# Corporate Social Responsibility Strategy And Financial Performance Of Deposit Taking SACCOs In Kenya

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## ABSTRACT

This study sought to establish the relationship between Corporate Social Responsibility strategy and the financial performance of deposit taking Savings and Credit Co-operatives societies in Kenya. The SACCO subsector is part of the Kenyan Co-operative sector comprising of both financial and non financial cooperatives. Saving and credit co-operative (SACCO) are the financial cooperatives. They are an important part of the financial sector in Kenya, providing savings, credit and insurance services to a large portion of the population. Stakeholder management is paramount in creating trust and confidence to key stakeholder especially in deposits taking SACCOs and in keeping them satisfied. It has been argued that CSR has an indirect influence in determining whether or not a company is or remain successful or not. Descriptive research method and inferential analysis was used in this study. Questionnaires ware used to collect primary data. To ensure that the research instrument yields valid data, the researcher engaged expert in the relevant field in scrutinizing it. The designed instrument was counter checked by the supervisor and peers in the area of specialization. Pilot study was carried out to check on the reliability and validity of the instrument and a Cronbach's Alpha of 0.915 was obtained. Data was collected from a sample of 54 Deposit taking SACCOs out of a population of 180 licensed DTS. This made a sample of 130 respondents. Collected data was then edited in the field to clean it up. Data was processed using descriptive analysis and multiple regression analysis performed to determine the relationships between the stakeholder generic strategies and performance of SACCO societies. Data analysis was done using Statistical Package of Social Science (SPSS) Version 20. Research findings were that CSR strategy has positive relationship with the performance of deposit taking SAACOs. The research contributes to both stakeholder management and CSR theories by supporting previous studies that stakeholder management strategies have positive relationship with SACCO societies' performance. The study offered practical recommendations to managers to be proactive in stakeholder management and to adopt CSR as a strategy to enhance various relationships and financial performance of their SACCOs.

## 1. INTRODUCTION

Co-operative philosophy started in the year 1844 in Britain by Rockdale pioneers and its principles are followed all over the world (Mwakajumilo, 2011). In Africa the first SACCO society was introduced by Father John Ncnulty in Ghana in 1959. The aim was to assist villagers improve their economic conditions (Mwikamba & Ngombe, 2004). English speaking nations were the first to adopt SACCO. The first entrants into SACCO community were Ghana, Uganda, Nigeria, Tanzania, and Kenya. Most of the Non-English speaking nations in Africa started appreciating SACCO in 1960s, with major influx into SACCO community in 1970s (Mwakajumilo, 2011).

Kenya has a long history of cooperative development that has been characterized by strong growth, thus making a significant contribution to the overall economy. Cooperatives are recognized by the government to be a major contributor to national development, as cooperatives are found in almost all sectors of the economy. It is estimated that 63 per cent of Kenya's population participate directly or indirectly in cooperative-based enterprises (MOCD&M, 2008). Indeed, the Ministry of Cooperative Development and Marketing estimates that 80 per cent of Kenya's population derives their income either directly or indirectly through cooperative activities. The greatest contribution of cooperatives to Kenya's social and economic development is in the financial sector where financial cooperatives savings and credit cooperatives (SACCOs) have realized tremendous growth in the last one decade (Wanyama, 2009). The International Cooperative Alliance (2004) defines a cooperative as "…an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise". As member based societies, it is important to assess whether they find it important to adopt CSR strategy in management of their key stakeholders and the environment. Corporate social responsibility has been immensely been studied with mixed results but not in member based for profit organizations like SACCO societies hence the purpose of this study.

## 2. CORPORATE SOCIAL RESPONSIBILITY STRATEGY

Baker (2003) posits that CSR is about how companies manage the business processes to produce an overall positive impact on society. World Business Council for Sustainable Development (WBCSD, 2004), argued that CSR is the commitment of a business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life. Reviewing various research done in CSR, Kakabadse, Ruzuel and Davies (2005) postulates that business has duties towards society and more specifically towards identified constituents (i.e. stakeholders).

