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Influence of corporate social responsibility on financial performance of industries listed at Nairobi securities exchange, Kenya

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Abstract

There has been an increased and continued expenditure by listed Industries on CSR activities over the years globally. It is now expected that a profit-making organization must engage in socially responsive activities. The study sought to examine the influence of expenditure on CSR on financial performance of Industries listed at Nairobi Securities Exchange in Kenya. The specific objective was to find out the influence of CSR on industries' profitability, to determine effects of CSR on a firm's liquidity position, and to find out influence of CSR on a firm's growth in assets. The study employed descriptive research design. The population of the study comprised of 49 firms out of 63 listed firms at NSE. Secondary data was collected from financial statements as well as NSE handbook. The data was processed and analyzed using Statistical Package for Social Science (SPSS). Descriptive statistics, T – Test statistics, Chi square statistics and Person correlation analyses were used to analyze the influence of expenditure of CSR on financial performance of industries listed in the NSE. Research finding were used to answer research questions and give recommendations on influences of CSR activities on financial performance of the industries listed at the NSE. The finding indicated that ROCE scores were significantly higher for firms with CSR expenditure of 20 million and above (M = 17.34, SD = 4.25) than for the companies with CSR of less than 20 million (M = 3.87, SD = 9.17). Hence, corporate social responsibility was found to have a significant effect on profitability of an industry. The finding also indicated that asset growth scores were significantly higher for industries with CSR expenditure of 20 million and above (M = 12.94, SD = 5.82) than for the companies with CSR of less than 20 million (M = 5.09, SD = 9.01). Hence, corporate social responsibility was found to have a significant effect on asset growth of a firm. The study concluded that expenditure on Corporate Social Responsibility had a significant influence on the profitability of an industry as well as growth on asset of an industry listed in the NSE.

CHAPTER ONE: INTRODUCTION

1.0 Background of the Study

Corporate Social Responsibility is an ethical theory that an entity has an obligation to act in a way that benefits the society. It is a duty that every individual has to perform so as to maintain a balance between the economy and the ecosystems (Daniel, 2014). Although the prime focus of business is generating profits, corporations can contribute to social and environmental goals by applying CSR as a strategic line in their core business practices, corporate governance, and management instruments (Graves, 1997). Organizations worldwide are faced with the challenge of responding to the needs of their external environment in a manner that adds value to their performance (James & Gathungu, 2013). Promoters of CSR have argued that organizations should integrate economic, social and environmental concerns into their business strategies, their management tools and their activities, going beyond compliance and investing more on human, social and environmental capital (Belal & Momin, 2009). However, previous studies have observed that although the concept of CSR has been recognized as an important ingredient for business success, the relationship between CSR and companies' financial performance has been inconclusive, controversial and open to further research (Lee, 2010). In exploring the linkages between environmental performance and financial performance with respect to the market value, argued that a firm with a better environmental performance has a significant positive impact on its market value.

Cheruiyot (2010), Established the relationship between CSR and financial performance of firms listed at the Nairobi stock exchange. This was a cross sectional study of all the 47 listed companies in the NSE's main segment as at 31 December 2009. Using regression analysis he sought to establish the relationship between the CSR index and financial performance measured in terms of the Return on assets, return on equity and return on sales. His conclusion was that there was a statistically significant relationship between CSR and financial performance. Obusubiri (2006), in a study on CSR and financial performance found a positive relationship between CSR and financial performance. He attributed this relationship to the good corporate image that comes with CSR making investors prefer such companies implying that good CSR behavior has a reputational benefit for the practicing firm. The Kenyan government has enacted laws and regulations on environmental policies with the National Environmental Management Authority (NEMA) as its principal agent in supervising matters relating to the environmental management and implementing environmental policies. Carroll (1979), businesses encompass economic, legal, ethical and discretionary expectations that society has of organization at any given time. Businesses can use ethical decision making to secure their businesses by making decisions that allow for government agencies to minimize their involvement with the corporation. Determining how CSR and financial performances are connected is further complicated by the lack of consensus of measurement methodology as it relates to CSR performance but there are two generally accepted methods. The first method is a reputation index, where knowledgeable observers rate firms on the basis of one or more dimensions of social performance. Reputation index was generated over a period of several years rated a number of firms as outstanding, honorable mention, or worst (Margarita 2004; Moskowitz, 1972). Content analysis is a second method of measuring CSR normally, in content analysis the extent of the reporting of CSR activities in various firm publications and especially in the annual report used by (Anderson, 1980. 1978). Significantly, it is unclear exactly what these indicators measure. In other cases, researchers employ official corporate disclosures—annual reports to shareholders, CSR reports, or the like. Despite the popularity of these sources, there is no way to determine empirically whether the social performance data by corporations are under-reported or over-reported.

The term "financial performance" is a composite of an organization's financial health, its ability and willingness to meet its long term financial obligations and its commitments to provide services in the foreseeable future, the time frame for objectives and strategies should be consistent, usually from two to five years. Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms (Weber, 2008). Accounting measures are susceptible to differential accounting procedures and managerial manipulation and market-based measures, due to investor's evaluation, may not be sufficient. The advantage of market-based measures is that they can estimate the value (or the cost) of companies adopting certain strategies to be socially responsible, conditional on the existing information Measurement of firms' financial performance can be based on: profitability, liquidity, solvency, financial efficiency and repayment capacity (Goukasian, 2008).

Weber (2008), argued that CSR can improve the competitiveness of a company in the long run; implying a positive relationship between the CSR involvement of a company and its financial success he pointed out that some stakeholders regard CSR as a symbol of reputation and the company reputation was improved by actions to support the community resulting in positive influence on revenue but Orlitzky (2003), found that this connection has not been fully established and the mechanisms through which firm's financial performance can be enhanced through CSR is not well understood (Jawahar, 2001). The viewpoint for positive correlation between CSR and financial performance suggest that a company's explicit costs are opposite of the hidden costs of stakeholders, therefore, this viewpoint is proposed from the perspective of avoiding cost to major stakeholders and considering their satisfaction, the commitment to CSR would result to increased costs to competitiveness and decrease the hidden cost of stakeholders. (Haire, 1975)

The Nairobi Securities Exchange is licensed and regulated by the Capital Markets Authority. It has the mandate of providing a trading platform for listed securities and overseeing its Member Firms. In Kenya, dealing in shares and securities started in the 1920's when the country was still a British colony. However the market was not formal as there did not exist any rules and regulations to govern stock broking activities. The NSE marked the first day of automated trading in government bonds through the Automated Trading System in November 2009. The automated trading in government bonds marked a significant step in the efforts by the NSE and central bank towards creating depth in the capital markets by providing the necessary liquidity. NSE requires listed companies to publish their financial results as a statutory obligation. These firms are expected to be pace-setters in the disclosure of information regarding CSR and financial performance of firms. Under the "Guidelines on Reporting and Disclosure in Kenya", companies are required to disclose CSR based on the themes of Environmental and Social Stewardship; Code of Ethics; Statement of Compliance and Assurance. There are only 63 listed Companies at the NSE. The companies are classified into various categories which include, Agricultural; Commercial and services; Telecommunication and Technology; Banking; Insurance; Investment; Manufacturing and Allied; Construction and Allied; and Energy and Petroleum. Profile of all companies listed on the stock market is available in the NSE‟s annual directory.

