Reliability of instruments	42

3.5.1 Validity of the Instruments	42
3.5.2 Reliability of the Instrument	43
3.5 Data Collection Procedures	43
3.6 Data Analysis Methods.....	44
3.7 Ethical Consideration.....	44
CHAPTER FOUR	46
RESEARCH FINDINGS AND DISCUSSIONS	46
4.1 Introduction.....	46
4.2 Questionnaire Return Rate.....	46
4.3 Demographic Characteristics of the Respondents	46
4.4 Financial Performance	49
4.5 Employee volunteering in community activities and financial performance of Commercial Banks	51
4.6 Providing Financial Literacy initiatives and financial health and performance of Commercial Banks	55
4.7 Assisting community Health initiatives and financial health or performance of Commercial Banks	59
4.8 Supporting Education Programs and financial health and performance of Commercial Banks	64
CHAPTER FIVE	70
SUMMARY, CONCLUSION AND RECOMMENDATIONS	70
5.1 Introduction	70
5.2.1 Employee Volunteering and Financial Performance	70
5.2.2 Support on Community Health and Financial Performance.....	71
5.2.3 Support on Education Programs and Financial Performance Education.....	72
5.2.4 Offering Financial Literacy to Community and Financial Performance	73
5.3 Conclusion of the Study	74
5.4 Recommendations of the Study.....	76
5.5 Suggestions for further Research.....	77
REFERENCES	78
APPENDICES.....	81
APPENDIX 1: CONSENT FORM FOR PARTICIPATION IN RESEARCH.....	81
APPENDIX 2: QUESTIONNAIRE	83

LIST OF TABLES

Table 4.1: Financial Performance (ROA) For the last 5 years.....	41
Table 4.2 Employee volunteering in community activities and financial performance of Commercial Banks	51
Table 4.3 Employee volunteering in community activities and Financial performance of Commercial Banks	54
Table 4.4 Offering Financial Literacy Programs and financial performance of Commercial Banks	55
Table 4.5 Correlation results for Offering Financial literacy and Financial performance.....	58
Table 4.6 Contribution to Community health	60
Table 4.7 Contribution to Community health and Financial performance of Commercial Banks	64
Table 4.8 Supporting Education Programs and financial performance of Commercial Banks	Error! Bookmark not defined.
Table 4.9 Correlation results for Supporting Education Programs and Financial performance	68

LIST OF FIGURES

Figure 4.1 Gender of the Respondents	47
Figure 4.2 Respondents Distribution by Age	47
Figure 4.3 Distribution by Level of Education.....	48
Figure 4.4 Duration of Service to the Organization	49



ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CFP	Corporate Financial Performance
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
DF	Degrees of freedom
GDP	Gross Domestic Product
KBA	Kenya Bankers Association
MBA	Master of Business Administration
Min	Minimum
Max	Maximum
NPBT	Net Profits before Tax
NPM	Net Profit Margin
NSE	Nairobi Securities Exchange
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
SCB	Standard Chartered Bank
SCSR	Strategic Corporate Social Responsibility
Sig	Significance
SME	Small and Medium Enterprises
<u>Std</u>	Standard deviation
UK	United Kingdom

CHAPTER ONE: INTRODUCTION

1.0 Introduction

This chapter covers a number of important topics, including the research's historical background, the issues that motivated the investigation, the main objectives that will guide the work, the specific objectives to be met, the questions that the study aims to answer, the study's contributions to the body of knowledge, the boundaries that will surround the work, the limitations and exclusions that will specifically affect the scope of the work, and definitions for technical terms used throughout the work.

1.1. Background to the Study

Corporate Social Responsibility (CSR) has emerged as a significant concept in the corporate world, representing a company's guarantee to function in a socially, economically, and environmentally maintainable manner (Hu, & Scholtens, 2014). This commitment transcends profit maximization and encompasses a broader spectrum of responsibilities towards society and the environment. The evolution of CSR reflects the changing expectations of stakeholders and the increasing recognition that businesses must play a pivotal role in addressing global challenges (Orazalin, 2019). The idea of CSR, or Corporate Social Responsibility, also entails the voluntary commitment of corporations to integrate social and environmental concerns into their fundamental values and operational procedure

The concept of CSR has roots that can be traced back to the early 20th century, when businesses began to acknowledge their social obligations. However, it was in the latter half of the century that CSR gained prominence. The 1950s and 1960s marked the beginning of modern CSR, with scholars like Howard Bowen advocating for the social

responsibilities of businessmen. The 1970s and 1980s saw the development of CSR theories and models, such as Carroll's Pyramid of CSR, which outlines economic, legal, ethical, and philanthropic responsibilities of businesses. In the 21st century, CSR has evolved into a comprehensive framework that integrates various dimensions of sustainability and corporate ethics. Globalization, environmental concerns, and social activism have further propelled the importance of CSR, leading to the development of international standards and guidelines such as the United Nations Global Compact and the ISO 26000 (Ho, Liang, & Tumurbaatar, 2019).

According to Nave and Ferreira, (2019) Corporate Social Responsibility is an essential aspect of modern business ethics, reflecting the evolving expectations of society and the growing recognition of the interdependence between businesses and their external environment. While challenges remain, the benefits of CSR in terms of reputation, risk management, employee satisfaction, innovation, and market opportunities are compelling. As businesses continue to integrate CSR into their core strategies, they contribute to a more sustainable and equitable global economy. In fact, Carroll & Shabana, (2010) posit that Corporate Social Responsibility (CSR) has emerged as a critical aspect of business strategy globally.

CSR among commercial banks in the UK is an evolving field, with increasing emphasis on integrating social, environmental, and ethical considerations into core business strategies. Afrin, et al., (2020) established that Corporate Social Responsibility (CSR) among most of the commercial banks in the United Kingdom encompasses a range of initiatives and practices aimed at promoting ethical behavior, environmental sustainability, and social well-being. For environmental sustainability, these financial institutions are increasingly offering green loans, green bonds, and other financial

products aimed at supporting environmentally friendly projects and businesses (Igwe, Icha-Ituma, and Madichie, 2018). Also, many of these banks are committing to reducing their own carbon emissions and promoting sustainable practices within their operations. They also help in supporting and investing in renewable energy projects is a major focus. Moreover, these banks often engage in local community projects, support charities, and sponsor events that benefit the public. Akhtar, Shah, and Hassan, (2022) also established that Lloyds Banking Group emphasizes inclusion and diversity, with programs aimed at supporting mental health, financial literacy, and digital inclusion. In South Africa, most of its commercial banks are involved in the integration of social and environmental concerns in their business operations and interactions with stakeholders. In fact, Nyeadi, Ibrahim, and Sare, (2018) established that South African banks have recognized the importance of CSR as a way to contribute to sustainable development, enhance their reputation, and build trust with customers and the community. For instance, source found that Standard Bank and Absa bank of South Africa as part of their CSR programs mainly focus on community development, education, and environmental sustainability. They also partner with schools and universities to enhance education quality and accessibility.

CSR activities by commercial banks in Uganda are diverse and aim to address various social, economic, and environmental challenges, contributing to the sustainable development of the country (Kakuba, Namanya, & Noel, 2023). In fact, commercial banks in Uganda has been gaining traction as these institutions recognize the worth of contributing to the socio-economic development of the societies they serve. Dennis, Noel, and Namanya, (2023) established that many Ugandan banks are involved in community improvement projects, such as construction of schools, healthcare facilities,

and community centers. For instance, Stanbic Bank Uganda engages in educational support programs, including scholarships and school renovations. They also support health initiatives and environmental conservation efforts, DFCU Bank focuses on empowering women through the “Women in Business” program, and supports community health and educational projects, while Centenary Bank has numerous CSR activities including supporting education, health, and environmental sustainability projects.

In Kenya, the commercial banking sector has increasingly integrated CSR into its operations, driven by a combination of regulatory expectations, stakeholder pressures, and the recognition of CSR as a pathway to sustainable growth. Businesses primarily exist to create value by meeting the demands of society for products and services. Contemporary understandings of CSR suggest that businesses should actively incorporate social and environmental factors into their operations and interactions with stakeholders. Recently, there has been a trend towards integrating CSR ideas into the philosophy and daily operations of organizations. Carroll's 1991 framework categorizes CSR efforts into four basic areas: financial obligations, adherence to regulatory requirements, ethical considerations, and philanthropic initiatives. This framework highlights the importance for corporations to maintain a balance between several duties, including generating profits, complying with legal requirements, upholding ethical standards, and engaging in humanitarian efforts. Corporate Social Responsibility (CSR) is based on the interdependence between business and society, with an emphasis on the way firms engage with important stakeholder groups such as employees, investors, consumers, suppliers, domestic communities, and organizations with precise interests.

According to Porter and Kramer (2002), adopting a strategic approach to corporate social responsibility (CSR) can greatly improve a company's competitive advantage. Since the 1960s, this problem has been the focus of continuous discussion, as pointed out by McWilliams and Siegel (2000). According to Windsor (2001), engaging in corporate social responsibility (CSR) initiatives can lead to higher expenses and potentially harm competitiveness. However, McWilliams and Siegel argue that achieving great financial performance can generate the necessary funds for making environmental and social enhancements. Huffman (2007) argues that achieving financial success typically results in improved social performance, rather than the opposite. Similarly, Waddock and Graves (1997) posit that there is a cyclical correlation, between CSR and financial outcomes. The widely held belief is that CSR brings tangible benefits, such as financial growth, which is highly valued by shareholders. CSR activities have grown commonplace in the Kenyan financial sector, mostly as a result of regulatory pressures and increased public scrutiny in the wake of global financial crises and cases of banking misconduct. The difficulties faced by banks have prompted them to explore methods of restoring public confidence and establishing clear and open business models, as emphasized by Karaibrahimoglu (2010). As a result, there is now a greater emphasis on corporate social responsibility (CSR) as a means to drive product innovation, facilitate growth, and mitigate risks. The increased recognition of the influence of corporate activities on society has resulted in a rise in interest in banks, considering the current financial environment.

The integration of CSR practices into the operations of commercial banks in Kenya is not merely a philanthropic endeavor but a strategic approach that can significantly impact financial performance. By investing in community projects, promoting

environmental sustainability, ensuring employee welfare, and upholding ethical governance, Kenyan banks can enhance their reputation, manage risks, achieve operational efficiencies, boost employee productivity, and attract investment. As the global emphasis on sustainability and corporate responsibility continues to grow, the proactive adoption of CSR will be crucial for the sustained financial success of banks in Kenya.

Recently, Kenyan commercial banks have been remarkably engaged in their corporate social responsibility (CSR) programs. Proof of this can be discovered in their annual reports and online platforms, where they provide comprehensive information on their corporate social responsibility initiatives. These activities encompass a wide range of sectors, including education, financial literacy, leadership, agriculture, entrepreneurship, health, and environmental innovation, protection, and community development. Nevertheless, the relationship between corporate social responsibility (CSR) and financial performance in this industry has not been well investigated and lacks sufficient documentation. Due to the absence of solid evidence, this study seeks to investigate the influence of corporate social responsibility (CSR) initiatives on the financial progress and performance of commercial financial firms operating in Migori County, Kenya.

1.2 Statement of the Problem

Modern firms under mounting pressure to fulfill many stakeholder prospects, including those from regulatory authorities, the general public, and clients, to achieve success. Corporate social responsibility (CSR) is a fundamental concept in global business, emphasizing the idea that companies should strive to achieve a balance between profitability and societal well-being (Dennis, Noel, & Namanya, 2023).

Effective corporate social responsibility (CSR) management has found to be beneficial for many large organizations as it aligns with their business objectives, improves their reputation, and eventually leads to increased shareholder value and overall financial strength. There is a diverse range of research that examines the correlation between corporate social responsibility (CSR) and corporate financial performance (CFP).

Although there is some discrepancy in the findings of various studies, there is a general agreement that further research is necessary to elucidate this association. Several scholarly analyses (Afrin et al., 2020; Ho, Liang, & Tumurbaatar, 2019; Dennis, Noel, & Namanya, 2023; Nyeadi, Ibrahim, & Sare, 2018) have revealed a strong link between CSR and corporate fiscal outcome or performance (CFP). Subsequent studies, which took into account variables such as 'Social Pressure,' revealed that this association becomes neutral. Subsequent investigations conducted by various academics have discovered a robust or impartial correlation between Corporate Financial Performance (CFP) and Corporate Social Responsibility (CSR), employing diverse financial indicators such as Return on Assets (ROA). Other studies indicate that implementing Corporate Social Responsibility (CSR) practices might enhance a company's competitiveness, hence potentially improving its financial success. Studies conducted in Kenya have examined the correlation between corporate social responsibility (CSR) and financial performance, but the results have not provided a definitive conclusion.

Prior studies have demonstrated both substantial and negligible impacts of Corporate Social Responsibility (CSR) on the financial results of different sorts of entities, including commercial banks. This research discrepancy in Kenya and yonder emphasizes the necessity for additional investigation on this subject. Hence, this research aims to investigate the influence of corporate social responsibility (CSR)

initiatives on the fiscal performance of commercial banks, with a specific emphasis on firms operating in Migori County, Kenya.

1.3 Purpose of the Study

The current study aimed to examine the impact of CSR on the financial health of commercial banks operating in Migori County, Kenya.

1.3.1 Specific Objectives

- i. To assess the impact of staff participation in community volunteering activities on the financial progress of Commercial Banks operating in Migori County, Kenya.
- ii. To determine the impact of financial literacy initiatives on the financial progress of Commercial Banks operating in Migori County, Kenya.
- iii. To evaluate the impact of educational support on the financial health and progress of Commercial Banks operating in Migori County, Kenya.
- iv. To find out the impact of contributing to community health on the financial performance and progress of banks operating in Migori County, Kenya.

1.3.2 Research Questions

- i. What is the impact of staff participation in community volunteering activities on the financial progress of Commercial Banks operating in Migori County, Kenya?
- ii. What is the impact of financial literacy initiatives on the financial progress of Commercial Banks operating in Migori County, Kenya?
- iii. What is the impact of educational support on the financial health and progress of Commercial Banks operating in Migori County, Kenya?

- iv. What is the impact of contributing to community health on the financial performance and progress of banks operating in Migori County, Kenya?

1.4 Significance of Study

The findings of this study will provide significant knowledge for different parties involved in the monetary industry, including commercial banks. Managers contemplating the implementation of CSR activities will find this report valuable for making well-informed decisions.

Investors and financial specialists responsible for assessing organizational performance will develop a sophisticated comprehension of the relationship between corporate social responsibility (CSR) and financial performance, which can impact investment decisions. The research aims to enhance the current understanding of the function of Corporate Social Responsibility (CSR) in the banking industry, specifically its relationship with financial sustainability. The study seeks to provide practical suggestions for firms in many industries that are contemplating the incorporation of socially responsible practices into their business plans.

The research will be advantageous to the academic community, especially those with a focus on banking. This study will provide insights into the impact of corporate social responsibility (CSR) efforts on the financial performance of a financial institution. This knowledge is essential for investors when making decisions.

This study will also add to the increasing focus on ethical factors in the assessment of firm performance, in line with principles established in previous research. Furthermore, this research will establish itself as a fundamental source for future scholarly

investigations into the influence of CSR on financial performance, providing a fresh benchmark for inquiries in related disciplines.