Drienikova & Saka'l (2012) observe that to reach successful corporate social responsibility strategy in a company, all the stakeholders must be included into the responsible business. Every element of the relationship (company-stakeholder) must be satisfied. Mc Elhaney (2003) suggests that CSR can be used as an effective strategy to recruit and retain top talent, which has obvious positive implications to the bottom line. Serves and Tamay (2013) in their study shows that corporate social responsibility and firm value are positively related for firms with high customer value. They show that in certain circumstances, CSR enhances the value of the firm, but others, it could destroy value, suggesting that some firms should adhere to the stakeholder model, and others can consider broader model as Jensen (2001) posits.

Kakabadse & Rozuel (2005) postulates that the concepts of CSR and stakeholder approach are intertwined; they studied the two approaches together in theory and in practice, in order to reposition their underlying principles into a broader assessment of the relationships between business and society. This is the perspective taken in this study when taking CRS strategy as part of stakeholder engagement. International Journal of Management Reviews paper argues that conceptualizations of and research on CSR have evolved along two avenues (Lee, 2008): In terms of the level of analysis, researchers have moved from a discussion of the macro social effects to an organizational-level analysis of CSR and its impact on organizational processes and performance. In terms of the theoretical orientation of this field, researchers have shifted from explicitly normative and ethics-oriented arguments to implicitly normative and performance-oriented managerial studies.

Mc Elhaney (2009) observes in most business CRS is executed in an ad hoc and nonintegrated fashion and in most case it is initiated from all parts of an organization and is rarely directed to what the company knows best. She posits that organizations should instead seek causes and social environmental strategies for this their own part of the solution.  On the same line of argument Browne & Nuttall (2013), think that traditional approach to corporate social responsibility (CSR) may fail to deliver, for both companies and society. They suggest that executives need a new approach to engaging the external environment.

As a stakeholder-oriented concept, CSR holds that organizations exist within networks of stakeholders, face the potentially conflicting demands of these stakeholders, and translate the demands into CSR objectives and policies. In some cases, organizations may use some strategy to change stakeholders' expectations or views as postulated by Lamberg et al. (2003). To achieve the successful implementation of corporate social responsibility, Andriof and Waddock (2002) posit that managers ought to build good relationships with their stakeholders – through formal and informal dialogues and engagement practices – in the pursuit of common goals, and convince them to support the organization's chosen strategic course. Business leaders need to address the moral complexities that result from the multitude of stakeholder claims and build enduring, mutually beneficial relationships with relevant stakeholders Mark (2007).

## 3. RESEARCH OBJECTIVE

The main objective of the study was to study the relationship between stakeholder management generic strategies and the performance of deposit taking SACCOs in Kenya. Corporate Social Responsibility was one the stakeholder management strategies that was studied. The null hypothesis (Ho) of the study is there is no significant relationship between CSR strategy and financial performance of deposit taking SACCOs. The alternative hypothesis (H1) of the study is that there is a significant relationship between CSR strategy and the financial performance of deposit taking SACCOs.

## 4. RESEARCH METHODOLOGY

Descriptive research method and analytical design were used in this study. Descriptive survey design guarantees breadth of information and accurate descriptive analysis of characteristics of a sample which can be used to make inferences about population as observed by Orodho (2002). Analytical design was used a mathematical model to determine the relationship between the CSR strategy and financial performance of deposit taking SACCOs.

### 4.1 TARGET POPULATION

Kothari (2004) defines population as the research universe. A target population is the totality of cases conforming to the designated specifications as required by the study and could be people, events or things of interest. It is a group of individuals, items or objects from which a sample of study will be obtained and to which the results will be inferred (Kombo & Tromp, 2006). He defines population as a group of individual objects or other items from which samples are taken for measurement. The study population of this study is the 180 licensed and registered deposit taking SACCOs operating in the county from the list provided by SASRA in their website.

Random sampling of all Deposit taking SACCOs gave 54 SACCOs out of a sampling frame of 180 DTSs. Sampling was done per regions for equal representation as shown in Table 3.1.