1.2 Statement of the Problem

Sustainability has become an important domain for business researchers in the current decade and businesses must create values for their stockholders while simultaneously meeting their CSR obligations in order to make a sustainable world. The notion of engaging beyond compliance is ethically desirable, even if, it takes away resources from a firm's immediate needs. The empirical analysis of the relationship between CSR and financial performance has yet to provide a convincing causal link between the two variables. There are studies that argue that it is not in the best interest of shareholders for a firm to be involved in CSR practice (Jooh et al, 2010). The link between CSR and corporate performance can only be clear if the components of the CSR programs in an organization are clearly identified before the relationship of the joint and several functions can be established (Gathungu, 2013.). Institutions that have remained competitive and that have experienced steady growth have been embracing CSR activities for a long time. This has enabled them to flourish in competitive markets where sellers sell similar goods at similar prices; this demonstrates that CSR plays a critical role in a firm's financial success. (Ong'olo, 2012). Garriga,(2004), found that a number of studies have yielded a positive correlation between CSR and financial performance. He is however quick to add that such correlation should be read with caution since it is difficult to measure.

Many Companies in Kenya are affected by various concerns about CSR practices. These concerns are all part of the component of CSR activities which include responsibility to environment, human resource, community involvement, consumers and products. From these studies there seem to be mixed results on the role of CSR on financial performance. The relationship between CSR and a firm's financial performance has been studied in Kenya but results of these studies are not conclusive. Mutuku (2005) established that there is no relationship between CSR and financial performance. Kipkemoi (2010) found a positive relationship between CSR and financial performance and a significant negative relationship between CSR and growth in sales. Clearly, studies by Mutuku and Kipkemoi are not only but a few, yielded mixed and contradictory results, this study sought to examine how CSR activities influences financial performance of Industries listed at NSE in Kenya.

1.3 General Objective of the Study

The study sought to establish the influence of CSR expenditure on financial performance of industries listed at NSE in Kenya.

1.4 Specific Objectives of the Study

1. To determine influence of CSR activities expenditure on Profitability of Industries listed at NSE in Kenya.
2. To find out the influence of CSR activities expenditure on liquidity of Industries listed at NSE in Kenya.
3. To establish the influence of CSR activities expenditure on growth of Assets of Industries listed at NSE in Kenya.

1.5 Research Questions

1. Does CSR expenditure have significant effect on Profitability of Industries listed at NSE in Kenya?
2. Does CSR expenditure have significant effects liquidity Industries listed at NSE in Kenya?
3. Does CSR expenditure have significant effects on growth of Assets of Industries listed at NSE in Kenya?

1.6 Significance of the Study

This study provides useful knowledge to various stakeholders of industries listed at NSE in designing appropriate response and intervention measures to achieve companies' performance. The finding also serve as an eye opener to consumers of industries listed at NSE especially in Kenya on importance of these organizations to be involved in CSR. The study highlighted the benefits the industries listed at NSE enjoy as a result of participation in CSR and the reason why they should engage more in it. In addition, it demonstrated the extent of CSR engagement in the organization and policy gaps requiring further improvement by both the organization and the government. The findings also formed the basis for further studies by other researchers in the field of study.

1.7 Limitations of the Study

CSR was measured by considering monetary spending on community development activities, environmental conservations programs and education programs. However, CSR has various dimensions, some monetary while others non-monetary. To determine a linear relationship, numerical values are required in which case it becomes difficult to capture non-monetary measures. However the researcher focused on only initiatives which are monetary.

1.8 Delimitations of the Study

A researcher focused to only on corporate social responsibility on financial performance of industries listed at NSE.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter reviews some previous studies and theories aimed at providing an analytical framework for the study on CSR and financial performance of industries listed at NSE in Kenya. The chapter focuses on theoretical and empirical literature. It contains theories and literature review on studies that have been done on past on CSR and financial performance. The chapter begins with theoretical framework which consists of theories related to CSR and its relation to financial performance, empirical literature, conceptual framework and end chapter summary.

2.2 Theoretical Literature

Wood (1991) defined CSR as a business organizations‟ configuration of principles of social responsibility, process of social responsiveness, policies, programs, and other observable outcomes as they relate to the firms societal relationships. McWilliams (2001), described CSR as actions that appear to further some social good beyond the interest of the firm and that, which is required by law. The relationship between CSR and financial performance is well captured in following CSR theories.

2.2.1 Agency Theory

The theory explains how to best organize relationships in which one determines the work while another party does the work. In this relationship, the principal hires while the agent does the work. In corporations, the principals are the shareholders of a company, delegating to the agent i.e. the management of the company, to perform tasks on their behalf. Agency theory assumes both the principal and the agent are motivated by self-interest. Ross (1973) in this theory, owners is the principals and managers are their agents. The manager bears fiduciary duty towards the owners and is generally subject to strong incentives in order to alienate their economic interests with those of the owners, and with the maximization of shareholder value. Today, it is commonly accepted that under certain conditions the satisfaction of social interests contribute to maximizing the shareholder value and most large companies pay attention to CSR particularly in considering the interests of people with a stake in the firm. In this respect, Jensen (2000) has proposed what he calls 'enlightened value maximization'. This concept specifies long-term value maximization or value-seeking as the firm's objective which permits some trade-offs with relevant constituencies of the firm.

To distinguish profitable CSR from others which are not, Burke and Logsdon (1996) proposed the concept of SCSR to refer to policies, programs and processes which yield substantial business related benefits to the firm, in particular by supporting core business activities, and thus contributing to the firm's effectiveness in accomplishing its mission. From this perspective, there is an ideal level of CSR determinable by cost-benefit analysis and depending on several factors (McWilliams & Siegel, 2001).

This study is interested in the relationship between the principals who are the shareholders and the agents who are the management and how this affects the choices of CSR will eventually influence financial performance of the industries listed at NSE in Kenya.

2.2.2 Stakeholder Theory

In stakeholder theory, the purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services or to serve as a vehicle for coordinating stakeholder interests (Clarkson, 1995). Stakeholder theory was first presented as managerial theory. Accordingly, the corporation ought to be managed for the benefit of its stakeholders: its customers, suppliers, owners, employees and local communities, and to maintaining the survival of the firm (Evan & Freeman, 1988). The decision making structure is based on the discretion of the top management and corporate governance, and frequently it is stated such governance should incorporate stakeholder representatives. Stakeholder theory of CSR is related to the belief that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contact (Jones, 1980). Thus, stakeholder theory takes into account individuals or groups with a stake in the company including shareholders, employees, customers, supplier and local community.