1.5 Scope of the Study

The present study specifically examined the impact of CSR on the financial health and progress of commercial banks operating only within Migori County in Kenya. More precisely, the study focused on four main corporate social responsibility (CSR) activities that these banks engage in: programs to promote financial literacy, assistance for education, staff volunteer activity, and contributions to public health. This research was limited to commercial banks that operate in Migori Town. Moreover, the financial performance analysis covers a period of five years, specifically from 2018 to 2022.

This study focuses on four main variables to analyze performance owing to resource limits. The chosen measures, namely return on equity, return on investment, total profit, and net profit margin, have been selected based on their apparent significance to the CSR activities under investigation.

1.6 Limitations of the Study

The current study sought to examine the correlation between CSR and monetary health and performance in the commercial finance industry in Kenya. An important challenge in this research is the secretive nature of resource allocation inside these institutions, which could result in limited access to vital data. In order to tackle this issue, the questionnaire was specifically crafted to place less emphasis on delicate financial topics and instead prioritize corporate social responsibility (CSR) initiatives.

In order to address any concerns regarding confidentiality, the study's objective was clearly conveyed to the participants, along with guarantees that all data would be kept confidential. The study's academic purpose was verified by a letter of authorization from the linked university. This letter confirmed that the acquired data was utilized exclusively for scholarly reasons and was handled with the utmost confidentiality.

1.7 Assumptions of the study

The study assumed that the involvement of commercial banks in Migori in corporate social responsibility (CSR) policies has a major impact on their financial results. Another implicit assumption is that the respondents were easily accessible and willingly provided precise and truthful information to aid the study.

1.8 List of Abbreviations and Acronyms

Commercial Bank: A commercial bank is a financial institution that provides services such as accepting deposits, granting business loans, and offering basic investment products.

Corporate Social Responsibility-This refers to a corporation's deliberate actions to assess and assume responsibility for its impact on the environment and social welfare. It also pertains to actions that exceed what is required to comply with legislation or protect the environment.

Financial Literacy- refers to the ability to understand the functioning of money in the world, including how individuals earn, manage, invest, and donate money for the benefit of others.

Financial Performance: It is an indicator of a company's ability to effectively utilize resources from its primary operation to generate profits.

Philanthropic Responsibility: Philanthropic Responsibility refers to a corporation's voluntary obligation to allocate resources towards charitable or social service initiatives, with the aim of achieving marketing and other business-related objectives that do not have clear societal expectations for performance.

Volunteerism - Engaging in acts of philanthropy, such as volunteering one's time or utilizing one's skills for charitable, educational, or other beneficial purposes, especially within one's local community, is considered a policy or practice (Tuffey, 2009).

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This section provides a thorough analysis of both empirical and theoretical literature that is pertinent to the study. The study explores different theoretical frameworks related to CSR, which serve as the directing principles for this research. Subsequently, the empirical literature was carefully examined, with specific attention given to previous research that aligns with the aim of this study.

2.2. Theoretical Review

Several theoretical frameworks have been prominent in the field of CSR, despite the complex and diverse landscape of theories. The Agency Theory, Social Cost Theory, and Stakeholder Theory are well-known theories.

2.2.1. The Theory of Social Costs

The Theory of Social Costs is a fundamental concept in business that addresses the externalities or unintended side effects of economic activities on third parties or society at large. These costs are not reflected in the market prices of goods and services but have significant implications for public welfare and environmental sustainability. In 1972, Kapp, K.W proposed a theory stating that corporate operations have a significant impact on the wider environment, resulting in economic and social externalities. He supported the idea of clustering similar enterprises together in one location to reduce social costs and maximize external economies. His study established the basis for the current discussion on how corporate accountability and societal impacts overlap. The theory was later significantly developed by economist Arthur Pigou in the early 20th century and later expanded by Ronald Coase, among others.

Within this context, the difficulty lies in differentiating between societal and individual gains or losses, which constitutes a multifaceted evaluative endeavor. Meade (1973) contributed to this conversation by analyzing the primary components of social costs: their source and the degree to which these costs are incurred. This sparked significant discussions, particularly regarding the rationale for government involvement in economic matters to mitigate these societal expenses.

According to Oehmke & Opp (2024) the Theory of Social Costs provides a crucial lens through which economists and policymakers can understand and address the unintended consequences of economic activities. While Pigou's and Coase's contributions offer valuable insights into market failures and potential remedies, practical implementation remains challenging due to measurement difficulties, high transaction costs, and distributional concerns. Nonetheless, the theory continues to inform debates on environmental policy, public health, and economic regulation, emphasizing the need for a balance between market mechanisms and government intervention to achieve socially optimal outcomes. Elliott, (2021) also posit that Stakeholder Theory represents a paradigm shift in the way businesses perceive their role and responsibilities. By emphasizing the importance of all stakeholders, the theory advocates for a more inclusive, ethical, and sustainable approach to business. While it faces critiques and challenges, the principles of Stakeholder Theory offer valuable insights for building resilient, responsible, and successful organizations. As businesses continue to navigate a rapidly changing world, the relevance of considering the interests of all stakeholders is more pertinent than ever.

Coase (1960) provided more insight into the state's responsibility in addressing social costs from a distinct yet interconnected standpoint. He contended that the government

intervenes to safeguard both the country's output and the welfare of its residents, suggesting that companies may not always be accountable for social expenses, particularly if they are indirect or accidental. Coase's revolutionary concept proposed that addressing social costs is essentially a question of contractual agreements, which can be undertaken either by the commercial organization or by the government. Coase (1988) expanded on this idea by proposing that the determination of state intervention relies on the transaction costs incurred by citizens and the government.

The Theory of Social Costs provides a framework for understanding the broader implications of economic activities, including those of commercial banks. While CSR initiatives can positively impact financial performance through enhanced reputation, operational efficiency, and risk management, they also entail costs and risks that must be carefully managed. Empirical evidence suggests that the relationship between CSR and financial performance is complex and may vary based on the specific context and execution of CSR strategies. Furthermore, the significance of this theory in comprehending corporate social responsibility is firmly ingrained in these theoretical frameworks, with each providing insights into the complexities of reconciling business operations with societal demands. The current discourse in this field persists in centering on inquiries regarding assessment, government involvement, and the moral ramifications of societal expenses.

2.2.2. Stakeholder Theory

Evan and Freeman were early advocates of the stakeholder theory as a managerial idea in 1988. Evan and Freeman (1988) argued that in order for a corporation to maintain its operations in the long run, it is essential to consider the interests of all stakeholders during the decision-making process. The origin of the concept of stakeholders may be

traced back to the 1960s. However, it was R. Edward Freeman's influential work, "Strategic Management: A Stakeholder Approach," released in 1984, that established and popularized the theory. Freeman contended that corporations should not solely prioritize the maximization of shareholder wealth, but should also take into account the concerns and welfare of other stakeholders. This viewpoint arose in reaction to increasing apprehensions around corporate social responsibility, ethical conduct in business, and the ecological consequences of commercial operations.

According to Kivits, et al., (2021), stakeholder Theory is a significant framework in the field of business ethics and organizational management, emphasizing the importance of all parties that have a stake in a company's operations. Developed initially by R. Edward Freeman in the 1980s, this theory challenges the traditional shareholder-centric view of business, advocating for a broader approach to corporate responsibility that includes various stakeholders such as staffs, communities, clients, suppliers, and the environment.

The stakeholder idea in strategic management challenges standard business paradigms that predominantly prioritize shareholder value. According to Freeman (1984), the ability of a corporation to persist and thrive depends on its skillful integration of the interests of various stakeholders. This approach differs from previous viewpoints, such as Friedman's (1970), which argued that a corporation's main duty is to solely serve the interests of its stockholders (Friedman, 1970).

The stakeholder theory analyzes ethical dimensions and establishes two core principles: the notion of corporate rights and the principle of corporate impacts (Freeman and Reed, 1983). Both are based on ethical concerns that align with Kant's moral philosophy.

According to Freeman and Reed (1983), these principles state that companies and their managers are morally obligated to refrain from infringing upon the rights of stakeholders and should accept responsibility for the impact of their actions on these groups. The ethical framework of stakeholder theory has been expanded and enriched by integrating additional ethical theories to address the problem of conflicting interests among stakeholders. These include Feminist Ethics, which focuses on the concerns of marginalized stakeholders that prioritizes the overall wellbeing of all stakeholder groups (Argandoña, 1998).

Stakeholder Theory provides a comprehensive framework for understanding how CSR can influence the financial performance of commercial banks. By addressing the interests and needs of various stakeholders, banks can create value that translates into better financial outcomes. The positive impact of CSR on financial performance is multifaceted, involving enhanced reputation, risk management, operational efficiency, customer loyalty, and employee engagement. This holistic approach not only benefits the stakeholders but also ensures the long-term sustainability and profitability of the bank. Moreover, this theory posits a comprehensive approach to corporate governance, which is firmly rooted in ethical principles and encompasses a wide range of interests. It offers a strong and comprehensive structure for comprehending and maneuvering through the complex moral complexities and obligations of contemporary corporations.

2.2.3 Agency Theory

The dynamics in question can be effectively analyzed using Agency Theory, which was extensively developed by Jensen and Meckling in their famous study from 1976. This analysis explores the correlation between principals (owners) and agents (managers),

emphasizing the conflicts that develop when agents prioritize their personal interests over the interests of the principals.

Jensen and Meckling (1976) posited that the division between ownership and control inside firms gives rise to an inherent conflict of interest. Principals, who are the owners, entrust agents, who are the managers, with the right to make decisions. However, agents may not always prioritize the best interests of the owners. The conflict emerges due to the divergence in objectives between principals, who want to optimize shareholder value, and agents, who may prioritize personal benefits such as job stability or increased remuneration. Agency costs are a fundamental concept in Agency Theory. The overall costs encompass the expenses that principals bear to oversee and motivate agents, the costs that agents pay to support their welfares with those of the principals, and the outstanding loss resulting from the discrepancy between agents' actions and the optimal judgments of the principals. These expenses signify the inefficiencies and probable financial setbacks that arise from the agency dilemma.

In their 1972 work, Alchian and Demsetz examined the concepts of business organization and the importance of monitoring in order to achieve efficiency. The suggestion posits that corporations are established with the purpose of minimizing transaction costs, which includes the costs related to supervising and motivating personnel. This statement provides additional support to the concept of Agency Theory by elucidating the reasons behind the utilization of hierarchical structures and unique incentive schemes inside organizations.

Payne, and Petrenko, (2019) explains that Agency theory, a cornerstone of modern economic and organizational analysis, delves into the complexities of relationships

between principals and agents. Principals, typically shareholders or owners, delegate tasks to agents, such as managers or executives, who perform these tasks on their behalf. The theory is fundamentally concerned with the conflicts of interest that arise due to this delegation of authority and the mechanisms to mitigate such conflicts

Fama and Jensen (1983) expanded upon the discourse of the division of ownership and control, examining the functions of internal and external processes in alleviating agency issues. Shleifer and Vishny (1997) further explored the implications of Agency Theory by examining how corporate governance might help reduce conflicts of interest within organizations. They recognized that procedures including as board monitoring, market competition, and regulatory outlines are essential in guaranteeing that managers behave in the best interests of shareholders. Their investigation revealed the worldwide disparities in corporate administration standards and their influence on business performance and investor safeguarding.

Agency theory provides a robust framework for understanding and managing the principal-agent relationship, which is fundamental to the functioning of firms and other organizations. By addressing the issues of information asymmetry, aligning incentives, and implementing effective governance mechanisms, agency theory helps mitigate conflicts of interest and enhance organizational efficiency. Despite its limitations, the theory remains integral to contemporary discussions on corporate governance and organizational behavior, offering valuable tools for both scholars and practitioners.

Therefore, Agency Theory provides a valuable framework for understanding how CSR activities can impact the financial performance of commercial banks. By addressing potential conflicts of interest and aligning the interests of managers with those of shareholders, banks can implement CSR initiatives that not only contribute to societal

goals but also enhance financial performance. The key lies in strategic alignment, effective measurement, and stakeholder engagement. Additionally, the idea holds significance in the context of discussions around corporate social responsibility (CSR). As firms become more responsible for their social and environmental effects, the agency framework offers guidance on how to integrate CSR programs with shareholder value. By incorporating corporate social responsibility (CSR) goals into the metrics used to evaluate managerial performance and the structures that provide incentives, it is possible to reduce conflicts that may arise between the pursuit of maximum profits and fulfilling social obligations.



2.3. Empirical Literature Review

2.3.1 Employee volunteering in community activities on financial performance of Commercial Banks.

Employee voluntary participation in community activities is an essential component of CSR. It involves employees actively engaging in voluntary activities that contribute to the improvement of society and raise their level of participation and satisfaction. Commercial banks have the ability to participate in volunteer activities, such as arranging financial education initiatives, carrying out environmental cleanup initiatives, or offering assistance to local non-profit organizations. Empirical study investigates the influence of these activities on financial performance by analyzing the consequences of voluntary participation in community activities on profitability, brand value and operational efficiency. Several studies have investigated the relationship between voluntary participation in community activities and the financial success of commercial banks. Smith and Thompson (2018) utilized a mixed-method methodology to research on CSR and Financial Performance. The qualitative data demonstrated that the participation of employees in these events led to a significant enhancement in staff morale and engagement. Nevertheless, the study mostly concentrated on prominent metropolitan banks, resulting in a lack of comprehension regarding the effects on smaller or rural banks.

Nguyen and Tran (2019) conducted a on how community engagement would influence the bank's performance, where they employed structural equation modeling (SEM) to examine how banks' staff volunteering in the community mediates the connection between community engagement and financial success. The findings indicated that staff volunteering played a key role in connecting community involvement activities with

financial performance. Banks that actively promoted volunteerism experienced improved financial results. Nevertheless, the study did not thoroughly investigate the enduring financial effects of employee volunteering, indicating a necessity for additional research on the viability of these advantages. Although these research offer useful insights, there are still some gaps that need to be addressed. The majority of studies has mostly concentrated on huge or metropolitan commercial banks, resulting in a limited comprehension of the effects on small sizedral banks. Furthermore, there is a dearth of analysis regarding the particular categories of volunteer work that exert the most substantial influence on financial performance. There is a lack of research on the lasting viability of the financial advantages gained from banks staff volunteering. It is important to investigate how local and cultural variations impact the efficacy of these initiatives. The present study filled these gaps by undertaking a thorough investigation of a wide range of commercial banks, investigating different forms of volunteering activities, and evaluating the lasting financial effects in various areas.

2.3.2 Banks Supporting Financial literacy programs and effects on their financial performance

Financial literacy programmes seek to improve persons' comprehension of financial principles, building their capacities to make knowledgeable choices regarding saving, budgeting, investing, and debt management. Financial literacy programmes implemented by commercial banks are thought to promote improved financial behaviours among their consumers, resulting in higher repayment rates, more savings, and stronger customer connections. These consequences are anticipated to have a favourable impact on the financial progress and performance of banks by decreasing nonpayment rates, augmenting deposits, and promoting client devotion. Multiple

researches have investigated the influence of financial knowledge programmes on the fiscal health and performance of commercial banks.