*Table 3.1: Target population*

| Region | No of DTSs |
|---|---|
| Nairobi | 41 |
| Central & Eastern | 63 |
| Western & Nyanza | 24 |
| Rift Valley | 36 |
| North Eastern & Coast | 16 |
| Total | 180 |

### 4.2 SAMPLE AND SAMPLING TECHNIQUE

***Sampling Frame***

Sampling frame as defined by Nachmias & Nachmias (2008) is a list of all items where a representative sample is drawn for the purpose of a study. The sampling frame in this study is the 180 SACCOs that are licensed and registered by SASRA as deposit taking societies in Kenya. The accuracy of statistical inference based on samples depends on the adequacy of samples and sampling methods (Mugenda & Mugenda, 2003). Borg and Gall (2007) define a sample as a subgroup carefully selected so as to be representative of the whole population with the representative of the whole population with the relevant characteristic and sampling characteristic and sampling as the process of selecting a number of individuals in such a way that they represent the large group from which they were selected.

### *Sampling Techniques*

The researcher used random sampling techniques. The researcher then used stratified random sampling to identify the subgroups in the target population and their proportions for selecting a sample size to show the representation within the group. According to Orodho (2009), stratified random sampling is considered appropriate since it give all the respondents an equal chance of being selected and thus has no bias and eases in generalization of the obtained finding.

### *Sample Size*

According to Mugenda and Mugenda (2003), a sample size of 30% is a good representation of the target population and therefore the 30% is adequate for analysis. Baxter (2007) also observes that a sample of 30% is justifiable since it gives unbiased representation of all respondents' opinions in the target population and this assists in generalization of research findings when the study design is descriptive. The study adopted a sample size of 54 DTSs from all regions as shown in table 3.2

*Table 3.2: Sacco sample size*

| Region | No of DTSs | Sample Size |
|---|---|---|
| Nairobi | 41 | 13 |
| Central & Eastern | 63 | 19 |
| Western & Nyanza | 24 | 7 |
| Rift Valley | 36 | 10 |
| North Eastern & Coast | 16 | 5 |
| Total | 180 | 54 |

The study target four senior managers and of four executive directors from each deposit taking SACCO who are involved in formulating and implementing strategies. This sample adopted a sample size of 130 respondents which constitutes 30% of senior managers and executive directors in the 54 sampled deposit taking SACCOs.

*Table 3.3: Sample size*

| Category | Target | Sample ratio | Sample Size |
|---|---|---|---|
| Executive Directors | 216 | 3:3 | 65 |
| Senior Managers | 216 | 3:3 | 65 |
| Total | 432 | 3:3 | 130 |

### 4.3 DATA COLLECTION INSTRUMENTS

Scientific inquiry demands that researchers develop tools that yield accurate and meaningful data to enable the making of a decision (Mugenda, 2008). The study used both open ended and close ended questions in the questionnaire to collect data, which incorporated qualitative and quantitative data. The study used both secondary and primary data. Questionnaire was however the main source of primary data because it provides detailed individual feedback. Self administered questionnaires befit large enquiries and are free of bias because they are respondent – only based and they enhance the rate of response (Kothari, 2004). Secondary data was obtained from audited accounts and other records.

The questionnaire includes an introductory note explaining the purpose of the study. The questionnaire is divided into sections, in line with the study objectives and contained both open and closed ended questions. A modified five point Likert scale was used to measure interval data where "one point" score meant that the respondent strongly disagrees with the question statement while a "five point" means the respondent strongly agrees with the question statement according to Kothari (2004).

**4.4 DATA COLLECTION PROCEDURES**

Competent research assistants who are well versed in the area of study and in various geographical regions were recruited for the exercise. They were first briefed on the information being gathered by thoroughly going through the questionnaire. The researcher and research assistants administered the questionnaire personally to the respondents. Field editing of the data was done. Editing of data is the process of examining the collected raw data to detect errors and omissions and to collect this when possible as observed by Allan and Emma (2003). This type of editing is necessary in view of the fact that individual writing styles often can be difficult to decipher. It should be done as soon as possible after the interview, preferably on the same day or on the next day (Kothari, 2004).