The base legitimacy of the stakeholder theory is on two ethical principles; principle of CSR rights and principle of corporate effects Both principles take into account the Kant's dictum respect for persons. The former establishes that the corporation and its managers may not violate the legitimate rights of others to determine their future. The latter focused on the responsibility for consequences by stating that the corporation and its managers are responsible for the effects of their actions on others. There is the problem of solving conflicting interests between stakeholders (Freeman & Reed 1983). The implication of stakeholder theory was that companies implement CSR voluntarily since it is part of its role to the stakeholders. The theory implied that a company practices CSR on its own self will. Like individual's organizations and communities have a complex relationship. Thus, the stakeholder has a role to play in firm's financial performance by ensuring a positive impact in the business community. Stakeholders are people and groups that affect or are affected by decisions, policies and operational organizations (Post, 2002). The need to satisfy the various stakeholder groups as major influences on the context within which businesses operate cannot be over emphasized and recognition of this has immeasurable and sustainable benefits for organizations (Halabi, 2006). This study is interested with stakeholder theory which state that corporation ought to be manage the benefit of its stakeholders: its customers, suppliers, employees and local communities, and the choices of CSR activities will eventually influence financial performance of the industries listed at NSE in Kenya.

2.3 Empirical Literature

Based on previous studies, the relationship between CSR and financial performance could be positive, negative, or neutral. Empirical literature shows that the effect of CSR on financial performance is both positive and negative with other studies not being conclusive.

2.3.1 Corporate Social Responsibility and profitability

Most executives believe that CSR can improve profits. They understand that CSR can promote respect for their company in the marketplace which can result in higher sales, enhance employee loyalty and attract better personnel to the firm. Also, CSR activities focusing on sustainability issues may lower costs and improve efficiencies as well.

Ikharehon (2014) found the impact of CSR on firms‟ profitability among selected quoted Nigerian firms between 2003 and 2012 revealed that a significant and negative relationship exists between CSR and profitability of the selected quoted firms during the period under review.

Webb (2006), study on the causal relation between CSR and profitability of firms using Granger causality models. They discovered that the relation between CSR and profitability is much weaker than previously thought. They suggest that strong stock market performance results in more investment by firms to improve their CSR.

Evelyn (2005), found a positive relationship between CSR and profitability in commercial banks in Kenya but recommended a further study to define relationship between social responsibility and other economic performance measures other than profitability e.g. customer base, growth rate, capital base etcetera.

Grant, (1991) noted that a re-organization and a specific differentiation of firm’s core competencies towards CSR results drive increase in profit of a firm. This was also affirmed by (Russo and Fouts, 1997) when they suggested and related financial performance to resource-based view of the firm by arguing that CSR policy plays a major role in generating broader organizational advantage that allows a firm to capture premium profits.

2.3.2 Corporate Social Responsibility and Liquidity

Liquidity is the ability of a firm to meet financial obligations as they come due in the short term without disrupting the normal operations of the buss (Seoh, 2012). Greater liquidity reduces the ability of the borrower to commit to a specific course of action and hence its debt capacity Myers and Rajan (1998).

Liquidity describes the degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price.

Liquidity varies over time. This means that investors are not sure how much they will spend on future transactions requiring the sale of an asset. In addition, as liquidity affects the price rate, liquidity frictions can influence the variability of its assets price (Amihad et al., 2005).

The International Financial Reporting Standards (2006) define liquidity as the available cash for the near future, after taking into account the financial obligations corresponding to that period. Liargovas& Skandalis (2008) argues that firm can use liquid assets to finance its activities and investments when external finance is not available. On the other hand, higher liquidity can allow a firm to deal with unexpected contingencies and to cope with its obligations during periods of low earnings.

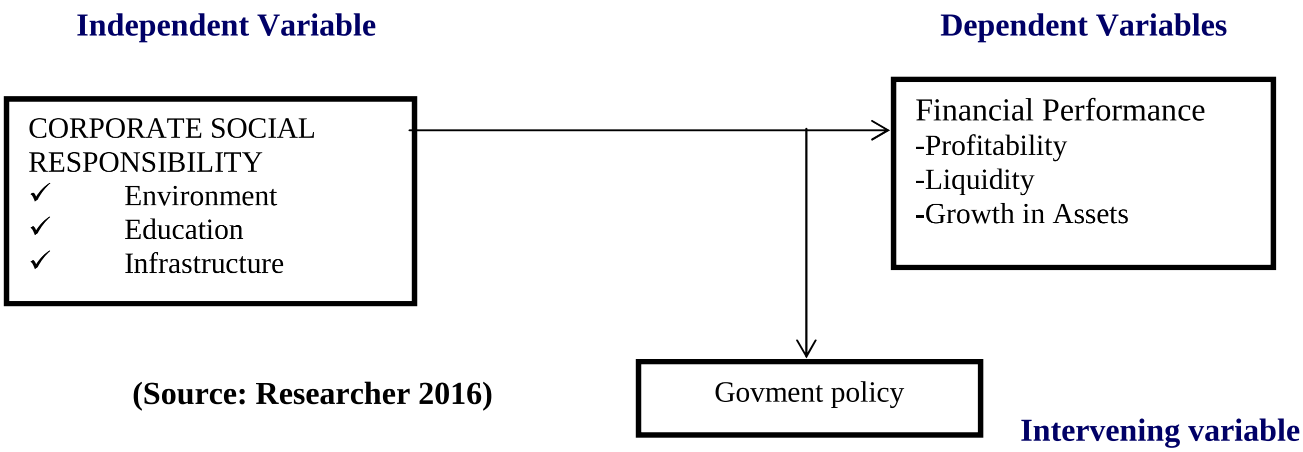
Theofanis (2010), studied corporate social responsibility and Liquidity on Greek companies, Analysis of CSR as the independent variables was done using content analysis of sustainability reports in generating a compound score of company’s CSR level. The study found a positive and significant relationship between CSR and Liquidity

2.3.3 Corporate Social Responsibility and Growth in Assets

Growing firms place a greater demand on the internally generated funds of the firm, and may therefore require more finance to support their growth (Abor & Biekpe, 2005). Yusuf & Adamu (2016) who examined the interconnection between CSR activities and financial performance of Malaysian Public listed companies for the period of 2009-13. Sample size consists of Malaysian top 100 companies, from Malaysia stock exchange (Bursa Malaysia), through purposive sampling. Whereby CSR was independent variables and growth in Asset as dependent variables, by using Pearson correlation test, they pointed out that independent variables had a positive relationship with dependent variables.

2.4 Conceptual framework

Figure 2.1



(Source: Researcher 2016)

2.5.1 Explanation of the conceptual framework

The study was guided by a conceptual framework that defined the effects of independents variables and dependent variable. However there are intervening variable which is the government laws and regulations on environmental policies for managing the environment for example NEMA is Kenyan agent who is mandated in coordinating the various environmental management activities being undertaken by the lead agencies and its principal agent in supervising matters relating to the environmental management and implementing environmental policies in Kenya.
There are several activities which facilitates corporate social responsibilities, such as Community development activities targeting digging boreholes to the society, food supply programs to needy society and construction of passengers waiting bay, Environmental conservation programs targeting afforestation, sponsoring conservation programs and beautification programs and Education programs targeting feeding programs in schools, sponsoring needy student in the society and sponsoring co-curriculum activities in schools.