Johnson and Smith (2018) looked into Financial Literacy among the clients and its contribution on the financial Performance of Commercial Banks and revealed that clients who engaged in the bank's financial literacy programmes exhibited improved financial behaviours, resulting in elevated loan payback rates and augmented savings deposits. Nevertheless, the study highlighted a lack of longitudinal data to evaluate the lasting effects of these programmes on financial performance. Also, Lee and Kim (2019), looked at the Impact of Financial Education on financial sector performance among the commercial banks in Turkey. Using a quasi-experimental methodology, the researchers conducted a comparative analysis of financial performance metrics across banks that had adopted financial literacy programmes and institutions that had not. Their research revealed that banks implementing such programmes demonstrated notably improved financial performance indicators, such as reduced non-performing loan ratios and increased customer retention rates. Although the study revealed excellent results, it emphasised the necessity for more extensive data regarding client demographics and long-term changes in behaviour. The study "Evaluating the Effectiveness of Financial Literacy Programmes in Commercial Banks:

Garcia and Martinez (2020) also through quantitative study employed regression study to investigate the correlation between participation in financial literateness programmes and important financial performance pointers. Their findings corroborated the notion that financial knowledge programmes enhance bank performance by diminishing rate of defaults and delinquencies but augmenting consumer deposits. Nevertheless, the researchers have recognised a deficiency in comprehending the precise components of

the programmes that yielded the greatest results, indicating a necessity for further detailed investigation of the individual pieces of the programmes. Although these research have provided useful insights, there are still gaps that this study aims to fill. Prior studies have frequently been constrained by the use of data collected over a short period of time, a dearth of comprehensive demographic data, and inadequate examination of programme elements.

2.3.3 Supporting Educational Activities and Banks' Financial Performance

The relationship between educational funding programs and the financial success of banks is intricate and diverse. Essentially, this concept proposes that when banks allocate funds towards educational activities, they realise enhancements in their fiscal outcomes. These enhancements can result from a range of variables, including improved personnel skills, stronger consumer connections, and heightened community favorability. Educational support encompasses various initiatives such as employee training programmes, campaigns promoting financial literacy, scholarships, and collaborations with educational institutions. Various empirical studies have examined this link from various angles. The study conducted by Smith and Brown (2018), Employee Training and Financial progress and performance of the Commercial Banks employed a quantitative methodology utilising regression analysis. The study aimed to evaluate the financial performance of banks by comparing it before and after the implementation of comprehensive staff training programmes. The findings indicated that banks that made investments in continuous employee education witnessed substantial enhancements in their ROA and ROE. Nevertheless, this investigation identified a deficiency in comprehending the enduring viability of these enhancements and the particular forms of instruction that yield the greatest benefits. Johnson *et al.*,

(2020) researched on Financial Literacy and Bank Performance, and utilised a mixed-methods technique, which involved the use of questionnaires and analysis of financial performance data. The findings of this study indicate that community banks who provide financial literacy programmes have increased rates of deposit growth and client retention. Although the study found favourable results, it emphasised the necessity for more comprehensive data in order to ascertain the primary cause and assess the influence of different financial literacy programmes. The study by Lee and Kim (2019) looked at the wider scope of CSR, specifically highlighting the importance of educational assistance. The researchers employed a qualitative case study methodology to investigate many banks that are recognised for their corporate social responsibility (CSR) initiatives. The results indicated that banks that had robust educational support programmes not only saw improvements in their financial performance but also had enhancements in their reputational capital. Nevertheless, the study identified a lack of empirical information concerning the direct monetary advantages of particular educational programmes in comparison to other types of corporate social responsibility (CSR). The goal is to determine the particular categories of educational fundings that yield the greatest benefits and to assess their long-term effects. Furthermore, its objective is to create a more definitive relationship between educational assistance and financial success, overcoming the shortcomings of prior research that mostly concentrated on immediate results and lacked a thorough analysis of various educational approaches.

2.3.4 Supporting community health projects and programs and Commercial Banks' performance

Corporate social responsibility (CSR) in commercial banking involves several aspects, such as activities focused on improving community health. This aspect of corporate social responsibility involves banks engaging in initiatives to enhance the well-being and welfare of the communities they cater to. The underlying assumption is that banks may enhance their reputation, foster client loyalty, and possibly improve their financial performance by investing in community health. This can be achieved via increased economic activity and improved customer satisfaction. Many studies have explored the relationship between offering aids and funding to community health projects and the financial success of commercial banks.

In their research on how CSR swayed the financial progress, health and performance of Kenyan Banks, Mwangi and Jerotich (2013) conducted a study. The researchers employed a hybrid methodology, integrating qualitative interviews findings with quantitative analysis of financial data was obtained from Kenyan institutions. Their research found a direct correlation between corporate social responsibility (CSR) efforts, which include activities connected to health, and improved financial performance. This suggests that banks that prioritize strong CSR projects are more likely to achieve higher profitability.

Kaur and Vohra (2016) did a significant research looking at how CSR impacted Financial Performance of Indian Banks. The study used panel data regression analysis and revealed that when banks participate in community health projects and other corporate social responsibility (CSR) efforts, it has a favorable effect on financial performance measures. This highlights the important role of CSR in strengthening financial results. In addition, Rahman and Post (2012) conducted a study to look into how CSR influenced Bank Financial Performance in Developing Markets. Using a

comparative case-study approach to analyze banks in different emerging economies, the research indicated that banks that allocated resources to improve community health had better financial results in comparison to banks that did not, highlighting the significance of corporate social responsibility (CSR) in promoting a competitive edge and distinguishing themselves in the market. Although these findings are useful, there are still some gaps in the current research. Significantly, there was a lack of long-term research that monitor the lasting effects of contributions on community health programs and its effects on financial performance, since most existing studies are of a one-time analysis. Moreover, it is necessary to conduct additional research on the specific mechanisms via which health initiatives in communities lead to financial benefits for the banks.

Marcia, Otgontsetseg, and Hassan (2013) carried out a research to examine the extent to which US commercial banks were actively pursuing social responsibility. They also investigated whether there were any changes in their socially responsible activities following the financial crisis, and whether these actions were being recognized and rewarded. Their research revealed that US commercial banks were not making significant efforts to embrace social responsibility. The study examined the advantages and challenges of CSR by using publicly available data on CSR. Based on the study results, bigger banks have consistently shown higher levels of corporate social responsibility (CSR) strengths and concerns during the whole sample period. Furthermore, research demonstrated that the strengths of corporate social responsibility (CSR) had risen, while concerns about CSR had significantly declined after the resolution of the financial crisis. The study results indicate that banks with higher profitability, higher capital ratios, and lower deposit fees had stronger CSR strengths.

The study also discovered that corporate social responsibility (CSR) was much more pronounced in financial organizations with a higher proportion of women and individuals from underrepresented groups serving on their boards of directors. Upon examining the correlation between corporate social responsibility (CSR) and bank performance, the researchers found that bigger banks were clearly benefiting from their commitment to social responsibility. This was evident from the positive and significant relationship seen between CSR ratings and both size-adjusted return on assets (ROA) and return on equity (ROE). Consequently, the researchers concluded that the banking sector seems to provide rewards for corporate social responsibility (CSR). Consequently, following the financial crisis, the major banks, who were accused of favoring their own interests over those of their clients and the entire financial system, endeavored to restore their reputations by participating in socially responsible endeavors. Research demonstrated a positive correlation between the banks' growing involvement in socially responsible activities and their improved financial performance.

Lorraine (2009) conducted a research using structural equation modeling to investigate the relationship between corporate social responsibility (CSR) and financial performance. The research findings indicated that all participants were acquainted with the term "corporate social responsibility," although not all of them employed this specific phrase. Instead, certain respondents proposed alternative expressions such as "corporate responsibility " and "corporate citizenship and sustainability." Additionally, it was noted that certain large corporations perceived the term "Social" as limiting their corporate social responsibility initiatives to those with a social focus, while some small and medium-sized enterprises (SMEs) felt that the term "Corporate" excluded smaller firms and implied that CSR is more challenging than it truly is. Regarding the

implementation of corporate social responsibility (CSR), each of the main companies under investigation has dedicated staff or departments solely focused on CSR. Conversely, none of the small or medium-sized enterprises (SMEs) had a corporate social responsibility (CSR) department. As a result, the task of overseeing CSR initiatives was delegated to senior management, often the CEO. Major firms exhibited a higher degree of formalization, strategic planning, and integration of corporate social responsibility (CSR) into all aspects of their operations, in contrast to small and medium-sized enterprises (SMEs). Lorraine (2009) noted that the concept of corporate social responsibility (CSR) differed across companies, but one commonality was that CSR was often defined based on stakeholder theory. Consequently, a firm was deemed socially responsible if it properly evaluated the interests and requirements of the specific set of stakeholders for whom it had a responsibility. There is a positive association between the size of a corporation and its corporate social responsibility (CSR) activities.

A study conducted by Carmen-Pilar, Rosa, and Lisa (2011) examined the impact of corporate social responsibility (CSR) on the financial performance of European enterprises listed in the Stoxx Europe 600 index and the Stoxx Europe Sustainability index from 2007 to 2010. The study focused on both short-term and long-term financial performance. The research was conducted from 2007 to 2010. Research indicates that the return on equity (ROE) of the firm is influenced by three key factors: the effective implementation of a corporate social responsibility (CSR) plan, the level of economic expansion in the country, and the organization's scale or magnitude. There is a strong and positive link between the CSP variable and ROE of enterprises. Hence, companies that actively pursue socially responsible practices have higher levels of Corporate Financial Performance (CFP), leading to enhanced profits for their shareholders.

Consequently, firms situated in highly developed nations exhibit much superior financial performance compared to enterprises located in less developed countries. Conversely, there was a significant and unfavorable correlation between a company's total assets and return on equity (ROE). This might be attributed to the fact that larger firms tend to possess a more intricate and formalized organizational structure, which is also more centralized compared to the organizational structures of smaller enterprises. Similar to the ROE specification, the results for ROA showed that the estimators obtained from using different models had differences in both their size and level of significance. ROE was also subject to the same situation. The study demonstrated a robust and favorable correlation between the Return on Assets (ROA) variable and Corporate Social Performance (CSP), as well as the classification of the country where the company's headquarters are situated. Conversely, there was a significant and adverse correlation between Return on Assets (ROA) and the size of the business. The results revealed a strong and statistically significant correlation between corporate social responsibility (CSR) and corporate social performance (CSP), as well as the level of economic growth in the country where the firms' headquarters are located.

Similarly, Kitzmuellery and Shimshack (2012) determined that individual preferences were the primary motivating element behind any kind of CSR. This finding was uncovered via the research conducted on the viewpoints of Corporate Social Responsibility (CSR). organizations may use strategic Corporate Social Responsibility (CSR) to optimize earnings while considering the preferences of social stakeholders. On the other hand, non-profit organizations may apply CSR to fulfill the social objectives of its shareholders. When social stakeholders have their own choices. CSR may be deemed a moral hazard for the firm only if management exceed strategic goals or shareholder

expectations in their pursuit of CSR. The study results suggest that people's choices to contribute money or participate in other types of private supply of public goods, such as charity, may be impacted by other factors beyond altruism. Possibly, elements such as societal influence, remorse or compassion, or even a basic inclination for emotional satisfaction may have an impact. Within this paradigm, there are two clear ways to CSR that may be followed. Corporate social responsibility (CSR) may be seen as a distinctive kind of investment in innovation that, in the long run, may provide a favorable outcome with a negative cost (net benefit). Furthermore, the pursuit of enhancing shareholder value, namely by increasing profits, may serve as a driving force behind corporate social responsibility initiatives. Stakeholders may have their own distinct views about social problems, the environment, or ethical matters. Corporate social responsibility (CSR) operates on the assumption that social or environmental choices are already there and instead emphasizes the connections between firms and their many stakeholders. The study examined dubious manifestations of benevolence in a structured environment and identified a wide array of effects. The research specifically examined the invariance proposition of public goods, the essential conditions for neutrality to be maintained, the optimal tax treatment of charity donations, and used econometric studies to calibrate the model and account for policy experiments. The study revealed a positive correlation between corporate social responsibility (CSR) and corporate financial performance (CFP). In contrast, 58% of the analyses indicated no significant link, while 2% showed an adverse association between CSR and CFP.

Margolis, et al., (2007) investigated the relationship between CSR and CFP and also found that corporations which implemented shareholder recommendations related to corporate social responsibility (CSR) experienced better financial performance

compared to firms that did not implement such suggestions. This finding supports the notion that CSR can be a valuable asset for businesses. The researchers concluded that the adoption of CSR led to a 0.7% to 0.8% rise in Return on Assets (ROA) and a 1.1% to 1.2% increase in Net Profit Margin (NPM) in the two subsequent financial years. Furthermore, it was shown that the stock market responded positively to the success of narrowly passed corporate social responsibility (CSR) initiatives during the two-day period after the announcement of the vote. By contrast, a CSR project that achieved success generated a cumulative abnormal return that was 1.9% higher than a failed proposal. Gathungu and Ratemo, (2013) also established that the disclosure of CSR accomplishments by organizations can serve as a performance metric, as it reflects the level of investment in CSR activities and the value placed on the beneficiaries of these programs. While CSR was considered to be a part of a company's operations, its impact on the financial success of the organization was noticeably different from that of other departments, such as production, finance, selling, and distribution. If a clear relationship between corporate social responsibility (CSR) and company success or performance cannot be established, the social and environmental obligations of a corporation are likely to remain limited to basic mission statements and activities that are difficult to access. Consequently, this would impact the organization's performance. Based on the study results, corporate social responsibility (CSR) activities were aligned with the strategic objective, and overall, CSR programs met the expectations of employees, investors, and local communities.

Ongolo (2012) performed a study to get a more comprehensive knowledge of the relationship between corporate social responsibility and the market share of supermarkets in Kisumu City from 2006 to 2010. With a desire to get deeper insights

into the factors that prompted supermarkets in Kisumu City to participate in CSR initiatives, he embarked on a thorough investigation of those elements. The analysis revealed that there was a significant correlation between corporate social responsibility (CSR) and market share. Organizations who have made more investments in corporate social responsibility (CSR) saw better revenue from sales. The research also found that there was a positive connection coefficient between the market share index and CSR. Smaller supermarkets focused their Corporate Social Responsibility (CSR) efforts on assisting the most disadvantaged individuals in society, whereas bigger supermarkets gave priority to initiatives related to education, water, and sanitation.