***Pilot Test***

Pilot testing is the first phase in data gathering of the research process according to (Marczyk, Dematteo and Festinger, 2005). It is a small experiment designed to test reliability and validity and gather information prior to a large study in order to improve the latter quality and efficiency. Muus & Baker – Demaray (2007) observes that pilot test should draw subjects from target population and stimulate the procedures and protocols that have been designed for data collection.

Reliability according to (Borg and Gall, 2003) is the degree to which a research instrument yields consistent results or data after repeated trials. Determining reliability and validity is called for in order to determine whether the relationships in the conceptual frame work are stable and accurate or not, and whether they truly measure what they set out to measure as observed by (Kemutai, Gachunga, Wanjau and Gichuhi, 2014).

***Reliability***

The researcher carried out a pre-testing of the instruments on 10 respondents sampled from 5 SACCOs that were not included in the sample in a bid to ensure consistency and comprehensiveness. The pre-testing was done to help detect weaknesses and ambiguities for purposes of correcting the instrument before actual data collection. This helped to ensure that questions are sound and in line with the study. The result of the pilot study on fifteen items was compiled. The data collected was then coded and Statistical Package for Social

Sciences (SPSS) used to generate two key pieces of information. These are "Correlation Matrix" and "View alpha if item deleted column". The latter helped to determine if alpha can be raised by deletion of items. Items that would substantially improve reliability would be deleted (i.e. if their deletion help improve alpha). However after analysis of Cronbach's Alpha, the result did not necessitate any item to be deleted. This was the case since Alphas were all above 0.9 and was therefore considered acceptable reliability.

***Validity of the Instruments***

Mugenda & Mugenda (2003) defines validity as the accuracy and meaningfulness of inferences which are based on the research results. Validity refers to the appropriateness, meaningfulness and, usefulness of evidence that is used to support the interpretations (Cooper & Schindler, 2003). Validity is the degree to which results obtained from analysis of the data actually represent the phenomenon under study. It is correctness and reasonability of data.

Validity refers to getting results that accurately reflect the concept being measured. Establishing validity for a survey testing focuses on the use to which the instrument is put, not on the survey itself (Tashakkori & Teddlie, 2003). Validity is important in determining whether a measurement tool measures what it claims to measure. These elements are crucial if the aims and objectives of the entire study are to be achieved (Creswell, 2009). Validity is established using a panel of experts and a field test. The type of validity (content, construct, criterion, and face) to use depends on the objectives of the study. The researcher need to consider the following questions: Is the questionnaire valid? In other words, is the questionnaire measuring what it intended to measure? Does it represent the content? Is it appropriate for the sample/population? Is the questionnaire comprehensive enough to collect all the information needed to address the purpose and goals of the study? Does the instrument look like a questionnaire? Addressing these questions coupled with carrying out a readability test enhances questionnaire validity (Esposito, 2002).

The questionnaire was also presented to a group of five academics for feedback to enhance content validity. Data collection was carried out within a one month period. Participants were also invited to comment on the clarity of the language and logical organization of the questionnaire items. They were encouraged to provide recommendations and endorsements for the final version of the instrument. The Pearson product moment correlation was used to describe the strength and direction of the linear relationship between independent and dependent variables in the study (Kothari, 2004). Correlation analysis studies joint variation of two or more variables. Pearson's Correlation Coefficient was used as a measure to determine the level of correlation between various variables. The overall model reported R of 0.904 and R squared of 0.818 that implies that there is strong relationship between CSR strategy and financial performance of DTS.

## 5. DATA PROCESSING AND ANALYSIS

Data processing refers to methods that take the raw data and turn it into usable information. It is concerned with editing, coding, classifying, tabulating and charting and diagramming research data. The essence of data processing in research is data reduction Mugenda & Mugenda (2003). Data reduction involves winnowing out the irrelevant from the relevant data and establishing order from chaos and giving shape to a mass of data. Data collected was first edited. Editing is the process of examining the data collected in questionnaires/schedules to detect errors and omissions and to see that they are corrected and the schedules are ready for tabulation Roback (2003). Data was then be coded. Coding is necessary for efficient analysis and through it the several replies may be reduced to a small number of classes which contain the critical information required for analysis. Classification or categorization was well done. This is the process of grouping the statistical data under various understandable homogeneous groups for the purpose of convenient interpretation Moore (2003). A uniformity of attributes is the basic criterion for classification; and the grouping of data is made according to similarity. Tabulation was done for the purpose of summarizing raw data and displaying it in compact form for further analysis.