2.6 Summary of Knowledge Gap

Studies that have been conducted are based on the belief that a responsible institution is rewarded for its good reputation and have failed to arrive at the same conclusion. Empirical literature argues that firms can improve their financial performance by engaging in socially responsible behavior. Ponnu (2009), found preliminary evidence that firms engage in CSR activities to improve their corporate image from which they expect to grow their sales and profits. Similar findings were obtained in the insurance sector by (Auka, 2006;Anyona, 2005;Ominde, 2006;Odhiambo, 2006). Despite the vast empirical evidence that firms use CSR as a strategic tool to grow their financial performance, there is not much research that has been done to establish the influence of CSR on financial performance in the firms listed at the NSE. Mutuku (2004), found no relationship between CSR and financial performance of firms listed at the NSE. Kipkemoi (2010) found a positive relationship between CSR and financial performance and a significant negative relationship between CSR and Growth in Interest income. Clearly, studies by Mutuku and Kipkemoi are not only but a few, yielded mixed and contradictory results. Most of the studies have looked at CSR expenditure on financial performance in other countries, but the studies gave a mixed reaction on their influence on financial performance.

Some industries emphasized individual aspects of the environment, safety, education or human rights. Previous studies claim that CSR by firms had influence on financial performance from different aspects. Since there has been a growing awareness among firms on CSR activities concerning education, environmental conservation and community development the research sought to find out if CSR activities by industries listed at the NSE influenced on financial performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the methodology of the study. It then identifies the target population from which the sample was selected and the sampling techniques which was used to identifying the industries listed in NSE in Kenya. The chapter ends by describing the data analysis techniques to be used in analyzing the data.

3.2 Research Design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research; it's the conceptual structure within which research is conducted and constitutes the blue print for the collection, measurement and analysis of data (Creswell, 2008; Kothari, 2009).

A descriptive research design is used when data are collected to describe persons, organizations, settings or phenomena. The design also has enough provision for protection of bias and maximized reliability (Mugenda & Mugenda, 2003)

3.3 Target Population

The target population may be defined as the collection of elements or objects that possess the information sought by the researcher and about which references are to be made, it's an entire group of individuals, events or objects having common observable characteristics in which the results will be generalized in the target population (Mugenda&Mugenda, 2003).

This is a census study whereby 49 firms listed at NSE were used in the study and the analysis was based on firms that participated in CSR for the years 2010-2014. Sampling design was not used since the population was few and could be easily analyzed.

3.4 Sampling Techniques and Sample Size

Sampling procedure is the technique used in selecting the items for the sample (Kothari, 2013). The study adopted purposive stratified random sampling technique to allow selection of subjects in the existing subgroups in the population (Lewis &Thornhill, 2009).

Sample size is the number of items to be selected from the population to constitute a sample (Mugenda&Mugenda, 2013). All the firms which were listed from 2010-2014 were used but only 49 firms had sufficient information for five years which was needed by the researcher. The main respondents were the Finance Officers (FO) from each of the organizations selected for the study.

3.5 Research Instrument

Research instruments are the tools with which to collect the necessary information (Mugenda and Mugenda, 2013). Primary data was collected from selected respondents using questionnaires as they provide just the desired information, which makes data analysis easier. Secondary data was also obtained from NSE handbooks and published financial statements of the selected firms. CSR information was obtained from Published financial Statements, Chairman's and statement notes to the financial Statement.

3.6 Pilot study

Piloting is a mini-version of a full- scale study, as well as the specific pre-testing of a particular research instrument (Teijlingen& Hundley, 2001). To test the applicability of the questionnaire, a pilot study was conducted on 6 firms which were not part of the sample.

3.7 Validity

The researcher carried out a pilot study to pretest the validity and reliability of data collected using the questionnaire. According to Berg and Gall (1989) point out that validity of instruments is improved by expert judgment. The examiners during proposal presentation and supervisors thereafter give experts judgments which helped to improve validity. Subsequently adjustments were made on the instruments to enhance validity.

3.8 Reliability

Schilling (2003), reliability refers to the consistency of measurement and is frequently assessed using the test–retest reliability method. Reliability on the other hand refers to a measure of the degree to which instruments yield consistent results (Mugenda & Mugenda, 2003). Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures.

Joppe (2000) defines reliability as the extent on which results are consistent over time and an accurate representation of the total population under study and if the results of the study can be reproduced under a similar methodology, then the research instruments is considered to be reliable.

3.9 Data Collection Techniques

In both cases, a structured questionnaire was used to guide on which data to be collected. Self-administered questionnaires were used issued to respondents following an initial telephone solicitation to participate in the research by email. Follow-up calls and reminders to fill or return the filled questionnaires were used after two weeks. Participants were motivated by writing personalized introductions letters to them, where their names and full contact addresses are known. In case where a respondent preferred face-to-face interviewing, a not more than 30 minute's interaction was used to solicit responses.

According to (Mugenda & Mugenda, 2003), add that, numerical records can also be considered a sub category of documents and those records include NSE handbook and published financial statement. This basically implied the incorporation of valuable statistical data in the study.

3.10 Data Presentation and Analysis

Data analysis is the process of cleaning, coding and entering data into a computer in order to make an analysis of the same (Mugenda&Mugenda, 2003). T-test statistics, chi-square statistics and Pearson correlation analysis were used since they all tend to show relationship between variables. T-test statistics is used in case of numerical data and can be used to determine if two sets of data are significantly different from each other. The data matches the underlying assumptions of T-test. Chi- square is used to determine whether there is a significant difference between the expected frequencies and the observed frequencies in one or more categories. Pearson correlation shows how well sets of data are related. (Kothari, 2008). Data was analyzed using the Statistical Package for social science (SPSS) version 21, organized and presented in tables.

3.11 Logistics and Ethical Consideration

Logistics refer to all those processes, activities or actions that a researcher must address or carry out to ensure successful completion of a research project.

Ethics on the other hand refers to the Brach of philosophy which deals with one's conduct and serves as a guide to one's behavior (Mugenda&Mugenda, 2013).

The researcher maintained confidentiality of all information gathered from the several respondents. All respondents were briefed about the purpose of the study, and also requested to give as accurate information as possible.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents results of data analysis from the respondents. The chapter describes the data collection process and analysis, and profile of industries listed in the NSE. T – Test statistics, Chi square statistics and Person correlation analyses were used to analyze the influence of expenditure of CSR on financial performance of industries listed in the NSE.

4.2 Data Collection Process and Analysis

The study employed both primary and secondary data whereby secondary data was obtained from NSE handbooks and published financial statements of the firms listed in the NSE. There were 63 companies listed at the NSE. However, 14 companies were not operational for the five year period (2010 to 2014) that was of concern to this study, hence analyses was done for 49 companies. The findings of the study from the data collected were analyzed using statistical package for social sciences (SPSS), organized and presented in tables.

4.3 Expenditure on CSR for Industries Listed at the NSE

The study sought to establish the expenditure on CSR for industries listed at the NSE and how the influence the financial performance. It was established that majority of the industries (44.9%) spent between 20 million and 70 million shillings annually on CSR, 30.6% of the industries utilized less than 20 million shillings while 24.5% utilized more than 70 million shillings annually on CSR. It was further established that the mean expenditure on CSR for the industries listed at the NSE was approximately 72 Million shillings (SD = 109, 308, 734.15). Moreover, the industries with the highest expenditure on CSR spent an average of Ksh. 626, 760, 000.00 annually whereas the industries with the least expenditure spent an average of Ksh. 129, 520.00. This result means that there was a huge range for the expenditure on CSR for the industries listed at the NSE between the years 2010 and 2014. This is illustrated in table 4.1 and 4.2.