Also, Okiro, Omoro, and Kinyua (2013) performed a study in Nairobi County to examine the potential association between corporate social responsibility (CSR) investments and the continuous growth of commercial banks. The objective of the research was to ascertain the presence of a correlation between CSR and the ongoing growth of banks. Based on the statistics, there is an increasing inclination towards a more positive stance on Corporate Social Responsibility (CSR) in relation to investment. All parties recognized the significant role that corporate social responsibility (CSR) plays in shaping the destiny of the organization. Given that the fundamental objective of commercial organizations is to generate profits by offering exceptional services to clients, it is reasonable to anticipate that these institutions would take the necessary measures to retain their consumers. The study's results confirmed the researchers' premise that engaging in CSR activities had a positive impact on the sustainable growth of banks. Based on the findings, there was only a little positive correlation between the factors, and the bank's long-term growth could only be attributed to 11% of its investment in CSR efforts. In 2004, Gichana performed a

research on CSR activities among Kenyan enterprises listed on the NSE. The study aimed to identify the social responsibility practices of these companies and the factors that influence their choice of CSR practices. Based on the study results, all of the firms examined engaged in long-term planning and implemented policies about their social responsibility. It was discovered that most of these organizations focused their activities on health and education. They showed responsibility towards their employees by offering advantages such as medical insurance, housing support, and retirement schemes. Furthermore, it was observed that the issue of water conservation and management was not well handled. Most respondents focused on the impact on themselves or their operations, rather than considering the overall water situation. This lack of attention to water conservation and management is a significant factor in motivating firms to adopt corporate social responsibility (CSR). This was an additional observation that was made. The primary rationale provided was the recognition of corporate social responsibility as a fundamental guiding concept. Two other factors to consider here are fulfilling government mandates on deterioration and using community service as a form of promotion.

According to Okoth (2012), the research findings indicated that corporate social responsibility had a positive impact on the financial performance of large and medium-sized banks. However, it was shown to have no effect on the return on assets of small banks. The research concluded that Corporate Social Responsibility (CSR) has a positive and substantial effect on Return on Assets (ROA) and Return on Equity (ROE) when considering all commercial banks as a whole. Nevertheless, when the study findings were analyzed based on the scale of the target market, it was shown that corporate social responsibility (CSR) positively influenced the financial performance of

large and medium-sized banks. However, the effect on return on assets (ROA) for small banks was negligible. The study results indicate that corporate social responsibility (CSR) had a beneficial effect on the financial performance of large and medium-sized banks, but did not have a significant influence on the financial performance of small banks. Based on the study's results, it is not advantageous for small banks to engage in corporate social responsibility (CSR) activities. This is because such initiatives have the potential to diminish their wealth without yielding any return on investment for the shareholders.



2.4 Conceptual Framework

The study utilizes a conceptual model to define the connection between dependent and independent variables. Figure 2.1 demonstrates how this outline functions as a guide for comprehending the interconnections between variables.

Independent Variable

Dependent Variable

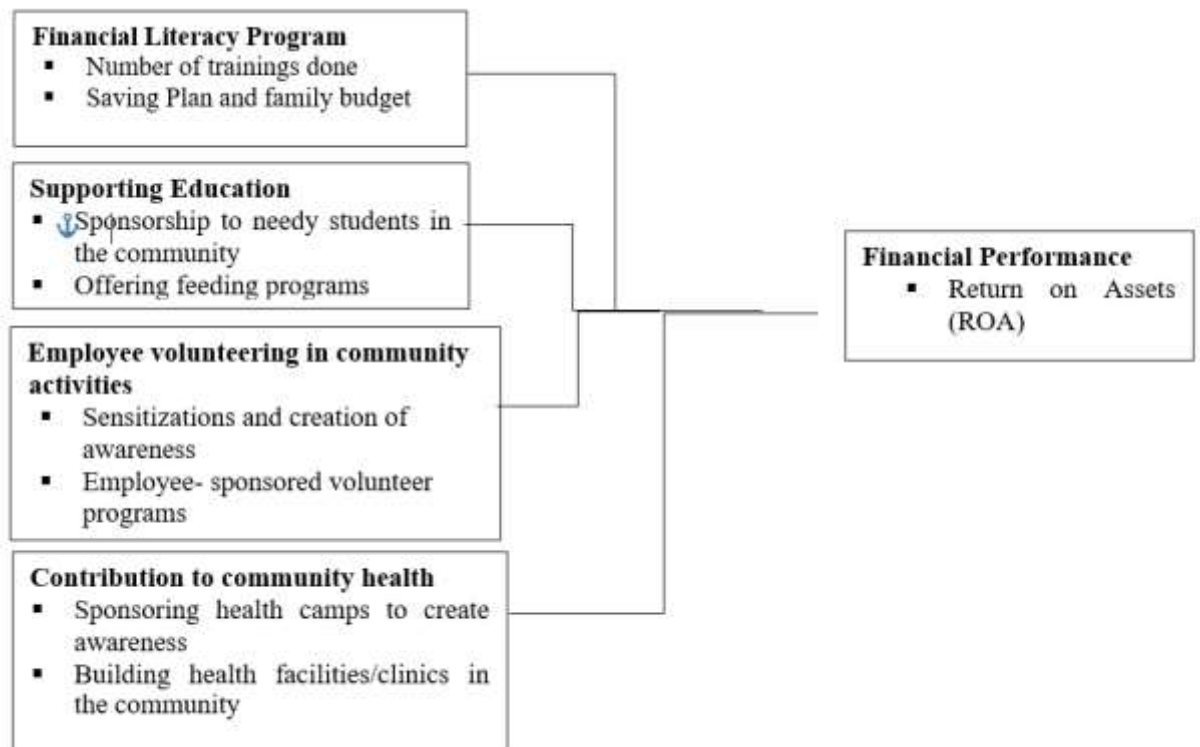


Figure 2.1; Showing the Conceptual Framework

The diagram depicted in Figure 2.1 serves as a visual representation of the intricate relationship between CSR, which is the independent attributes, and financial accomplishment (dependent variable). This paradigm is essential for demonstrating not only a straightforward correlation but also a more complex interaction among several components. Crucially, the equation also includes an intermediate variable representing government policy. This proposal adds complexity by suggesting that government regulations may act as an intermediary or regulator in the relationship CSR efforts and the financial success of commercial banks. Therefore, the paradigm allows for a

thorough understanding of how corporate social responsibility (CSR) might affect financial measures. This includes both direct and indirect impacts, taking into account the viewpoint of current government legislation.

2.5 Research Gaps

Recent research indicates a strong correlation between corporate social responsibility (CSR) initiatives focused on community health and enhanced financial performance. However, there is a noticeable lack of studies that examine the long-term impact of these efforts. Most of the research referenced by Kuntner and Teichert (2016) use a cross-sectional methodology, which creates a knowledge vacuum about the long-term impact of community health initiatives on bank profitability. The CSR categories vary significantly according on the criteria used to define CSR studies. The individuals are categorized based on the social functions of organizations, as well as the primary methodologies outlined by Windsor (2006), his theoretical groupings, and associated notions.

The paradigmatic frameworks elucidate the effects of corporate social responsibility (CSR) on health productivity. However, there is an urgent want for more investigation into the precise processes by which community health programs provide financial advantages for banks. Although previous research suggests a favorable connection between corporate social responsibility (CSR) initiatives and financial performance indicators like return on assets and return on equity (ROE), the specific mechanisms that lead to these results have not been well investigated. Understanding the direct influence of community health contributions on financial success is essential for developing effective corporate social responsibility (CSR) programs. The study

conducted by Scherer and Palazzo (2007) primarily focuses on major or metropolitan commercial banks, neglecting the possible consequences for smaller or rural banks. To comprehensively understand the impact of different kinds of banks on community health and their financial consequences, it is crucial to perform research that take into account the unique settings and problems faced by these institutions, given their diversified environment. Therefore, it is advisable for future research efforts to utilize a mixed-methods methodology, integrating both quantitative fiscal data and qualitative perspectives from stakeholders, to enable a comprehensive examination of the correlation between community health funding and financial achievement and success in commercial banks.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section provides a detailed explanation of the methodology, research design, and criteria used to choose participants for the inquiry. Moreover, it illuminates the methods used for collecting data and the analytical approaches that were used. This complete overview provides a detailed plan for how the research was carried out, including a clear guide for collecting and interpreting data.

3.2 Research Design

The broad ideas, strategies, and procedures that guide the direction of research are referred to as methodology (Creswell & Creswell, 2018). The structural blueprint that describes the specifics of the techniques for collecting and analyzing data is known as the research design (Yin, 2014). This includes comprehensive details on how sampling techniques are chosen, sample sizes are calculated, measuring equipment are used, and analytical processes are used. The study investigated the impact of CSR on the financial metrics of commercial fiscal institutions using a descriptive research paradigm (Field, 2013). Because it makes it possible to examine the study issue in great depth and makes the collection of quantitative data easier, descriptive study is perfect for this kind of research.

3.3 Population and Sampling Design

3.3.1 Population

In research, population is a complete group of individuals, that have a precise attribute in common. This group is used to produce a sample for study (Bryman, 2016). The term population refers to the entire group or collection of units or elements that are being

studied, and it serves as the foundation for reaching research results (Trochim & Donnelly, 2008). The objective of this investigation was to obtain numerical data from all six major financial institutions that are currently operating in the municipality of Migori. These establishments have been categorized into five main functional areas: customer service, credit administration, cash handling, operational activities and financial accounting. Every department is supervised by a director, and the study also included all branch managers. Therefore, the survey included a total of 135 employees as target study respondents.

3.3.2 Sampling Design

The sampling strategy in a study design outlines the method for selecting specific units from a wider population for observational analysis (Yin, 2014). This portion of the research plan delineates the procedure for choosing a particular cohort from the entire population to be incorporated into the study. Kothari (2004) states that a successful sample should accurately mirror the characteristics of the entire population it represents. This study employed a sampling methodology for several advantages: it is cost-effective, enhances result accuracy, expedites data collection, and enables convenient access to study participants among the population.

3.3.3 Sampling Procedure

The researcher sought to employ a stratified random sampling method to allocate research equipment among the selected study participants, with a target sample size of 30%. The formation of these strata was based on the commercial banks located in the town of Migori. According to Smith (2007), it is generally regarded adequate to have a sample size that represents at least one-third of the total population for each category in

the research. Table 3.1 provides further information on the selection method for the sample participants.

Table 3.1: Target population and sample size

Commercial Bank	Population Size	Sample percentage	Sample Size
Barclays Bank	14	30%	4
Cooperative Bank of Kenya	20	30%	6
Diamond Trust Bank	15	30%	5
Equity Bank	17	30%	5
Family Bank	16	30%	5
Kenya Commercial Bank	19	30%	6
Kenya Women Trust Fund	06	30%	2
National Bank	10	30%	3
NCBA bank	10	30%	3
Post Bank	08	30%	2
Total	135	30%	41

Source: Commercial Banks – Migori Town 2023

The investigator intends to employ a simple random selection technique to choose participants from each given sample size inside certain commercial banks. The study will recruit participants from different positions inside the bank, such as bank managers, project managers, credit control managers, operation managers, tellers, and customer service desk workers. However, in the case of branch managers, the research will employ a census technique to encompass all of them in the study. The procedure of simple random selection ensures equal opportunity for every potential participant to participate. The rationale behind employing a purposive sample technique to choose respondents is their profound expertise in the field of corporate social responsibility (CSR), its implementation, and its potential impact on a bank's financial performance. Therefore, the study will ultimately consist of a total of 41 participants in its final sample size.

3.4 Data Collection Instrument

The main data for this study was obtained by surveys, which were distributed to a total of 49 selected participants. The survey employed a 5-point Likert scale to assess the perspectives of the participants. According to Cooper & Schindler (2006), surveys are advantageous since they are cost-effective. The use of pre-determined response alternatives facilitated the efficient collecting of data from participants. Furthermore, additional data was acquired from the banks' publicly available financial reports spanning the last five years. This data provided crucial insights into the financial path of these businesses.

3.5 Validity and Reliability of instruments

3.5.1 Validity of the Instruments

Research instrument validity refers to the degree to which a test accurately measures the intended concept it aims to evaluate (Kothari and Pall, 1993). To be considered valid, an instrument must accurately capture the viewpoints of the participants and effectively evaluate the intended variable (Amin, 2005). A preliminary pilot study was undertaken to establish the authenticity of the research tools. This facilitated the clarification of the instructions and ensured the incorporation of all possible responses to the questions. The research instruments' content validity was evaluated by academic professionals in research methods at Mount Kenya University. These specialists carefully examined each item in the questionnaire and assessed it individually to ascertain its alignment with the research objectives. The input supplied by these experts was utilized to enhance and refine the research tools.

3.5.2 Reliability of the Instrument

Reliability, as per Kothari's (2003) definition, refers to the degree to which a questionnaire or any assessment tool consistently yields the same results when used repeatedly. It primarily measures the stability and consistency of ratings across several instances or varied settings. This study aimed to assess the reliability of the measuring items by determining if they produce consistent findings in repeated trials. In order to evaluate the dependability of the data, the researcher utilized the test-retest methodology. This approach entails presenting the identical survey to a subset of participants at two separate instances to determine the stability of their answers. A reliability assessment indicated a Cronbach's alpha of 0.742.

3.5 Data Collection Procedures

The research methodology was meticulously documented, encompassing pilot testing, participant scheduling, and the management and retrieval of data collecting equipment, particularly the questionnaires (Saunders et al., 2009). Initially, the researcher devised the questionnaire and administered a pilot test, with a sample size of 5% of the anticipated respondents. The objective of this pilot test is to evaluate the appropriateness of the questionnaire and identify and rectify any typographical errors or underlying issues. To enhance the efficiency of the questionnaire, it was deliberately designed to be concise and focused, aiming to minimize problems such as respondent fatigue, refusals, and redundant data collection. The knowledge gained from the initial testing phase was used to enhance the questionnaire and assess the feasibility of the study. Following the successful pilot test and confirmation of the instrument's suitability, the research progressed to the data collection phase. The initial screening questionnaires were delivered in a random manner to find suitable study participants for the survey. The data gathering procedure lasted a maximum of three weeks. During this period, the

researcher selected potential respondents at random from the designated bank branches and delivered the questionnaires. This process ensures a fair and unbiased selection of respondents in the research project.

3.6 Data Analysis Methods

Data analysis is an essential step in research that involves organizing and summarizing collected data into a more digestible format. It also includes the use of statistical techniques to identify patterns and draw conclusions from the data (Cooper & Schindler, 2003). In this study, all the research materials that had been finished were collected and the information was methodically arranged. In order to simplify the analysis, the questionnaire was encoded based on each variable being studied. Data analysis was conducted using descriptive approaches, including mean, median, mode, percentages, and frequency distribution. This methodology facilitates the condensation and presentation of the facts in a readily comprehensible fashion. The demographic features of the study participants were analyzed using percentages and frequency distribution. Furthermore, this study employed descriptive statistics as recommended by (McDaniel and Gates 2001). Descriptive analysis entails converting raw data into organized representations such as charts, tables, and visual renderings, as well as calculating frequency distributions and percentages. These tactics are essential for comprehending the data effectively. Furthermore, correlation analysis was utilized to establish the relationship between CSR and financial performance, facilitating a more comprehensive examination of the research goals.