Data analysis is a practice in which raw data is ordered and organized so that useful information can be extracted (Borg & Gall, 2007). Quantitative data was analyzed using descriptive statistics, measure of central tendency, measure of dispersion and inferential statistics. Multiple regression analysis was carried out to establish whether the relationship between the dependent and independent variables as prescribed by various scholars (Faraway, 2002; Cohen, West and Aiken 2003). Regression was preferred because it has ability to show whether there is a positive or a negative relationship between independent and dependent variables (Castillo, 2009). In addition regression would show whether the identified relationship is significant or not. Pearson correlation was used to measure the degree of association between variable under consideration that is, the independent and dependent variable. Hypotheses were tested using Analysis of variance and the coefficient table from the regression output.

### 5.1 DATA ANALYSIS

The mean score for those who agreed to use corporate social responsibility strategy is 3.94. The variance is 0.738 and no respondent strongly disagreed to using CSR as a strategy. This is shown in table 4.15. A high mean indicates that a big number of top management do engage in corporate social responsibility activities. They use it as a strategy to keep their stakeholders (both internal and external) satisfied.

*Table 4.15: Descriptive statistics for CSR Strategy*

| | N | Minimum | Maximum | Mean | Std. Deviation | Variance |
|---|---|---|---|---|---|---|
| orgn use CSR strategy | 121 | 2 | 5 | 3.94 | .859 | .738 |
| Valid N (list wise) | 121 | | | | | |

From the 121 respondents interviewed, 43.8% agree to adopt the strategy; 28.1% strongly agree; 22.3 were average while 5.8% disagree to be using the strategy. In total 71.9% agree with the proposition that they use the strategy. Therefore, those who agree to be using the strategy are the majority. They are followed by those who strongly agree and neutral in that order.

*Table 4.16: Other Statistics on CSR*

| | | csr improve staff motivation | csr improves DTS image | csr enhances marketing of DTS products | csr improves relationship with communities |
|---|---|---|---|---|---|
| N | Valid | 121 | 121 | 121 | 121 |
| | Missing | 0 | 0 | 0 | 0 |
| Mean | | 3.83 | 4.28 | 3.88 | 3.98 |
| Minimum | | 2 | 2 | 2 | 2 |
| Maximum | | 5 | 5 | 5 | 5 |

From table 4.16, the mean value of manager and executive director who state that engaging in corporate social responsibilities activities improves their staff motivation is 3.83; CSR improves DTS image is 4.28; those who state that engaging in CSR enhances marking of their products is 3.88 and those who feel that it helps in improving relationship with communities is 3.98. All these means that majority of those interviewed agree that engaging in corporate social responsibility activities is also beneficial to the organization just as it is to those who benefit from the organization's corporate social responsibility activities.

*Table 4.17: CSR Improves Staff Motivation*

| | | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
|---|---|---|---|---|---|
| Valid | Disagree | 8 | 6.6 | 6.6 | 6.6 |
| | Neutral | 41 | 33.9 | 33.9 | 40.5 |
| | Agree | 35 | 28.9 | 28.9 | 69.4 |
| | Strongly Agree | 37 | 30.6 | 30.6 | 100.0 |
| | Total | 121 | 100.0 | 100.0 | |

From table 4.17, the respondents who agreed that corporate social responsibility enhances their staff motivation were 59.5%. Those who were neutral were 33.9% while 6.6 disagree. Therefore those who think that engaging in corporate social responsibility enhances staff motivation were above 50%. This implies majority of top management think that corporate social responsibility strategy improves staff motivation.