Table 4.1

Average Funds spent on CSR for industries listed at the NSE (2010 - 2014)

	Frequency	Percent
Less than 20 Million	15	30.6
20 Million to 70 Million	22	44.9
Above 70 Million	12	24.5
Total	49	100.0

Table 4.2:

Descriptive statistics: Expenditure on CSR for listed industries (2010 - 2014)

	N	Minimum	Maximum	Mean	Std. Deviation
Average CSR	49	129,520.00	626,760,000.00	72,536,116.61	109,308,734.15
Valid N	49				

4.3.1 Relationship between Industry and Expenditure on CSR for Listed Industries

The study established that telecommunication and technology industry had the highest annual expenditure on CSR with a mean of Ksh. 315,800,000.00, followed by commercial and services industry which recorded a mean annual expenditure of Ksh. 114,167,882.86 (SD = 132,679,200.51). Banking industry was ranked third with a mean of Ksh. 96,269,178.18 (SD = 177,890,684.65) with construction and allied, energy and petroleum, and investment industries following closely with a means of Ksh. 72,708,214.00 (SD = 54,989,387.48), Ksh. 65,566,590.99 (SD = 64,760,975.48) and Ksh. 55,952,273.33 (SD = 63,544,637.86) respectively. Automobile and accessories, insurance, manufacturing and allied, and investment services industries posted means of Ksh. 50,025,680.00, Ksh. 42,381,980.00 (SD = 28,158,312.53), Ksh. 39,560,505.71 (SD = 32,033,671.78) and Ksh. 32,876,040.00 respectively. Agricultural sector posted the lowest mean on annual funds allocated to CSR of Ksh. 16,616,353.33 (SD = 15,794,513.65).

Table 4.3

Relationship between industry & expenditure on CSR (2010 - 2014): Listed industries

Industry	N	Mean	Std. Deviation
Telecommunication & Technology	1	315,800,000.00	.
Commercial & Services	7	114,167,882.86	132,679,200.51
Banking	11	96,269,178.18	177,890,684.65
Construction & Allied	5	72,708,214.00	54,989,387.48
Energy & Petroleum	4	65,566,590.99	64,760,975.48
Investment	3	55,952,273.33	63,544,637.86
Automobiles & accessories	1	50,025,680.00	.
Insurance	3	42,381,980.00	28,158,312.53
Manufacturing & Allied	7	39,560,505.71	32,033,671.78
Investment Services	1	32,876,040.00	.
Agricultural	6	16,616,353.33	15,794,513.65

It was further established that the only firm in the telecommunication and technology industry had its average expenditure on CSR in the above 70 million shillings expenditure category. Half of the companies in the energy and petroleum industry spent more than 70 million shillings annually on CSR and nearly 43% of companies in commercial and services industry had annual expenditure of more than 70 million on CSR. On the other hand, two thirds of the forms in the agricultural sector spent less than 20 million shillings annually on CSR.

A chi square statistics was performed to examine the relationship between industry and expenditure on CSR. The relationship between industry and expenditure on CSR was not significant because the p – value was 0.529 which was greater than .05.

Table 4.5

Industry Versus expenditure on CSR: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.895[a]	20	.529
Likelihood Ratio	21.606	20	.362
N of Valid Cases	49		

4.3.2 Percentage Expenditure allocated to CSR for Listed Industries

The study established that majority of the companies (44.9%) allocated less than .5% of their annual expenditure to CSR, 38.8% allocated to CSR .5% to 1% of their annual expenditure while 16.3% allocated more than 1% of their annual expenditure to CSR. This result means that most of the companies listed at the NSE allocated less than 1% of their annual expenditure to CSR as only less than a fifth posted an allocation of more than 1%. This is illustrated in table 4.6.

Table 4.6:

Percentage expenditure allocated to CSR

	Frequency	Percent
Less than .5%	22	44.9
.5% to 1%	19	38.8
Above 1%	8	16.3
Total	49	100.0

Further analysis revealed that telecommunication and technology industry had committed the highest percentage of their annual expenditure to CSR with a mean of 1.030% followed closely by insurance sector which had committed .880% of their annual expenditure to CSR. Energy and petroleum, construction and allied and banking industries had committed .623%, .392% and .165% respectively of their annual expenditure on CSR. The remaining six industries had an allocation of less than .01% of their annual expenditure on CSR. This is illustrated in table 4.7.

Table 4.7:

Relationship between industry & percentage expenditure on CSR (2010 - 2014)

Industry	N	Mean	Std. Deviation
Telecommunication & Technology	1	1.030	.
Insurance	3	0.880	1.446
Energy & Petroleum	4	0.623	0.655
Construction & Allied	5	0.392	0.782
Banking	11	0.165	0.307
Investment	3	0.047	0.006
Manufacturing & Allied	7	0.046	0.005
Commercial & Services	7	0.044	0.005
Agricultural	6	0.043	0.005
Automobiles & accessories	1	0.040	.
Investment Services	1	0.040	.

4.4 Profitability of Industries Listed at the NSE

The study established that a high majority of the companies (59.2%) recorded a ROCE of less than 7%, 22.4% of the companies posted a ROCE of more than 15% while 18.4% of the companies registered a ROCE of 7 to 15%. This result means that most of the listed industries posted a ROCE of up to 15% as only around a fifth of the industries registered more than 15%.

Table 4:9:

Average ROCE for industries listed at the NSE (2010 to 2014)

Category	Frequency	Percent
Less than 7%	29	59.2
7% to 15%	9	18.4
Above 15%	11	22.4
Total	49	100.0

Further analyses revealed that automobiles and accessories registered the highest ROCE with a mean of 90.58% followed by telecommunication and technology industry which registered a mean of 27.00%. A close third was energy and petroleum industry which posted a mean of 23.92% (SD = 44.47). Manufacturing and allied, investment services, commercial and services, banking, and investment sectors posted means of 12.79% (SD = 13.15), 11.74%, 11.06%, 10.91%, and 10.49% respectively. The remaining three industries posted a mean of less than 10%. This result means that out of the 11 industries that were of interest to this study, only 3 sectors registered a ROCE of more than 20%. This is illustrated in table 4.10.

Table 4.10:

Relationship between industry & average ROCE (2010 - 2014)

Industry	N	Mean	Std. Deviation
Automobiles & accessories	1	90.58	.
Telecommunication & Technology	1	27.00	.
Energy & Petroleum	4	23.92	44.47
Manufacturing & Allied	7	12.79	13.15
Investment Services	1	11.74	.
Commercial & Services	7	11.06	17.12
Banking	11	10.91	26.44
Investment	3	10.49	4.56
Construction & Allied	5	8.02	5.23
Agricultural	6	7.53	6.34
Insurance	3	6.33	3.27

A chi square statistics was performed to examine the relationship between industry and ROCE. The relationship between industry and ROCE was not significant since the p – value was greater than .05.