3.7 Ethical Consideration

Ethical considerations involve contemplating moral principles and values while making decisions or engaging in activities. They are essential because they play a vital role in

upholding societal standards, safeguarding the rights and dignity of individuals, and promoting trust and cooperation among communities (Sieber and Stanley, 2018). The primary ethical considerations encompassed obtaining informed consent, ensuring secrecy and anonymity, and fulfilling the researcher's commitments. The primary ethical concern in this inquiry was the respondents' entitlement to privacy and confidentiality. The study team is required to adhere to three fundamental ethical principles, which are respect for participants, beneficence, and fairness. After the researcher thoroughly explained the goal, benefits, risks, and voluntary nature of the study, each participant gave their assent. The participants were notified of their absolute right to withdraw consent at any moment. All material, including personal interviews, was kept confidential. Respondents were provided with the guarantee that the information they provided would be kept entirely confidential and utilized solely for research purposes. Furthermore, to ensure the protection of their privacy, participants were explicitly instructed not to disclose their identities when completing the questionnaires. In addition, the researcher provided reassurance that the respondents' questionnaire responses would not be shared with unauthorized individuals. Furthermore, the data analysis was conducted appropriately, ensuring that no names or other identifying information were used. Additionally, they were informed that participants had the freedom to withdraw from the study at any point without any negative consequences on their involvement.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

In Chapter four, the study's findings and discussions are presented based on the themes that have emerged from the study variables. The presentation offers information on the response rate of the questionnaire and provides demographic details. The study utilized descriptive statistical analysis and correlation analysis to address the research questions.

4.2 Questionnaire Return Rate

The study selected a sample of 41 respondents, which represents 30% of the target population of 135 employees from different commercial banks operating within Migori County. These employees work in different departments, including cash handling, operational activities, credit administration, customer service, and financial accounting. Out of the 41 respondents who were selected for sampling, 39 were successfully reached and completed the research questionnaires in accordance with the study questions. The rate of response return was 95.1%. When the response rate in a research study is at least 50%, it is considered practical and suitable for conducting research analysis.

4.3 Demographic Characteristics of the Respondents

The study sought to assess the gender component of the study respondents. Their response was as illustrated in Figure 4.1

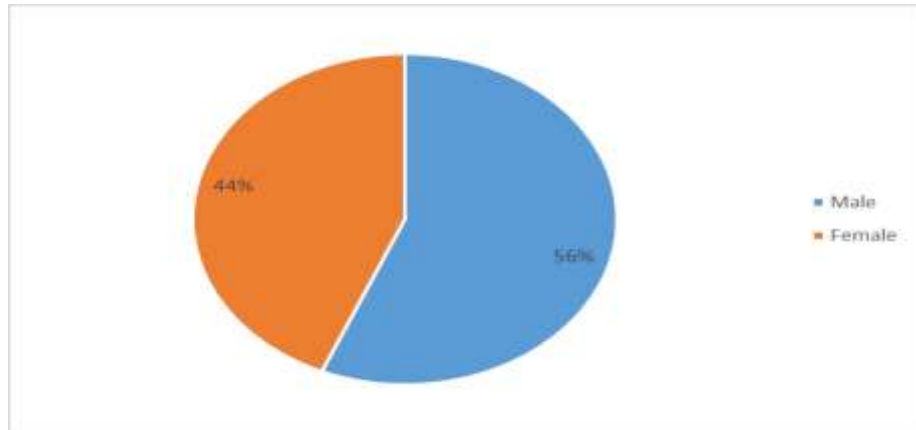


Figure 4.1 Gender of the Respondents

(Source: Researcher, 2024)

The study's findings revealed that the most of the study participants were males, accounting for 22 individuals or 56% of the total. On the other hand, 17 individuals or 44% of the study participants were females. This indicates that both genders were adequately represented in the study, ensuring that the conclusions were not influenced by gender bias.

4.3.1 Age of the Respondents

The study also sought to establish the distribution of age of the respondents and in this case, the response was as depicted in Figure 4.2

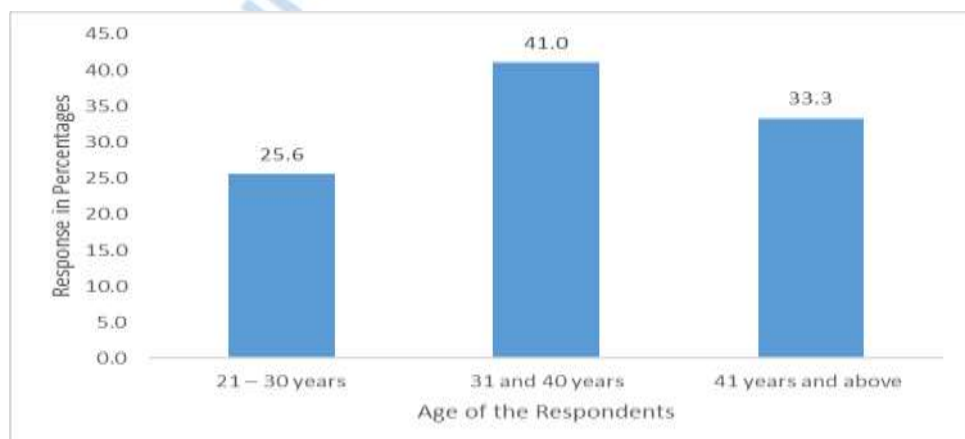


Figure 4.2 Respondents Distribution by Age

(Source: Researcher, 2024)

The study revealed that 41.0% of the study participants were between the ages of 31 and 40, while 33.3% were 41 years and older. The remaining 25.6% of respondents were in the youngest age group, ranging from 21 to 30 years old.

4.3.2 Respondents Education

It was also imperative to establish the distribution of education level of the study respondents. Their responses were as illustrated as in Figure 4.3

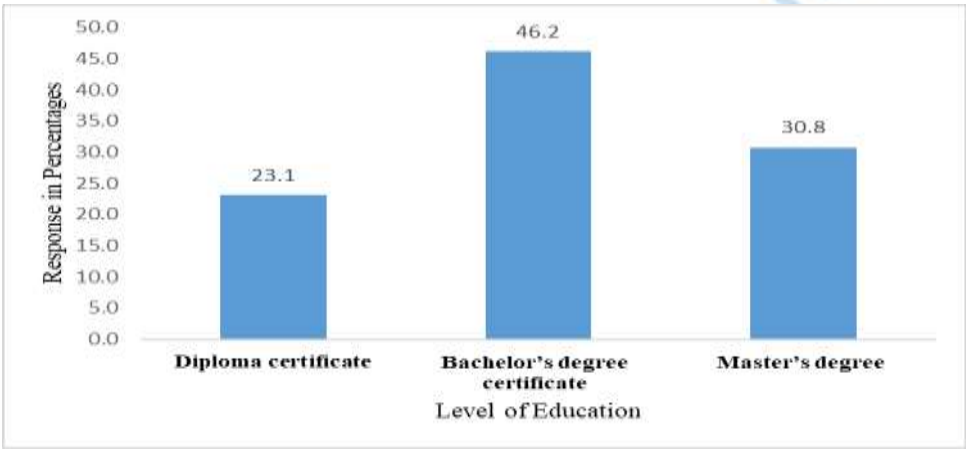


Figure 4.3 Distribution by Level of Education
(Source: Researcher, 2024)

The statistics revealed that 46.2% of the respondents possessed a Bachelor's degree, 30.8% possessed a Master's degree, and 23.1% stated that their highest level of education was a diploma certificate. This suggests that most of the participants held Bachelor's degrees.

4.3.3 Duration of Service to the organization

The survey also aimed to ascertain the duration of the respondents' tenure with the business. The results were depicted in Figure 4.

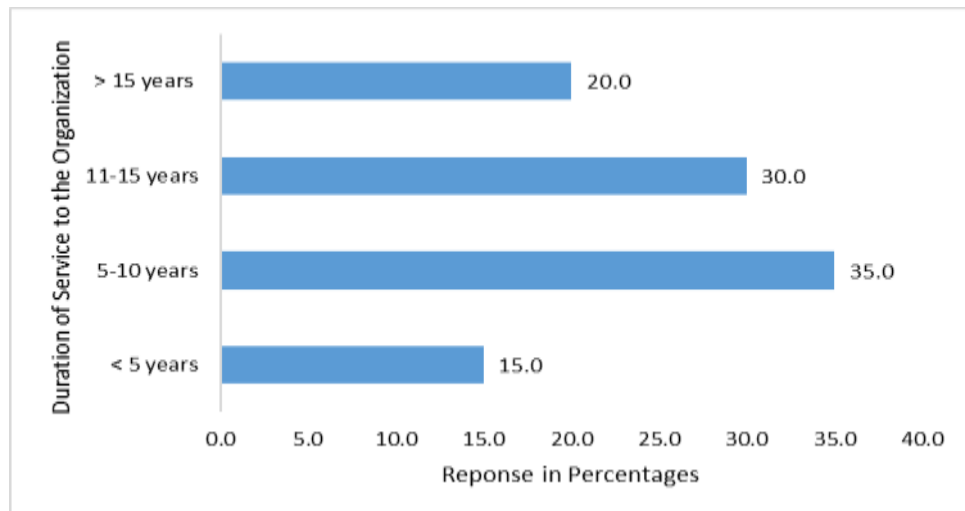


Figure 4.4 Duration of Service to the Organization

(Source: Researcher, 2024)

The study revealed that 35% of the respondents had worked for a duration of 6 to 10 years, while 30% had worked for 11 to 15 years. Additionally, 20% had served for more than 15 years, and those with the shortest tenure (less than 6 years) accounted for 15%. Consequently, the majority of the participants in this study had accumulated significant experience in the banking industry, enabling them to provide reliable information pertaining to this research.

4.4 Financial Performance

The dependent variable, which is the financial performance of commercial banks in Migori County measured by Return on Assets (ROA), was analyzed using secondary data collected over the past 5 years. The data analysis was performed by categorizing the commercial banks into tiers, specifically Tier 1, Tier 2, and Tier 3. ROA was used to assess financial performance. The results are displayed in Table 4.1.

Table 4.1: Financial Performance (ROA) of the commercial banks in Migori County, for the last 5 years

		2018	2019	2020	2021	2022	Mean
Tier 1	Kenya Commercial Bank	0.0336	0.0344	0.0221	0.0349	0.0381	0.033
	Equity Bank Migori	0.0346	0.0362	0.0221	0.0362	0.0371	0.033
	Co-operative Bank	0.0308	0.0313	0.0222	0.0359	0.0368	0.031
	Barclays Migori	0.0228	0.0299	0.0194	0.0358	0.0362	0.029
Tier 1	Mean	0.03	0.03	0.02	0.04	0.04	
Tier 2	Family Bank Migori	0.0036	0.0226	0.0186	0.0228	0.0239	0.018
	Diamond Trust Bank Migori	0.0187	0.0188	0.0158	0.0211	0.0243	0.020
	NCBA Bank Kenya,	0.0231	0.0228	0.0137	0.0241	0.0239	0.022
Tier 2	Mean	0.02	0.02	0.02	0.02	0.02	
Tier 3	Post Bank Migori Migori	0.0071	0.0032	0.0084	0.0182	0.0179	0.011
	National Bank-Migori Migori	0.0031	0.0145	0.0017	0.0122	0.0145	0.009
	Kenya Woman Finance Trust	0.0083	0.0125	0.0089	0.0123	0.0126	0.011
Tier 3	Mean	0.01	0.01	0.01	0.01	0.02	

(Source: Researcher, 2024)

The data shown in Table 4.1 indicates that Tier 1 banks consistently outperformed other banks in terms of financial performance, with the highest return on assets (ROA) throughout all years. Following the performance of tier 1 banks, tier 2 banks had similar financial performance, while tier 3 banks had the lowest financial performance.

4.5 Employee volunteering in community activities and financial performance

The main objective of the research was to assess the influence of employee engagement in community giving initiatives on the financial health of commercial banking organizations. Participants were asked to indicate their level of agreement about the statements regarding employee involvement in community volunteering and the financial performance of Commercial Banks. Table 4.1 displays the results.

Table 4.2 Bank workers volunteering in community activities and financial performance

Statement	5	4	3	2	1	M	SD
The bank has a comprehensive policy regarding staff participation in community initiatives through volunteering.	10 26.0%	20 52.0%	5 13.0%	4 10.0%	0 0.0%	3.97	0.52
Voluntary participation of employees in community activities has positively impacted the organization's financial performance.	4 10.0%	29 74.0%	6 16.0%	0 0.0%	0 0.0%	3.94	0.44
My organization is committed to continuing the practice of having employees volunteer for community activities.	10 26.0%	20 52.0%	4 10.0%	5 13.0%	0 0.0%	3.94	0.51
My bank's workers actively participate in community initiatives as volunteers.	6 16.0%	28 71.0%	4 10.0%	1 3.0%	0 0.0%	4.00	0.52

Key

SD= Standard Deviation; 1=Very little extent; 2= little extent; 3=moderate extent; 4= Great Extent; 5= Very great extent;

(Source: Researcher, 2024)

The study findings indicate that a majority of the respondents, specifically 20 (52.0%), acknowledged that their banks have a comprehensive policy for staff volunteering in community activities. Additionally, 10 (26.0%) respondents stated that this policy is

implemented to a significant extent, while 5 (13.0%) respondents indicated that it is implemented to a moderate extent. Out of all the responders, just 4 (10.0%) identified a small degree, and none of them indicated a very small degree. On average, commercial banks in Migori County have a mean of 3.97 ± 0.52 in terms of their commitment to Corporate Social Responsibility (CSR). Specifically, they have a well-developed policy on staff volunteering in community activities.

According to the survey, 74.0% of participants said that staff members' volunteerism in the community had a significant positive impact on the business's profitability. Furthermore, 10.0% stated it contributed significantly, and 16.0% thought it helped in a moderate level. According to none of the respondents, the profitability of the company was significantly impacted by staff volunteerism for community projects.. This indicates that the participation of employees in community activities has made a significant contribution to the profitability of the firm (Mean= 3.94 ± 0.44). Regarding the willingness of their financial institutions to allow employees to volunteer for community activities, more than half of the respondents (52.0%) agreed that this happens to a significant degree. Additionally, 26.0% indicated that it happens to a very significant degree, while 10.0% indicated a moderate degree of willingness.

Out of the respondents, just 5 (13.0%) specified a small degree, while none of them suggested a very small degree. This data indicates that the majority of banks in Migori county were eager to have their workers participate in various community activities (Mean= 3.94 ± 0.51). The study found that 71.0% of the respondents stated that their banks encourage their workers to participate in community activities. Of these, 16.0% claimed that this happens to a very great extent, while 10.0% indicated a moderate extent. Out of the total, only 1 (3.0%) indicated a little extent, suggesting that the

majority of commercial banks in Migori County actively encourage their staff to participate in various community activities, as seen by a mean of (Mean=4.00±0.52).

The findings align with Tuffey's 2009 study, which revealed that corporate volunteer programs offer numerous benefits to the sponsoring company. Tuffey (2009) has shown that EVPs have a clear impact on workers' attitudes, productivity, and job satisfaction. The findings align with those of Graff (2011), who underlined that improved communities also have positive effects on the individuals living in them. Consequently, workers who engage in their local communities have immediate and indirect benefits for themselves and their families as a result of their own endeavors. The positive link between employee volunteer programs and profitability in this example is mainly attributed to the impact of these programs on attitudes, productivity, job satisfaction, and service levels of both the company's employees and consumers. As a result, there is an enhancement in performance and profitability. Moreover, it may be contended that employee-sponsored volunteer initiatives serve as a highly conspicuous means for firms to showcase their dedication to their communities in light of the outcomes. As a consequence, the community holds a positive perception of the company. Consequently, towns that prioritize health and physical activity attract new businesses and workers, while also creating an environment that is undeniably more conducive to company growth and financial success. Graff (2011) noted that active participation in local communities not only benefits the people, but also leads to direct and indirect gains for workers and their families through their own efforts.