*Table 4.18: CSR Improves DTS Image*

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Disagree | 2 | 1.7 | 1.7 | 1.7 |
| | Neutral | 15 | 12.4 | 12.4 | 14.0 |
| | Agree | 51 | 42.1 | 42.1 | 56.2 |
| | Strongly Agree | 53 | 43.8 | 43.8 | 100.0 |
| | Total | 121 | 100.0 | 100.0 | |

Table 4.18 is the result of assessment of respondents feeling about the relationship between corporate social responsibility and performance of deposit taking SACCOs. Out of 121 respondents interviewed, 42.1% agree

that engaging in corporate social responsibility activities improves their organization's image; 43.8 strongly agree; 12.4 were neutral while 1.7% disagrees. This implies that 85.9 percent agree to the assertion that CSR helps in improving firm's image. This analysis is represented graphically in figure 4.14.

*Table 4.19: CSR Enhances Marketing of DTS Products*

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Disagree | 10 | 8.3 | 8.3 | 8.3 |
| | Neutral | 33 | 27.3 | 27.3 | 35.5 |
| | Agree | 40 | 33.1 | 33.1 | 68.6 |
| | Strongly Agree | 38 | 31.4 | 31.4 | 100.0 |
| | Total | 121 | 100.0 | 100.0 | |

Table 4.19 reports the analysis of the relationship between corporate social responsibility and marketing of deposit taking SACCOs products. Majority of senior managers and executive directors stated when they engaging in corporate social responsibility activities, that have an opportunity to market their products and services. Those who answered in affirmative were 64.5%. Those who were neutral were 33.1% while those who disagreed were only 8.3%. This analysis is graphically represented in figure 4.15. The figure shows a mean value of 3.88 and a standard deviation of 0.954.

*Table 4.20: CSR Improves Relationship with Communities*

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Disagree | 5 | 4.1 | 4.1 | 4.1 |
| | Neutral | 33 | 27.3 | 27.3 | 31.4 |
| | Agree | 42 | 34.7 | 34.7 | 66.1 |
| | Strongly Agree | 41 | 33.9 | 33.9 | 100.0 |
| | Total | 121 | 100.0 | 100.0 | |

Table 4.20 shows the analysis result on the relationship between corporate social responsibility strategy and relations with communities around. From the 121 representatives interviewed 68.6% agree to the proposition that engaging in corporate social responsibility activities help to enhance relationship with the communities who enjoy the benefits from such activities. Those who were neutral were 27.3% while those who disagreed were only 4.1% as shown in table 4.17. The graphical view of that analysis is figure 4.16. It reports a mean of 3.98 and a standard deviation of 0.885.

*Table 4.21: Table Whether DTSs engage in CSR*

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | No | 21 | 16.8 | 17.4 | 17.4 |
| | Yes | 100 | 80.0 | 82.6 | 100.0 |
| | Total | 121 | 96.8 | 100.0 | |
| Missing | System | 4 | 3.2 | | |
| Total | | 125 | 100.0 | | |

Table 4.21 reports the response on adoption of corporate social responsibility. The top management who engage in CSR activities is 80% of the total 121 respondents who were interviewed. However, 20% of top level management said that they have not engaged in corporate social responsibility activities. Graphical representation of that is shown in figure 4.17.

This finding of this section of corporate social responsibility collaborates with McEhaney (2009) observation that most researched and proven financial benefits of effective strategic CSR is found in the area of human resources and talent management, reputations and branding, and in operation cost savings. She postulates that employees are significantly interested in, more highly satisfied with and more royal to companies that have proven commitment to CSR.

### *Testing the Corporate Social Responsibility Hypothesis*

The specific objective is to study the relationship between social corporate responsibilities with financial performance of DTS in Kenya. The Null hypothesis states that there is no significant relationship between CRS strategy and financial performance of DTS in Kenya. The Alternative hypothesis is that there is significant relationship between the two variables. Analysis the data using linear regression analysis gives the following outputs:

*Table 4.35: Model Summary*

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .819[a] | .671 | .668 | 1.040370935 | 2.133 |

*a. Predictors: (Constant), orgn use csr strategy*

*b. Dependent Variable: average financial performance*

*Table 4.36: ANOVA*

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 262.277 | 1 | 262.277 | 242.317 | .000[b] |
| | Residual | 128.802 | 119 | 1.082 | | |
| | Total | 391.079 | 120 | | | |