4.5 Liquidity of Industries Listed at the NSE

The study established that majority of the industries (46.9%) posted current ratios of less than 1.5, 40.8% registered current ratios ranging from 1.5 to 2.0 while 12.23% recorded current ratios of above 2.0. This result indicates that slightly above a third of the industries had optimal current ratios ranging from 1.5 to 2.0. This is illustrated in table 4.12.

Table 4.12:
Average Current Ratio for companies listed at the NSE (2010 to 2014)

Category	Frequency	Percent
Less than 1.5	23	46.9
1.5 to 2.0	20	40.8
Above 2.0	6	12.2
Total	49	100.0

From the research findings, it was established that investment services and agricultural industries posted a mean current ratio of more than 2.0. It was further established that telecommunication and technology, and insurance industries posted a current ratio of between 1.5 and 2.0. The remaining seven industries posted a current ratio of less than 1.5. This result means that 7 of the industries posted current ratios which were below optimal level, 2 industries posted current ratios above the optimal level while two industries posted optimal current ratios.

Table 4.13:
Relationship between industry & average Current Ratio (2010 - 2014)

Industry	N	Mean	Std. Deviation
Investment Services	1	2.5600	.
Agricultural	6	2.3100	1.35303
Telecommunication & Technology	1	1.6400	.
Insurance	3	1.5333	.05774
Manufacturing & Allied	7	1.4343	.65296
Construction & Allied	5	1.3760	.22689
Energy & Petroleum	4	1.3750	.23288
Commercial & Services	7	1.2943	.49257
Investment	3	1.2667	.77106
Banking	11	1.2073	.52652
Automobiles & accessories	1	1.2000	.

4.7 Influence of Expenditure on CSR on Financial Performance of Industries Listed at the NSE

The study sought to establish the influence of expenditure on CSR on financial performance of industries listed at the NSE. The financial performance of the industries was measured using three parameters namely; profitability, liquidity, and asset growth.

4.7.1 Influence of CSR expenditure on Profitability

The study sought to establish the influence of CSR expenditure on profitability of industries listed on the NSE. A t – test was performed to examine the relationship between expenditure on CSR and ROCE.

An independent samples t – test indicated that ROCE scores were significantly higher for industries with CSR expenditure of 20 million and above (M = 17.34, SD = 4.25) than for the industries with CSR of less than 20 million (M = 3.87, SD = 9.17), t (47) = 2.035, p = .008. Hence, there was a significant relationship between expenditure in CSR and profitability. This finding agrees well with finding of Ikharehon (2014) who established a significant relationship between CSR and profitability of the firms. It also concurs with the finding of (Oyenye, 2012), who ascertained a significant positive relationship between CSR and profitability.The finding supports the work of (Grant, 1991) who argued that a re-organization and a specific differentiation of firm's core competencies towards CSR results drive increase in profit of a firm.

Moreover, the finding corresponds well with the finding of (Russo &Fouts, 1997) who argued that CSR policy plays a major role in generating broader organizational advantage that allows a firm to capture premium profits. Similarly, Pricewater Coopers (2002), established that 70% of global Chiefs Executive Officers (CEOs) affirmed that CSR is vital to the profitability of any company.

This finding is in harmony with findings of Adebayo *et al.* (2012) who revealed that the performance and reporting of social responsibility has a positive correlation with the profitability. Simpson &Kohers (2002); Waddock& Graves (1997) also established a significant positive relationship between CSR and profitability.

CSR promote respect for company in a market place which can result of higher sales, enhance employee loyalty, and better personnel to the firm. Additionally CSR activities focuses on sustainability issues may lower cost and improve efficiency as well. Improved sales, employees' loyalty and enhanced efficiency will subsequently lead to high profitability.

These results are illustrated in table 4.19 and 4.20

Table 4.19:
ROCE and Expenditure on CSR :Group Statistics

	Average CSR (2010 - 2014)	N	Mean	Std. Deviation	Std. Error Mean
ROCE (2010 - 2014)	Less than 20 Million	15	3.87	9.17	2.37
	20 Million and above	34	17.34	24.77	4.25

Table 4.20:
ROCE and Expenditure on CSR Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
ROCE	Equal variances assumed	4.678	.036	-2.035	47	.047	-13.469	6.618
	Equal variances not assumed			-2.770	46.179	.008	-13.469	4.863

Pearson correlation analysis was performed to assess whether similar results could be achieved. The results indicated that expenditure on CSR and ROCE of a industry were positively correlated, Pearson's r (49) = .628, $p < .001$. Hence the relationship between expenditure on CSR and ROCE of a industry was statistically significant.

Table 4.21:
Expenditure on CSR and ROCE Correlations

		Average CSR (2010 - 2014)	ROCE
Average CSR (2010 - 2014)	Pearson Correlation	1	.628
	Sig. (2-tailed)		.000
	N	49	49
Average ROCE (2010 – 2014)	Pearson Correlation	.628	1
	Sig. (2-tailed)	.000	
	N	49	49

4.7.2 Influence of CSR expenditure on Liquidity

The study sought to establish the influence of expenditure on CSR on liquidity of industries listed on the NSE. A t – test was performed to examine the relationship between expenditure on CSR and current ratio.

An independent samples t – test indicated that Current Ratio scores were higher for industries with CSR expenditure of 20 million and above (*M* = 1.53, *SD* = .53) than for the companies with CSR of less than 20 million (*M* = 1.35, *SD* = 1.03). However, the relationship between expenditure on CSR and Current Ratio was not found to be statistically significant since the p – value was greater than .05.

The finding contradicts the findings of (Theofanis, 2010), who argued on the Study on corporate social responsibility and Liquidity on Greek companies, the study found a positive and significant relationship between CSR and Liquidity. However, though not significant, the industries with higher expenditure on CSR had higher mean than the industries with less expenditure. These results are illustrated in table 4.22 and 4.23

Table 4.22:
Current Ratio and Expenditure on CSR: Group Statistics

	Average CSR (2010 – 2014)	N	Mean	Std. Deviation	Std. Error Mean
Current Ratio (2010 – 2014)	Less than 20 Million	15	1.35	1.03	0.27
	20 Million and above	34	1.53	0.53	0.09

Table: 4.23:
Current Ratio and Expenditure on CSR Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Current Ratio	Equal variances assumed	2.072	.157	-.813	47	.420	-0.180	0.221
	Equal variances not assumed			-.641	17.325	.530	-0.180	0.280

Pearson correlation analysis was performed to assess whether similar results could be achieved. The results indicated that expenditure on CSR and Current Ratio of a company were positively correlated Pearson's *r* (49) = .524. However, the relationship between expenditure on CSR and Current Ratio was not found to be statistically significant since the p – value was 0.093 which was greater than .05.

Table 4.24:
Current Ratio and Expenditure on CSR Correlations

		Current Ratio (2010 - 2014)	Average CSR (2010 - 2014)
Average Current Ratio (2010 - 2014)	Pearson Correlation	1	.093
	Sig. (2-tailed)		.524
	N	49	49
Average CSR (2010 - 2014)	Pearson Correlation	.093	1
	Sig. (2-tailed)	.524	
	N	49	49

4.7.3 Influence of CSR expenditure on Asset Growth

The study sought to establish the influence of CSR expenditure on asset growth of industries listed on the NSE. A t – test was performed to examine the relationship between expenditure on CSR and asset growth.