4.5.1 Relationship between Bank’s Workers Volunteering in Community Activities and financial performance

To ascertain the correlation between employee participation in community volunteering projects and the financial performance of Commercial Banking institutions. See **Table 4.3**

Table 4.3 Employee participation in community volunteering activities and the financial performance of Commercial Banks

Variables		Employee in community volunteering activities	Financial performance
Employee in community volunteering activities	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	39	
Financial performance	Pearson Correlation	0.468**	1
	Sig. (2-tailed)	0.000	
	N	39	39

** . The value is significant at the 0.01 level (2-tailed).

(Source: Researcher, 2024)

Table 4.3 Output shows a substantial positive correlation ($R = 0.468$, $p < .001$, $p \leq 0.05$) between Employee participating in community volunteering activities in Kenya. Statistically, there is a considerable positive correlation between the increase in employee taking part in community volunteering activities and the financial health and performance of commercial banks. This discovery aligns with the research conducted by Nguyen and Tran (2019), which also shown that employee volunteering has a key role in mediating the connection between community involvement activities and financial performance. Smith and Thompson (2018) conducted a study on CSR and financial performance. They discovered a positive relationship between employee volunteering

and financial performance. Specifically, banks with active volunteering programs showed higher profitability and enhanced customer gratification.

4.6 Providing Financial Literacy initiatives and financial health and performance of Commercial Banks

The second study objective aimed to evaluate the impact of implementing Financial Literacy initiatives on the financial performance of Commercial Banks. Participants were hence requested to express their agreement level on the statements concerning the provision of financial literacy initiatives and initiatives and the financial health and performance of commercial banks. The results are displayed in Table 4.4.

Table 4.4 Providing Financial Literacy initiatives and financial health and performance of Commercial Banks

Statements	5	4	3	2	1	Mean	SD
My group provides financial education to the community.	7 (19%)	21 (55%)	9 (23%)	1 (3%)	0 (0%)	3.90	0.44
My organization has a policy about financial literacy that is deeply ingrained in its operations.	7 (19%)	20 (52%)	10 (26%)	0 (0%)	1 (3%)	3.84	0.41
Our group plans to persist in providing financial literacy workshops to the community.	7 (19%)	20 (52%)	9 (23%)	1 (3%)	1 (3%)	3.81	0.39
The promotion of financial literacy among the community has significantly enhanced the profitability of my organization.	10 (26%)	15 (39%)	12 (32%)	0 (0%)	1 (3%)	3.85	0.44

(Source: Researcher, 2024)

(Source: Researcher, 2024)

Key

SD= Standard Deviation; 1=Very little extent; 2= little extent; 3=moderate extent; 4= Great Extent; 5= Very great extent;

The study revealed that a significant proportion of the respondents, specifically 55%, verified that their financial institutions provide financial literacy programs to the community to a considerable degree. Additionally, 23% of the respondents indicated a moderate level of financial literacy offerings, while 19% indicated a high level of financial literacy programs. Only 1 respondent, accounting for 3% of the total, declared a minimal degree. The results suggest that the majority of commercial financial institutions in Migori County offer financial literacy programs to the local community they serve (Mean 3.90 ± 0.44).

The study revealed that a majority of commercial organizations have a well-established policy on financial literacy for the community. This was indicated by 20 respondents (52%) who reported that their organizations have these policies to a significant extent, 10 respondents (26%) reported a moderate extent, and 7 respondents (19%) reported a very significant extent. Only one respondent, representing a mere 3% of the total, indicated a minimal extent. This demonstrates that commercial banks have carefully designed programs to promote financial literacy among the population, with an average score of 3.84 ± 0.41 . The majority of respondents, 20 (52%), confirmed their organization's intention to continue offering financial literacy programs to the community to a significant extent. Additionally, 9 (23%) respondents indicated a high extent, 7 (19%) indicated a very high extent, and 9 (23%) indicated a moderate extent. Only 1 respondent (3%) stated a minimal extent, with one indicating a very minimal extent.

These findings indicate that commercial banks have the intention to provide financial literacy programs to the community, with a mean score of 3.81 ± 0.39 . The majority of the respondents, specifically 15 individuals (39%), stated that financial literacy within the community has significantly contributed to their organization's profitability.

Additionally, 10 individuals (26%) confirmed that this impact has been even more substantial, while 12 individuals (32%) indicated a moderate level of contribution. Only 1 respondent (3%) stated a minimal extent. This is a significant association between the financial knowledge of the community and the profitability of commercial financial institutions (Mean 3.85 ± 0.44). The reason for these findings is that, as stated by Greenspan (2002), financial literacy helps to educate individuals about financial matters, enabling them to create savings strategies, develop family budgets, and make informed investment decisions. Utilizing such information effectively allows investors to meet their financial obligations through careful planning and allocation of resources that maximizes their overall benefit.

According to Hilgert et al. (2003), financial knowledge and self-beneficial financial behavior are directly correlated. The MasterCard Foundation and Equity Group Foundation launched an initiative in 2012 with the goal of educating over a million Kenyans, with an emphasis on youth, on personal and commercial finance. The educated populace puts pressure on financial authorities to improve the effectiveness and caliber of financial services. This phenomena might be attributed to the competitive pressures imposed by shrewd investors who evaluate possibilities, ask pertinent questions, and negotiate well, forcing financial institutions to provide services that are more transparent and fairly priced. Miller et al. (2009) claim that in order to make well-informed selections, investors may assess and compare a variety of financial items, including bank accounts, savings products, credit and loan possibilities, investments, payment instruments, and insurance coverage. Informed decision-making to improve lives, promote economic growth, guarantee stable financial systems, and reduce poverty is made easier by financial literacy. These considerations encompass the prompt payment of bills and effective management of debt. Moreover, it empowers individuals

with greater control over their financial future, facilitates more streamlined access to financial products and services, and reduces vulnerability to unscrupulous merchants or fraudulent schemes.

4.6.1 Correlation analysis of voluntarily providing Financial literacy and financial progress and performance

A correlation analysis was performed to determine the relationship between the provision of financial literacy by commercial banks as part of their corporate social responsibility (CSR) efforts and the financial success of these banks.

Table 4.5 Correlation outcome for Voluntarily Providing Financial literacy and Financial Progress

Model Variables			Providing Financial literacy	Financial Performance
Providing literacy	Financial	Pearson Correlation	1	.651**
		Sig. (2-tailed)		0.000
		N		39
Financial performance		Pearson Correlation	.651**	1
		Sig. (2-tailed)	0.000	
		N		39

** . The value is significant at the 0.01 level (2-tailed).

(Source: Researcher, 2024)

Table 4.5 demonstrates that the correlation coefficient ($r = 0.651$) provides strong evidence of a favorable relationship between offering financial literacy and financial performance (p -values > 0.01). This demonstrates the presence of a direct correlation between providing financial knowledge to the community and the financial progress of commercial banks. This conclusion supports the findings of Johnson and Smith (2018), who also discovered that consumers who engaged in the bank's financial literacy

programs exhibited improved financial habits, resulting in higher rates of loan payback and increased deposits in savings accounts. In their study, Lee and Kim (2019) found that banks that provided financial literacy programs demonstrated improved financial performance measures, such as reduced non-performing loan ratios.

4.7 Assisting community Health initiatives and financial health or performance of Commercial Banks

The third study objective aimed to evaluate the impact of supporting and funding community health initiatives on bank's financial performance. Participants were thus requested to express their degree of confirmation and aligning with the subsequent statements concerning the endorsement of community health initiatives and the financial performance of Commercial Banks. The results are displayed in Table 4.6.

Table 4.6 Contribution to Community health programs and initiatives

Statements	5	4	3	2	1	Mean	SD
My organization actively supports community health initiatives.	9	21	6	2	0	3.95	0.50
My organization supports financially the intensive treatment	11	16	5	6	0	3.84	0.46
My organization supports the building of health care facilities.	7	23	6	2	0	3.87	0.44
My organization contributes towards the construction of specialized health facilities.	9	19	7	2	1	3.79	0.41
My organization's support on community health matters leads to profitability of my firm	4	18	15	2	0	3.59	0.14
My organization support the payment of specialized health practitioners.	5	20	9	5	0	3.68	0.24
My organization participates in sponsoring various health camps in the community	6	19	9	5	0	3.67	0.26
My organization will always continue to contribute towards community health initiatives	5	18	10	6	0	3.55	0.14

(Source: Researcher, 2024)

Key

SD= Standard Deviation; 1=Very little extent; 2= little extent; 3=moderate extent; 4= Great Extent; 5= Very great extent;

According to the study's results, a sizable majority of respondents—55.0%—affirmed that their organization makes a substantial contribution to community health. Furthermore, 16.0% showed a moderate level of participation and 23.0% suggested a very high degree. Just two people, or 6.0% of the total, reported to some degree. It is clear from a weighted mean of 3.95 ± 0.50 that most commercial banks found in Migori County make a substantial contribution to community health. The study also found that

a significant majority of commercial banks heavily invest in specialist treatment. This was indicated by 16 respondents (42.0%) who reported paying to a great extent, while 11 respondents (29.0%) reported paying to a very big extent. Additionally, 5 respondents (13.0%) reported paying to a moderate amount. However, only 6 individuals (16.0% of the total) reported a small degree. This indicates that the majority of commercial banks in Migori County extensively cover the costs of specialized medical treatment for individuals who are unwell within their operational jurisdiction, with a mean value of 3.84 ± 0.46 .

The majority of the respondents, specifically 23 individuals (58.0%), stated that their financial institutions made significant contributions to the construction of health facilities. Additionally, 7 individuals (19.0%) reported that the extent of their financial institution's contribution was very substantial, while 6 individuals (16.0%) indicated a moderate degree of contribution. Only 2 individuals, accounting for 6.0% of the total, said that these commercial financial banks made a small contribution towards the establishment of health facilities. The results (Mean 3.87 ± 0.44) suggest that the majority of commercial banks operating in Migori County are involved in the development of healthcare facilities in the region as a component of their corporate social responsibility (CSR) efforts. Specifically, 48.0% of the study participants acknowledged that their financial institutions provide significant support to particular health institutions. Additionally, 23.0% claimed that the support provided by their banks is of a very high degree, while 19.0% indicated that the support is of a moderate degree. Only 2 respondents (6.0%) reported a small degree of agreement, while another 1 respondent (3.0%) reported a very low degree of agreement. This indicates that the majority of

these commercial banks provided support to specialized health institutions through different means, with an average score of 3.79 ± 0.41 .

The study also revealed that the majority of respondents, specifically 18 (45.0%), strongly believe that funding the community health greatly contributes to the profitability of majority of the commercial financial entities. Additionally, 15 (39.0%) respondents indicated that this relationship exists to a reasonable extent, while 4 (10.0%) respondents indicated that it exists to a very high extent. Out of the total, only 2 organizations (6.0%) showed a small degree of contribution, suggesting that the majority of organizations boost their profitability through their support they accord the community health (Mean 3.59 ± 0.14). The majority of respondents, specifically 52.0%, stated that their employers pay particular health experts to a significant degree. 23.0% indicated a moderate degree, 13.0% indicated a very high degree, and another 13.0% indicated a low degree. This data indicates that the majority of commercial banks provide financial compensation to specialized health practitioners in order to support community people who require specialized treatment. This is done as part of their corporate social responsibility (CSR) efforts. The average value for this compensation is 3.68 ± 0.24 .

According to the survey's findings, 48.0% of participants said that banks significantly sponsor health camps. 13.0% showed a small extent, 16.0% a very big degree, and 23.0% a moderate extent. It may be inferred from the weighted mean of (Mean 3.67 ± 0.26) that most commercial banks in Migori County fund camps linked to health. In addition, 18 individuals (45.0%) stated that their organizations had a strong commitment to continue supporting community health. 10 individuals (26.0%) expressed a moderate level of commitment, while 5 individuals (13.0%) indicated a high

level of commitment. Out of the total, only 6 (16.0%) expressed a minimal level of contribution, suggesting that the majority of commercial banks in Migori County have the intention to continue supporting community health efforts. The average score for this intention was 3.55 ± 0.14 . The findings align with Carroll and Shabana's (2010) research, which found that CSR initiatives help the healthcare sector address social concerns, hence improving their reputation and fostering stakeholder involvement through the public disclosure of performance metrics. As a result, this promotes a favorable perception among the community and ultimately leads to more profits for the organization. These facts clearly indicate that the health industry is a frontrunner in terms of corporate social responsibility (CSR), primarily due to its strong connections with various stakeholders from society, government, and the commercial sector. Furthermore, it is conceivable that, in comparison to other enterprises, its revenue-generating approach has a more significant influence on individuals' well-being via modifying their health conditions.

4.7.1 Correlation between supporting Community health and financial progress

A correlation technique to analysis was used to ascertain the association between funding community health programs and initiatives and the financial success and advancement of Kenyan Commercial Banks in Migori County. Refer to Table 4.7.

Table 4.7 Contribution to Community Health and Financial performance

Variables		Contribution to Community health	Financial performance
Contribution to Community health	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	39	
Financial performance	Pearson Correlation	0.503**	1
	Sig. (2-tailed)	0.000	
	N	39	39

** . The value is significant at the 0.01 level (2-tailed).

(Source: Researcher, 2024)

The data in Table 4.7 shows a substantial positive correlation ($R = 0.503$, $p < .001$, $p \leq 0.05$) between contribution to community health in Kenya. Statistically, when the contribution to community health improves, there is a large increase in the financial performance of commercial banks. In a study conducted by Rahman and Post (2012), it was discovered that banks who made investments in programs to improve community health demonstrated better financial performance in comparison to those that did not. This highlights the significance of corporate social responsibility (CSR) in promoting a competitive advantage and distinguishing oneself in the market. Similarly, Ongolo (2012) conducted a study to investigate the relationship between corporate social responsibility (CSR) and the market share of supermarkets and also revealed a significant correlation between CSR and market share. Organizations who had made greater investments in CSR experienced better revenue from sales.

4.8 Supporting Education Programs and Bank's financial performance

The fourth study objective aimed to evaluate the impact of educational support programs on the banks' financial performance. Participants were thus requested to express their agreement level on the claims concerning the endorsement of education programs and activities, as well as the financial success of Commercial Banks. The results are displayed in Table 4.8.

