

Effect of Corporate Social Responsibility on Performance of Commercial Banks Listed in Nairobi Stock Exchange.

Muchiri, M & Wasike, J.

Kirinyaga University, Kenya.

Correspondence: martinmuchiri16@gmail.com

Abstract

The interest on Corporate Social Responsibility (CSR) has risen to great heights within the banking sector within the last decade. Commercial banks have thus increasingly embraced CSR disclosure practice on social, economic and environmental operations. The main focus of this study was to examine the effect of CSR dimensions relating to education and environmental conservation performance of commercial banks listed in the Nairobi Stock Exchange. The paper employed desktop research by reviewing and analyzing audited published financial reports at NSE. The study population was 11 commercial banks listed at NSE as per December 2017. CSR investments were measured using monetary expenditure on social activities. Financial performance was measured using the net profit. Data was analyzed using a multiple regression model. A non-probabilistic sampling design was used as only those banks which engaged in CSR for the period from 2012 to 2017 were listed in the study. The study established that investments in CSR activities are positively related to the financial performance of commercial banks; banks which consistently invested in CSR had higher financial performance; and employed better customer loyalty. It was observed that CSR programs build bank's reputation; hence increased market share which consequently leads to high financial performance. The study recommends that commercial banks and other institutions should consistently invest in activities that considers the interest of all stakeholders, and that businesses should invest highly in education programs for the disadvantaged groups, environment, and social empowerment through gender mainstreaming as that results in high financial performance.

Keywords: *Corporate Social Responsibility, Commercial Banks, Education, Environment, Social Empowerment Financial Performance.*