An independent samples t – test indicated that asset growth scores were significantly higher for industries with CSR expenditure of 20 million and above (*M* = 12.94, *SD* = 5.82) than for the industries with CSR of less than 20 million (*M* = 5.09, *SD* = 9.01), *t* (47) = 3.658, *p* = .006.

The finding of this study corresponds well with findings Yusuf and Adamu (2016) who examined the interconnection between CSR activities and financial performance of Malaysian Public listed companies for the period of 2009-13 and pointed out that CSR variables had a positive relationship with growth in asset variables.

CSR activities create good reputation of the company to the society leading to more customers. Good reputation over a long period of time leads to customer loyalty. Subsequently, customer loyalty results in growth in market for the firms' products as a result of increased demand. For the company to meet the high demand for its products it must expand its operations which necessitates for growth in assets. Hence, there is a positive correlation between a firm's expenditure on CSR and growth in its assets.

Table 4.25:
Asset Growth and Expenditure on CSR :Group Statistics

	Average CSR	N	Mean	Std. Deviation	Std. Error Mean
Average Asset Growth (2010 - 2014)	Less than 20 Million	15	5.09	9.01	2.33
	20 Million and above	34	12.94	5.82	1.00

Table 4 .26:
Current Ratio and Expenditure on CSR Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Asset Growth (2010 - 2014)	Equal variances assumed	.842	.364	-3.658	47	.001	-7.850	2.146
	Equal variances not assumed			-3.101	19.341	.006	-7.850	2.531

Pearson correlation analysis was performed to assess whether similar results could be achieved. The results indicated that expenditure on CSR and Asset Growth of a company were positively correlated, Pearson's *r* (49) = .442, p = .001. Hence the relationship between expenditure on CSR and Asset Growth of an industry was statistically significant.

Table: 4.27:
The Average CSR and Average Asset Growth Correlations

		Average CSR (2010 - 2014)	Average Asset Growth (2010 - 2014)
Average CSR (2010 - 2014)	Pearson Correlation	1	.442**
	Sig. (2-tailed)		.001
	N	49	49
Average Asset Growth (2010 - 2014)	Pearson Correlation	.442**	1
	Sig. (2-tailed)	.001	
	N	49	49

4.8 Primary Data

For comparison purposes, a questionnaire was administered to the financial officers of the 49 companies included in this study. There was one questionnaire for each firm, and it was completed by the financial officer of the respective industry. All the questionnaires were successfully completed hence comparison with the secondary data analyzed earlier was appropriate. Table 4.28 indicates the listed industries that were in operation between the years 2010 and 2014 grouped in their respective industries.

Table 4.28:
Categorization of the respondents per industry

Industry	Frequency	Percent
Agricultural	6	12.2
Automobiles	1	2.0
Commercial and services	7	14.3
Construction and allied	5	10.2
Petroleum and industry	4	8.2
Banking	11	22.4
Insurance	3	6.1
Investment	3	6.1
Investment services	1	2.0
Manufacturing	7	14.3
Telecommunication and technology	1	2.0
Total	49	100.0

4.9 Categories of CSR Activities

4.9.1 Education Support

In respect to education support, 79.6 % of the respondents reported that their firms supported secondary education, 71.4% high education, 75.5% informal education whiles 61.2% stated that their firms supported primary education. This is an indication that majority of the firms support education programmes to the needy people in the community as a tool of creating awareness to the society and subsequently attracting more customers. These findings are in agreement with a study done by Cheyne and Gottlieb (2012) who found out that there is a significant relationship between education support and increase of customers because its act as way of attracting customers through programmes which encouraged young people to remain in schools.

Table 4.32
Education

Category	Frequency	Percent
Higher education support	35	71.4
Secondary education support	39	79.6
Primary education support	30	61.2
Informal education support	37	75.5

4.9.2 Environmental Conservation

In regard to environmental conservation, 55.1% of the respondents reported that their firms supported afforestation, same as beautification, 53.1% garbage collection and cleaning while 34.7% indicated that their firms supported sponsorship for conservation organizations. These results revealed that majority of the firm supported environmental conservation as a way of marketing their products hence adding firm's value from the public. This agrees with findings of Alvarez (2001) who argued that practical environment management enhances firm's market value, reputation and financial performance.

Table 4.33
Environmental conservation

	Frequency	Percent
Afforestation	27	55.1
Beautification	27	55.1
Garbage collection and cleaning	26	53.1
Sponsorship for conservation organizations	17	34.7

4.9.3 Infrastructure Development

The study sought to establish the extent to which the listed firms supported infrastructure development for the communities. It was revealed that 53.1 % of the firms supported construction of community buildings, 51% paving of streets, 46.9% construction of perimeter walls while 34.7% construction of passenger waiting bay. This is a clear indication that most firms concentrated on infrastructure development as CSR activity to the society as way of empowering customers who are indirect stakeholders. This finding agree with Polanyi (2001) who argued that companies involve in infrastructure development as a response to growing distrust between large companies and the general public, and in part as a re-recognition of the importance of business in society.

Table 4.34
Infrastructure Development

	Frequency	Percent
Construction of Passenger waiting bay	17	34.7
Construction of Community buildings	26	53.1
Construction of perimeter walls	23	46.9
Paving of streets	25	51.0

4.10 Relationship between CSR and Financial Performance of an Industry

The respondents were asked to the extent to which CSR activities geared towards supporting education influence the financial performance of their firms. Majority of the respondents (51%) reported that support to education influenced the financial performance to a very large extent with the rest (49%) stating that support to education influenced financial performance of their firms to a large extent.

In regard to influence of CSR activities on environmental conservation, majority of the respondents (44.9%) reported it influenced financial performance of their firms to a very large extent, 32.7% stated an influence of a large extent while 22.4% stated moderate extent influence.

As pertains to infrastructure development support influence of financial support, a high majority of the respondents (61.2%) stated a large extent influence, 22.4% reported a moderate extent influence while 16.3% opined that infrastructure development support influenced financial performance of their firms was to a little extent.

The results indicate that in the opinion of the respondents, CSR activities had a significant influence on the financial performance of a listed firm as at least two thirds of the respondents opined so for the three categories of corporate social responsibilities outlined above. It is worthwhile noting that support to education was viewed as the most influential aspect of CSR in terms of its effect on financial performance of a firm, followed by support to environmental conservation. Support to infrastructure was ranked third though significant too.

Table 4.35
CSR and Financial Performance

Support to Education	Frequency	Percent
Large extent	24	49.0
Very large extent	25	51.0
Support to Environmental conservation	Frequency	Percent
Moderate extent	11	22.4
Large extent	16	32.7
Very large extent	22	44.9
Support to Infrastructure	Frequency	Percent
Little extent	8	16.3
Moderate extent	11	22.4
Large extent	30	61.2

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The main objective of this study was to examine the influence of corporate social responsibility on financial performance of a firm with specific reference to industries listed in the NSE. This chapter discusses: 5.2 summary of the study undertaken, 5.3 makes conclusions of the findings and 5.4 gives relevant recommendations.