Table 4.8 Supporting Education Programs and financial performance of Commercial Banks

Statements	5	4	3	2	1	Mean	SD
My organization actively supports the funding of community education initiatives.	6 (16%)	16 (42%)	10 (26%)	4 (10%)	2 (6%)	3.52	1.16
My organization has a substantial role in the development of classrooms at educational institutions.	2 (6%)	14 (35%)	11 (29%)	6 (16%)	5 (13%)	3.02	0.73
My organization supports and funds school nutrition programs.	5 (13%)	11 (29%)	14 (35%)	6 (16%)	2 (6%)	3.24	0.92
My organization has an established policy regarding the allocation of resources for community education.	4 (10%)	18 (45%)	5 (13%)	10 (26%)	2 (6%)	3.27	0.95
My organization supports the community's education by covering the costs of school fees.	10 (26%)	11 (29%)	10 (26%)	6 (16%)	1 (3%)	3.52	0.67
My organization plans to persist in making contributions towards community education.	6 (16%)	19 (48%)	9 (23%)	5 (13%)	0 (0%)	3.67	1.26
The act of contributing to community education directly impacts the profitability of the organization.	6 (16%)	20 (52%)	10 (26%)	2 (6%)	0 (0%)	3.78	1.33
My firm purchases books for educational libraries.	7 (19%)	20 (52%)	9 (23%)	1 (3%)	1 (3%)	3.81	1.39

(Source: Researcher, 2024)

The survey findings indicate that a majority of the financial companies included in the study contribute significantly to supporting community education. Specifically, 42% of the respondents reported a high level of contribution, 26% reported a moderate level of contribution, and 16% reported a very high level of contribution. Only 4 individuals, accounting for 10.0% of the total, indicated a small extent, while another 2 individuals, representing 6%, showed a very small extent. Based on the weighted mean of 3.52 ± 1.16 , it can be concluded that the majority of commercial banks in Migori County make significant contributions to funding community education. Specifically, 14 out of the total respondents, accounting for 35%, reported that their financial organizations make significant contributions to the construction of classrooms in schools. Additionally, 11 respondents, representing 29%, reported moderate contributions, while

2 respondents, or 6%, reported extremely substantial contributions. In contrast, just 6 individuals (16%) reported a small degree, while 5 individuals (13%) reported a very small degree. This data indicates that the majority of banks often provide financial support for the establishment of classrooms in schools, with a mean value of 3.02 ± 0.73 .

Regarding the sponsorship of feeding programs, 11 individuals (29%) stated that their financial institutions provide significant sponsorship for school food programs. 14 individuals (35%) indicated a moderate level of sponsorship, while just 5 individuals (13%) indicated a very high level of sponsorship. Conversely, 6 individuals (16%) reported a small degree of impact, while 2 individuals (6%) reported a very minimal degree of impact. The weighted mean of (Mean 3.24 ± 0.92) indicates that the majority of commercial banks in Migori County provide sponsorship for school food programs, while the level of sponsorship is not very high. The majority of respondents, specifically 18 individuals (45%), acknowledged that their banks have a comprehensive written policy on contributions to community education. Additionally, 4 respondents (10%) said that their banks have a policy that strongly emphasizes community education, while 5 respondents (13%) indicated that their banks have a policy that moderately emphasizes community education. On the contrary, 10 individuals (26%) said that their organizations have a documented policy on contributing to community education to a limited extent, while an additional 2 individuals (6%) reported a very limited extent of contribution. Most organizations often have a documented policy on their contribution to community education, with an average rating of 3.27 ± 0.95 .

The study found that 11 individuals (29%) agreed that their organization significantly contributes to the community's education by paying school fees. Additionally, 10 individuals (26%) reported a very high level of contribution, while another 10 individuals (26%) reported a moderate level of contribution. Out of the total, just 6

individuals (16%) reported a little degree of involvement, while another 1 individual (3%) reported a very minimal degree of involvement. Thus, by paying for school fees, it can be concluded that commercial financial institutions operating in Migori County provide a substantial contribution to the community's education (Mean 3.52 ± 0.67). 19 out of the respondents, or 48%, confirmed that their organizations firmly intended to keep providing big contributions to community education. Additionally, 9 (23%) indicated a moderate level of intention, while 6 (16%) indicated a very high level of intention. Only 5 individuals, or 13% of the total, declared a little degree. This data demonstrates that the majority of these banks, to a significant degree (with a mean of 3.67 ± 1.26), have the intention to continue making contributions towards community education. Indeed, the majority of companies were observed to be purchasing books for many school libraries to a significant degree, with 20 (52%) indicating a high extent, 9 (23%) indicating a moderate extent, and 7 (19%) indicating a very big extent.

Furthermore, the study revealed that contributing to community education significantly contributes to the organization's profitability. This was evident from the responses of 20 respondents (52%) who indicated a considerable amount of impact, 10 respondents (26%) who indicated a moderate extent, and 6 respondents (16%) who indicated a very significant extent. However, just 2 individuals (6% of the total) reported a little degree. The weighted mean of (Mean 3.67 ± 1.26) indicates that contributing to community education significantly increases the profitability of the firm. Gavai (2010) argues that businesses have a responsibility to act as corporate citizens and contribute to society by addressing its problems through initiatives such as education and other social efforts. Businesses rely heavily on social resources and exert significant social impact. This research clearly demonstrates that providing education sponsorship has improved the banks' brand and generated greater public interest in them. The banks have experienced

the impact of this situation in terms of their investments and heightened earnings. Commercial firms engage in fulfilling civic tasks, such as education, as they are increasingly perceived as corporate citizens. This article explores the methods by which an organization funds the education of talented individuals from poor backgrounds, with the aim of promoting equitable opportunities for education regardless of socioeconomic status.

4.8.1 Correlation analysis Supporting Education Programs and Financial performance

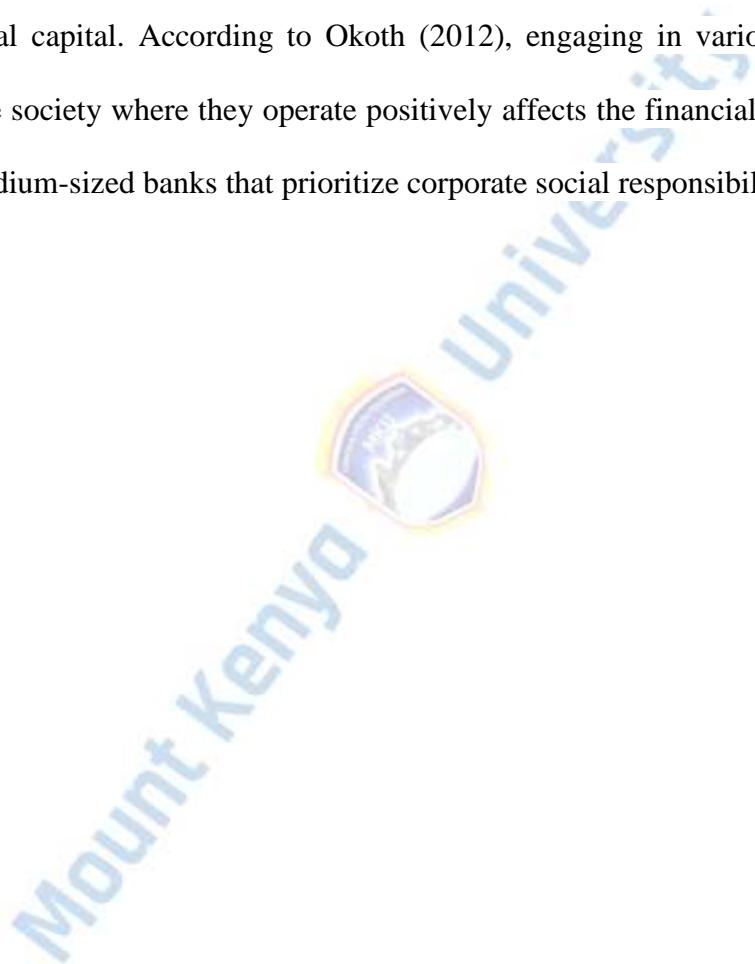
Correlation analysis was employed to examine the relationship and magnitude of the impact of education support programs on the financial performance of commercial banks. The results are displayed in Table 4.9.

Table 4.9 Correlation results for Supporting Education Programs and Financial performance

Variables		Supporting Education Programs	Financial Performance
Supporting Education Programs	Pearson Correlation	1	.518**
	Sig. (2-tailed)		0.000
	N		39
	Pearson Correlation	.518**	1
Financial performance	Sig. (2-tailed)	0.000	
	N		39

** . The value is significant at the 0.01 level (2-tailed)

The results indicate that there is a positive correlation ($r=0.518$) between Supporting Education Programs and the financial performance of commercial banks. This correlation is statistically significant ($p = .000 < 0.05$), as determined by the Pearson correlation coefficient. This discovery aligns with the research conducted by Lee and Kim (2019), which similarly concluded that banks with robust educational assistance initiatives not only had improvements in their financial performance but also bolstered their reputational capital. According to Okoth (2012), engaging in various education initiatives in the society where they operate positively affects the financial performance of large and medium-sized banks that prioritize corporate social responsibility (CSR).



CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides summary of the major findings and the conclusion made from studying the impact of corporate social responsibility on the financial progress and performance of commercial banks in Migori, Kenya. It also highlights the recommendations based on those findings.

5.2 Summary of the Study Findings

5.2.1 Employee Volunteering and Financial Performance

The results of the correlation analysis show a statistically significant positive link ($R = 0.468$, $p < .001$, $p \leq 0.05$) between employee volunteering in community activities in Kenya. The implication is that there is a strong correlation between the growth in employee volunteering in community activities and a significant improvement in the financial performance of commercial banks. The findings also revealed that the majority of banks in Migori County actively engage their workers in different community activities, resulting in improved progress with a higher average. A study by Tuffey (2009) revealed that corporate volunteer programs offer multiple benefits to the sponsoring company. Tuffey (2009) has shown that EVPs have a clear impact on workers' attitudes, productivity, and job satisfaction. The findings align with those of Graff (2011), who underlined that improved communities also have positive effects on the individuals living inside them. Consequently, workers who engage in their local communities have immediate and indirect benefits for themselves and their families as a result of their own efforts. The positive link between employee volunteer programs and profitability in this example is mostly attributed to the impact of these programs on

attitudes, productivity, job satisfaction, and service levels of both the company's employees and consumers.

As a result, this leads to enhanced efficiency and increased financial gain. Moreover, it may be contended that employee-sponsored volunteer initiatives serve as a highly conspicuous means for firms to showcase their dedication to their communities in light of the outcomes. As a consequence, the community holds a positive perception of the company. Consequently, towns that prioritize health and physical activity attract new businesses and workers, while also creating a more conducive environment for company growth and financial success. Graff (2011) noted that active participation in local communities not only benefits the people but also leads to direct and indirect gains for workers and their families through their own efforts.

5.2.2 Support on Community Health and Financial Performance

The correlation analysis output shows a robust positive correlation ($R = 0.503$) between contribution to community health in Kenya. This correlation is statistically significant ($p < .001$, $p \leq 0.05$). Statistically, when the level of contribution to community health increases, there is a strong positive impact on the financial performance of commercial banks. The survey also found that the majority of banks in Migori County actively engage in the development of health amenities in the region as a component of their corporate social responsibility (CSR) initiatives. Indeed, the majority of these commercial banks also provided financial support to particular health amenities through various means. The study also revealed that promoting community health is correlated with the financial success of the majority of commercial banks.

The findings align with Carrol and Shabana's (2010) research, which found that CSR helps the healthcare sector address social challenges, hence improving their reputation and increasing stakeholder involvement through the public disclosure of performance metrics. As a result, this promotes a favorable perception among the community and ultimately leads to more profits for the organization. These facts clearly indicate that the health industry is a frontrunner in terms of corporate social responsibility (CSR), primarily due to its strong connections with various stakeholders from society, government, and the commercial sector. Moreover, it is conceivable that, in comparison to other enterprises, its revenue generation approach exerts a more significant influence on individuals' well-being via modifying their health conditions.

5.2.3 Support on Education Programs and Financial Performance Education

According to the research, there is a strong positive association ($r=0.518$) between Migori County's commercial banks' financial success and their support for education programs. There is statistical significance in this association, as shown by the p-value ($p = .000 < 0.05$). These results imply that the majority of Migori County's commercial banks actively support community education. A large number of banks often provide money to help build classrooms at educational institutions. Though not entirely, the majority of commercial financial institutions in Migori County support school feeding programs. The research also showed that most organizations usually have a written policy on their support of community education frauds. This study unequivocally shows that sponsoring education has enhanced banks' reputations and increased public interest in them.

The banks have experienced the impact of this situation in relation to their investments and heightened profits. Commercial enterprises engage in fulfilling civic tasks, such as

education, as they are increasingly recognized as corporate citizens. This article explores the methods by which an organization funds the education of talented individuals from poor backgrounds, with the aim of promoting equitable opportunities for education regardless of socioeconomic status.

5.2.4 Offering Financial Literacy to Community and Financial Performance

According to the research, there is a substantial link (p -values > 0.01) between financial success and giving financial literacy, as shown by the Pearson correlation coefficient ($r = 0.651$). This illustrates the existence of a direct relationship between community financial literacy initiatives and commercial banks' financial results. The community in Migori County is provided with financial literacy programs by the majority of commercial financial institutions. Furthermore, the poll found that the majority of commercial businesses have a financial literacy strategy in place that is integrated into their daily operations.. A significant association was discovered between the level of financial literacy among a community and the profitability of commercial financial institutions.

The study outcomes can be attributed to the fact that financial literacy, as advocated by Greenspan (2002), helps educate individuals about financial problems, enabling them to create savings strategies, develop family budgets, and make informed investment decisions. Utilizing such information effectively allows investors to meet their financial obligations through careful planning and deployment of resources that maximizes usefulness. Hilgert et al. (2003) found a direct correlation between self-beneficial financial conduct and financial knowledge.

The MasterCard Foundation and Equity Group Foundation launched an initiative in 2012 with the goal of educating over a million Kenyans, with an emphasis on youth, on personal and commercial finance. The educated populace puts pressure on financial authorities to improve the effectiveness and caliber of financial services. This phenomena results from the competitive pressures applied by shrewd investors who carefully consider possibilities, ask relevant questions, and negotiate well, forcing financial institutions to provide services that are more transparently and fairly priced. According to Miller et al. (2009), in order to make well-informed selections, investors may assess and compare a variety of financial commodities, including bank accounts, savings products, credit and loan possibilities, payment instruments, investments, and insurance coverage. Financial literacy facilitates informed decision-making to foster livelihoods, economic advancement, stable financial systems, and poverty reduction. These considerations encompass the prompt payment of bills and effective management of debt. Moreover, it provides individuals with greater control over their financial future, enhanced convenience in accessing financial products and services, and less vulnerability to unscrupulous vendors or fraudulent schemes.

5.3 Conclusion of the Study

The study's goal was to determine if Corporate Social Responsibility (CSR) and the financial health of Migori County's commercial banks are correlated. The study's conclusions show that staff involvement in a variety of community activities, funding the community health initiatives, funding for community education projects, and community financial literacy initiatives all improve these financial institutions' financial performance. The results of the study demonstrate that corporate social responsibility (CSR) initiatives and programs positively influence how businesses interact with their

funderson, customers, and suppliers. Corporate social responsibility (CSR) activities and programs have the potential to enhance brand reputation and boost profitability. The research found that implementing CSR health programs in commercial banks in Migori County, for both their employees and the community, has a positive effect on the financial performance of these businesses. Additionally, CSR health programs contribute to the overall well-being of society, leading to increased utilization of the products and services provided by commercial banks.

Based on the study's results about CSR education programs, most commercial banks in Migori County have successfully executed such initiatives by offering scholarships, sponsorships, and assistance in improving school infrastructure, including classrooms and laboratories. The research demonstrated that CSR education initiatives positively impacted the financial well-being of commercial banks in Migori County. These initiatives improved the banks' reputation, strengthened their relationships with suppliers, donors, partners, and the local community, and resulted in financial benefits. The report also found that CSR is an essential component of business strategy. The CSR initiatives are founded upon the demands of the community in which it operates and the broader national objectives. The study's findings on financial literacy reveal that commercial banks in Migori County implement financial literacy programs to enhance the literacy levels of the local population. The objective is to increase the number of individuals with bank accounts and promote savings, thereby facilitating effective financial planning within the community and ultimately improving the area's profitability.

5.4 Recommendations of the Study

In order to enhance awareness and improve the coordination of corporate social responsibility (CSR) initiatives, it is imperative for the management of commercial banks to allocate additional financial resources to the CSR budget. The research recommends expanding the current CSR programs to encompass new social issues, hiring more staff, and reaching outside Migori County to include other geographic regions, while still addressing the existing challenges. An imperative exists for the development of a framework for CSR that would empower commercial banks operating in Migori County to undertake investments that would openly yield advantages for all stakeholders.

In order to ensure the effective and optimal utilization of shareholders' funds, it is imperative for the management of commercial banks to do an audit of their corporate social responsibility (CSR) efforts and provide comprehensive reports to the shareholders regarding these initiatives. The report recommends that all commercial banks should disclose their expenditure on Corporate Social Responsibility (CSR). This would facilitate the retrieval of data by future scholars and enable shareholders to evaluate the extent to which each company is promoting corporate citizenship and reaping its benefits. To ensure uniformity, it is important to publish in a standardized manner, as this information is now accessible on the websites and newsletters of different commercial banks. In addition to the annual expenditure on corporate social responsibility (CSR) by commercial banks, the Central Bank of Kenya (CBK) should consider implementing a CSR performance index for all banks in its databases.

Additionally, it is advised that the regulator—the Central Bank of Kenya, for example—offer incentives to encourage Kenya's commercial banks to practice corporate social responsibility. Reconsideration is necessary due to the burdensome nature of certain existing legislation. The CBK could offer tax incentives to incentivize commercial banks to participate in CSR activities. The report recommends conducting further research to conclusively investigate the correlation between CSR expenditure and the performance of commercial banks. This research should utilize both financial and non-financial measures and target academics and scholars.

5.5 Suggestions for further Research

Additional research is necessary to comprehensively comprehend the financial and non-financial elements that impact corporate social responsibility (CSR) in Kenya.

The researcher suggests undertaking a study to determine the financial consequences of CSR spending and its impact on the financial performance of Kenyan commercial banks.

REFERENCES

- Afrin, S., Sehreen, F., Polas, M. R. H., & Sharin, R. (2020). Corporate Social Responsibility (CSR) practices of financial institution in Bangladesh: the case of United Commercial Bank. *Journal of Sustainable Tourism and Entrepreneurship*, 2(2), 69-82.
- Akhtar, R., Shah, S. A., & Hassan, M. (2022). Comparison of Existing Legal Framework of Corporate Social Responsibility for Banks in Malaysia and United Kingdom. *Annals of Human and Social Sciences*, 3(3), 261-268.
- Aras, G., Aybars, A., & Kutlu, O. (2010). Examining the Connection between CSR and Financial Outcomes in Emerging Markets and the Management of Corporate Performance. *International Journal of Productivity and Performance Management*, 3 (59), 229–254.
- Auka, M. (2006), *The Economic Consequences of CSR in Kenya's Capital*, Nairobi Longhorn Publishers
- Banerjee, S. B. (2009). *The Good, the Bad, and Corporate Social Responsibility*. Edward Elgar Publishing.
- Caroll, A. B., & Shabana, K. M. (2010). A Look at CSR Theory, Research, and Practice and What It Means for Business. *International Journal of Management Review*, 12 (1), 85-105.
- Chen, H., & Wang, X. (2011). Studying the relationship between Chinese companies' CSR efforts and their bottom lines. *Corporate Governance*, 4 (11), 361–370.
- Cochran, P. L. (2007). The Development of CSR Programs in Large Companies. *Business Horizons*, 50, 449-454.
- Cooper, D., & Schindler, P. (2008). *Commercial Investigation Techniques*. Irwin/McGraw-Hill Inc.
- Crowther, D., & Aras, G. (2010). *Guide to Ethical and Effective Business Practices*. Farnham, Surrey, GBR. Ashgate Publishing Group.
- Crowther, D., & Capaldi, N. (2008). *The Ashgate Research Companion on CSR in Businesses*. Abingdon, Oxon, GBR. Ashgate Publishing Group.
- Dennis, K., Noel, K. K., & Namanya, B. (2023). Corporate Social Responsibility and Corporate Image of Commercial Banks in Southwestern Uganda—A case study of ABSA.
- Elliott, A. (2021). *Contemporary social theory: An introduction*. Routledge.

- Falck, O., & Heblich, S. (2007). Success via altruism. *Responsibility of Corporations to Society*, 50, 247-254.
- Global Media. Graff, L. (2011). *The Economic Value of Employer-Sponsored Volunteering*.
- Guan, J., & Noronha, C. (2013). Research on CSR reporting at Chinese universities: a critical analysis. *Social Responsibility Journal*, 9 (1), 33–55.
- Hawkins, D. E. (2006). *CSR: Striking a Balance between Long-Term Sustainability and Short-Term Profitability*. Palgrave Macmillan.
- Hay, B. L., Stavins, R. N., & Victor, R. H. (2005). Perspectives from Law, Economics, and Business on Environmental Protection and Corporate Social Responsibility. *Resources for the Future*.
- Ho, A. Y. F., Liang, H. Y., & Tumurbaatar, T. (2019). The impact of corporate social responsibility on financial performance: Evidence from commercial banks in Mongolia. In *Advances in Pacific Basin Business, Economics and Finance* (Vol. 7, pp. 109-153). Emerald Publishing Limited.
- Hu, V. I., & Scholtens, B. (2014). Corporate social responsibility policies of commercial banks in developing countries. *Sustainable Development*, 22(4), 276-288.
- Igwe, P. A., Icha-Ituma, A., & Madichie, N. O. (2018). The evaluation of CSR and social value practices among UK commercial and social enterprises. *Entrepreneurial Business and Economics Review*, 6(1), 37-52.
- Kakuba, D., Namanya, B., & Noel, K. (2023). Implementation Challenges of Corporate Social Responsibility Programs among Commercial Banks in Uganda: A Case of Absa Bank Mbarara. *Bishop Stuart University Journal of Development, Education & Technology*, 107-119.
- Kivits, R., Sawang, S., Kivits, R., & Sawang, S. (2021). Stakeholder theory. *The Dynamism of Stakeholder Engagement: A Case Study of the Aviation Industry*, 1-8.
- Kothari, C. R. (2004a). *Research Methodology : Methods and Techniques*. Delhi, Daryaganj: New Age International.
- Kothari, C. R. (2004b). *Methods and procedures for doing research*. New Age International.
- Kotler, P., & Lee, N. (2011a). *Maximizing Benefits for Both Your Business and Your Cause Is What Corporate Social Responsibility Is All About*. John Wiley & Sons.

- Kotler, P., & Lee, N. (2011b). *Maximizing Benefits for Both Your Business and Your Cause Is What Corporate Social Responsibility Is All About*. John Wiley & Sons.
- Krishnaswami, O. R., & Satya Prasad, B. G. (2010). *Maximizing Benefits for Both Your Business and Your Cause Is What Corporate Social Responsibility Is All About*. Global Media.
- Kweyun R, (2009) *Definition of BusinessDheli*, Global Media, OCED Publishing's Newest Release
- Lanis, R., & Richardson, G. (2012). *Maximizing Benefits for Both Your Business and Your Cause Is What Corporate Social Responsibility Is All About*. *Accounting, Auditing & Accountability Journal*, 26 (1), 75–100.
- Moir, L. (2001). *Maximizing Benefits for Both Your Business and Your Cause Is What Corporate Social Responsibility Is All About*. *Corporate Governance*, 1 (2).
- Nave, A., & Ferreira, J. (2019). Corporate social responsibility strategies: Past research and future challenges. *Corporate Social Responsibility and Environmental Management*, 26(4), 885-901.
- Nyeadi, J. D., Ibrahim, M., & Sare, Y. A. (2018). Corporate social responsibility and financial performance nexus: Empirical evidence from South African listed firms. *Journal of Global Responsibility*, 9(3), 301-328.
- Obrien, H. (2011) *The Economic Consequences of CSR in Kenya's Capital*, Nairobi
- OECD. (2001). *Partners in Progress via Corporate Social Responsibility*. OECD Publishing.
- Oehmke, M., & Opp, M. M. (2024). A theory of socially responsible investment. *Review of Economic Studies*, rdae048.
- Orazalin, N. (2019). Corporate governance and corporate social responsibility (CSR) disclosure in an emerging economy: evidence from commercial banks of Kazakhstan. *Corporate Governance: The International Journal of Business in Society*, 19(3), 490-507.
- Payne, G. T., & Petrenko, O. V. (2019). Agency theory in business and management research. In *Oxford research encyclopedia of business and management*.
- Tuffrey, M. (2009). *Valuing Employee Community Participation: Concrete Suggestions for Estimating Returns on Investment Due to Volunteer Work*. The Corporate Citizenship Company, a London-based firm.
- Uitgeverij, V. G. (2001). *Maximizing Benefits for Both Your Business and Your Cause Is What Corporate Social Responsibility Is All About*.

APPENDICES

APPENDIX 1: CONSENT FORM FOR PARTICIPATION IN RESEARCH

Dear Participant,

You are formally invited to take part in a research investigation on how CSR on influence Financial Performance of Commercial financial institutions in Kenya. I am currently enrolled in a Master's Degree program in Business Administration, focusing on Accounting, at Mount Kenya University. The objective of this project research is to examine the influence of CSR on the financial progress of Commercial Banks in Kenya, specifically focusing on the Migori branch. The accompanying questionnaire has been meticulously crafted to collect relevant insights from diverse stakeholders. Your involvement in this research experiment is completely optional. If you like, you can choose to refuse participation or elect not to answer any questions. Participating in this study carries no known risks, and your replies will be treated with confidentiality and anonymity. The collected data will be securely saved and reported exclusively in an aggregated format. Your individual responses will remain confidential and will only be shared with the study team. Although there are no immediate advantages for you in taking part, you might find the conversations around the research topics intellectually stimulating. Furthermore, your participation will hold significant value in the field of study and could perhaps be advantageous to future clients or persons encountering similar difficulties. If you consent to participate in this study endeavor, please diligently fill out the questionnaire to the best of your capabilities. If you have any questions or concerns about this study, please don't hesitate to contact the researcher, Immaculate Awino, on 0702598943, or the supervisor, Dr. Robert Ombati, at 0701177122.

Much appreciation for your valued support in this significant research endeavor.

Consent

I have thoroughly examined and understood the given material and have had the chance to ask for more explanations. I comprehend that my involvement in this investigation is completely optional, and I have the freedom to withdraw at any point without the need to provide a justification or face any financial burden. Furthermore, I realize that I will be provided with a duplicate of this consent form. I hereby consent to actively participate in this research study.

Participant signature _____ Date _____

Researcher signature _____ Date _____

APPENDIX 2: QUESTIONNAIRE

Purpose of the study: Partial Fulfillment for the award of Masters in Business Administration

This questionnaire has been specifically designed to collect data on the impact of corporate social responsibility on the profitability of commercial banks in Kenya. Be assured that all the collected information will be handled with the highest level of secrecy and will only be used for academic reasons. The findings of this study will be accessible upon inquiry.

SECTION A: PERSONAL AND INSTITUTIONAL DATA

Indicate your gender _____

Indicate your age

Indicate the highest level of your education.

Diploma () Degree () Masters ()

Others (please specify) _____

Indicate the number of years you have you worked in the banking industry?

- Below 5 years []
- 6 – 10 years []
- 11 – 15 years []
- Above 15 years []

Indicate the number of years the bank has been in existence.

- Below 5 years []
- 6 – 10 years []
- 11 – 15 years []
- Above 15 years []

SECTION B Financial Literacy

The following statement relates to financial literacy programs that your organization participate in as part of corporate social responsibility. Please tick the most appropriate option using the scale provided to illustrate the extent at which your organization participate in the programs.

Statement	Very great extent	Great extent	Moderate extent	Little extent	Very little extent
1. My organization has a policy on financial literacy to the community entrenched in its policies.					
2. My organization offers financial literacy to the community					
3. My organization has a policy on financial literacy to the community entrenched in its policies.					
4. Financial literacy to the community has contributed to my organization's profitability					



SECTION C: Employee Volunteering

The following statement relates to employee volunteering programs that your organization participate in as part of corporate social responsibility. Please tick the most appropriate option using the scale provided to illustrate the extent at which your organization participate in the programs.

Statement	Very great extent	Great extent	Moderate extent	Little extent	Very little extent
1. The bank has an elaborate policy on employee volunteering in community activities					
2. Employee volunteering towards community activities has contributed towards the organization's profitability					
3. My organization is willing to continue with volunteering employees towards community activities.					
4. My bank volunteers its employees towards community activities.					

Mount Kenya

SECTION D Supporting Education

The following statement relates to supporting education programs that your organization participate in as part of corporate social responsibility. Please tick the most appropriate option using the scale provided to illustrate the extent at which your organization participate in the programs.

Statement	Very great extent	Great extent	Moderate extent	Little extent	Very little extent
1. My organization has a written policy on contributing towards community education					
2. My organization contributes towards sponsoring community education.					
3. My organization sponsors school feeding programs.					
4. My organization contributes towards the construction of classes in schools.					
5. My organization assists the community's education through the payment of school fees					
6. Contribution to community education leads to the organization's profitability.					
7. My organization buys books for school libraries.					
8. My organization intends to continue contributing towards community education.					

SECTION E Contribution to community health

The following statement relates to contributing to community health programs that your organization participate in as part of corporate social responsibility. Please tick the most appropriate option using the scale provided to illustrate the extent at which your organization participate in the programs. |

Statement	Very great extent	Great extent	Moderate extent	Little extent	Very little extent
1. My organization contributes towards community health.					
2. My organization contributes towards the construction of health facilities					
3. My organization pays for specialized treatment.					
4. My organization supports specialized health facilities.					
5. My organization sponsors health camps.					
6. My organization pays specialized health practitioners.					
7. My organizations contribution to community health leads to profitability.					
8. My organization intends to continue contributing towards community health					

Mou

Mount Kenya University



REF: MKU/ISERC/3245
TO: IMMACULATE AWINO

Date: 09 October 2023

REG: MBA/2022/46553

Dear Sir/Madam,

RE: EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN MIGORI COUNTY, KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2289**. The approval period is **09/10/2023 - 08/10/2024**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,  **The Chairman**
Mount Kenya University
Ethics Review Committee
P.O. Box 342 - 0100, Thika

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC



REPUBLIC OF KENYA



**NATIONAL COMMISSION
FOR SCIENCE,
TECHNOLOGY &
INNOVATION**

**Ref No: 346116
Issue: 18/January/2024**

RESEARCH LICENSE Date



This is to Certify that Ms... Immaculate Awino of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Migori on the topic: EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A

CASE OF MIGORI COUNTY for the period ending: 18/January/2025.

Director
General
NATIONAC
OMISSIO
N FOR
SCIENCE
TECHNO
LOGY &
INNOVATI
ON



License No: NACOSTI/P/24/32554

Verification QR Cod

Mount Kenya University