5.2 Summary of the Findings

The objective of the study was to examine the influence of corporate social responsibility on financial performance of a firm with specific reference to industries listed in the NSE. Secondary data was obtained from NSE handbooks and published financial statements of the industries listed in the NSE.

The study established that the mean ROCE (Measuring profitability) was significantly higher for industries with CSR expenditure of 20 million and above (M = 17.34, SD = 4.25) than for their counterparts with CSR of less than 20 million (M = 3.87, SD = 9.17). The p-value was .008, implying that the difference in means was statistically significant at the .05 level of significance. Hence, the study concluded that CSR had a significant influence on a industry's profitability. This result corresponds well with the finding of (Oyenye, 2012), who ascertained a significant positive relationship between CSR and profitability. The finding is in harmony with finding of Adebayo *et al.* (2012) who revealed that the performance and reporting of social responsibility has a positive correlation with the profitability. Moreover, the expenditure on CSR and ROCE of a company were positively correlated, Pearson's r (49) = .628, $p < .001$.

It was further established that the mean Current Ratio (Measuring liquidity) were higher for industries with CSR expenditure of 20 million and above (M = 1.53, SD = .53) than for the industries with CSR of less than 20 million (M = 1.35, SD = 1.03). The expenditure on CSR and Current Ratio of a company were positively correlated, Pearson's r (49) = .524. However, the relationship between expenditure on CSR and Current Ratio was not found to be statistically significant since the p – value was greater than .05. This finding contradicts with the findings of (Theofanis, 2010), who argued on the Study on corporate social responsibility and Liquidity on Greek companies, the study found a positive and significant relationship between CSR and Liquidity.

The study established that the mean asset growth scores were significantly higher for industries with CSR expenditure of 20 million and above (M = 12.94, SD = 5.82) than for their counterparts with CSR of less than 20 million (M = 5.09, SD = 9.01), t (47) = 3.658, p = .006. The p-value was less than .05 implying that the difference in means was statistically significant at the .05 level of significance. The finding corresponds well with the finding of Yusuf and Adamu (2016) who examined the interconnection between CSR activities and financial performance of Malaysian Public listed companies for the period of 2009-13, and pointed out that CSR variables had a positive relationship with growth in asset variables.

5.3 Conclusions

From the research findings it was established that expenditure on Corporate Social Responsibility had a significant influence on the profitability of a firm as well as growth on asset of a firm listed in the NSE.

5.3.1 CSR and Profitability

Corporate social responsibility was found to have a significant effect on profitability of a firm. CSR promotes respect for company in a market place which can result of higher sales, enhance employee loyalty, and better personnel to the firm. Additionally CSR activities focuses on sustainability issues may lower cost and improve efficiency as well. Improved sales, employees' loyalty and enhanced efficiency will subsequently lead to high profitability.

5.3.2 CSR and Asset Growth

Corporate social responsibility was found to have a significant effect on growth in asset of a firm. CSR activities create good reputation of the company to the society leading to more customers. Good reputation over a long period of time leads to customer loyalty. Subsequently, customer loyalty results in growth in market for the industries' products as a result of increased demand. For the company to meet the high demand for its products it must expand its operations which necessitates for growth in assets.

5.3.3 CSR and Liquidity

This study did not establish a significant relationship between CSR and liquidity of a industry. However, the correlation analysis indicated a positive relationship between CSR and liquidity.

5.4 Recommendations

From the analysis, findings, and discussions of the study, it was found out CSR had a significant influence on financial performance of a firm listed at NSE. From the conclusion arrived at the researcher wishes to make the following recommendations;

1. Industries should intensify expenditure on CSR activities as it will result in high sales and employee loyalty subsequently leading to greater profitability.
2. Industries should reinforce the allocation of funds for CSR in their budget in order to improve customer loyalty and market growth thereby leading to growth in asset.

5.5 Recommendations for further Research

Since the study focused on industries listed in the NSE, it is suggested that the study be extended to other industries and institutions, to find out whether similar results would be arrived at.

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Appendix 1: Questionnaire

Please answer the following questions as the best as you can and tick them appropriately box.
(The information will be strictly treated as confidential and for educational purposes). Do not write your name.

Demographic Information

1. Gender.
   Male ☐
   Female ☐

2. Age bracket
   Below 20 years [ ]
   21 – 29 years [ ]
   30 – 39 years [ ]
   40 – 49 years [ ]
   50 years and above [ ]

3. Indicate the highest level of education achieved
   Diploma [ ]
   Bachelor's degrees [ ]
   Masters [ ]
   Phd [ ]
   Others [ ]

4. How long have you been in this position?
a) 0-1 years ☐
b) 1-3 years ☐
c) 4-5 years ☐
d) 5 years and above ☐

5. Under what industry does your firm fall? (tick as appropriate)
a) Agricultural ☐
b) Automobiles ☐
c) Commercial and services ☐
d) Construction and allied ☐
e) Petroleum and industry ☐
f) Banking ☐
g) Insurance ☐
h) Investment
i) Investment services ☐
j) Manufacturing ☐
k) Telecommunication and technology ☐

Corporate Social Responsibility Activities

6. Out of these educational support activities which one is carried by your firm?
a. Higher education support [ ]
b. Secondary education support [ ]

c. Primary education support [ ]
d. Informal education support [ ]
e. None [ ]

7. Out of these environmental conservation activities which one is carried out by your firm?
a) Afforestation [ ]
b) Beautification [ ]
c) Garbage collection and cleaning [ ]
d) Sponsorship for conservation organizations [ ]
e) None [ ]

8. Out of these infrastructure development activities which one is carried out by your firm?
a) Construction of Passenger waiting bay [ ]
b) Construction of Community buildings [ ]
c) Construction of perimeter walls [ ]
d) Paving of streets [ ]
e) None [ ]

Influence of CSR on Financial Performance of a Firm

9. To what extent does each activity influences your firm's financial performance? Tick appropriately (Where; 1 = No extent, 2 = Little extent, 3 = Moderate extent, 4 = Large extent, 5 = Very Large extent)

Factor	1	2	3	4	5
Support to Education					
Support to Environmental conservation					
Support to Infrastructure					

10. In general, to what extent does corporate social responsibility influence the financial performance of your firm?
a. No extent [ ]
b. Little extent [ ]
c. Moderate extent [ ]
d. Large extent [ ]
e. Very large extent [ ]

11. To what extent does corporate social responsibility influence the reputation your firm?

a. No extent [ ]
b. Little extent [ ]
c. Moderate extent [ ]
d. Large extent [ ]
e. Very large extent [ ]

12. To what extent does your company utilize corporate social responsibility as a promotion strategy?

a. No extent [ ]
b. Little extent [ ]
c. Moderate extent [ ]

d. Large extent [ ]
e. Very large extent [ ]

13. How would you rate the achievement of the corporate social responsibility strategies employed by your firm?

a. Negligible [ ]
b. Little [ ]
c. Average [ ]
d. Above average [ ]
e. Significant [ ]

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