*Dependent Variable: average financial performance*

*b.Predictors: (Constant), orgn use csr strategy*

The summary model, table 4.35 shows that R = 0.819. This implies that there is a strong relationship between Corporate Social Responsibility strategy and deposit taking SACCOs' financial performance. The coefficient of determination (R square) is reported as 0.671. This implies that 67.1% of variation of DTS's financial performance can be explained by variations in CSR strategy. From the ANNOVA table 4.36, F calculated = 242.317, P- value = 0.000 and alpha is 0.01. F calculated falls within the rejection region. Also, since alpha

(0.01) is greater than P- value, we reject the Null hypothesis and adopt the alternative hypothesis which states that there is significant relationship between corporate social responsibility strategy and DTS financial performance.

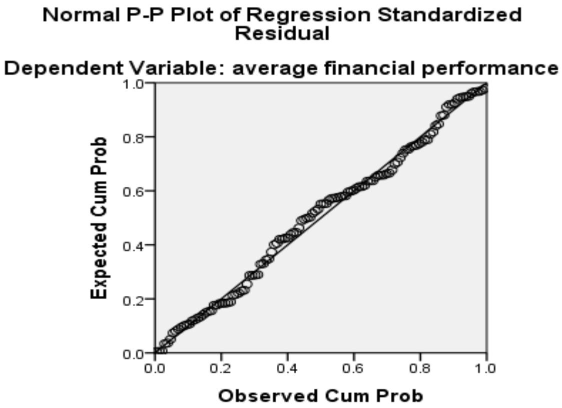


*Figure 4.28: Normal P-P Plot of Regression Standardized Residual for CRS Variable*

Normal distribution is the degree to which the plot for the actual values coincides with the straight diagonal line of expected values. For this relationship between corporate social responsibility strategy and financial performance, the plot of residuals fits the expected pattern well enough to support a conclusion that the residuals are normally distributed. This indicates that the model is okay and do measure the relationship between the CSR as the predictor and financial performance as an independent variable well.

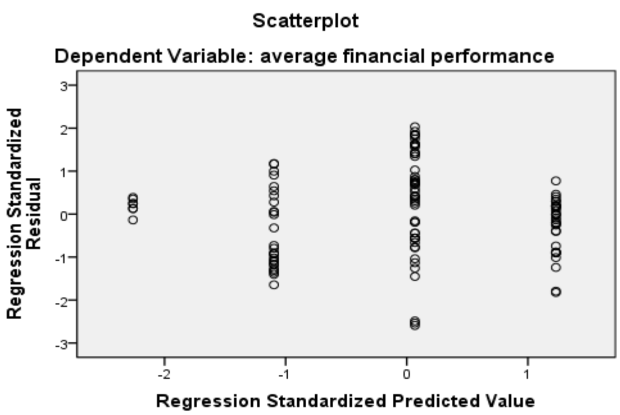


*Figure 4.29: Scatter Plot for Regression Standardized Predicted Value on CSR*

The regression of the corporate social responsibility strategy predictor and dependent variable (financial performance of DTS) gives residuals that are near normal. This is shown in figure 4.27, 4.28 and 4.29. The pattern shown in these figures indicate no problems with the assumption that the residuals are normally distributed at each level of Y and constant in variance across levels of Y. This indicates no problem for the regression model.

A sizable number of papers focus on the relation between CSR and firm performance. Early studies used either the event study methodology (which is based on analysis of short-run changes in stock prices as a proxy for firm performance in the aftermath of a CSR-related event) or regression analysis (which uses an accounting measure of profitability, such as return on assets, as the dependent variable in a regression model that 'explains' firm performance). These studies usually attempted to answer the question: do firms do well by engaging in corporate social responsibility activities? The reported results have ranged from showing a negative relation between CSR and firm performance, to showing no relation, to showing a positive relation.

Baron (2001) made distinction between altruistic CSR and strategic CSR, Hillman and Kim (2001) made an observation that empirical tests of the relation between CSR and firm performance should disaggregate CSR activities into those that are strategic (stakeholder management) and those that are altruistic (social issue participation). Based on estimation of a disaggregated model, they reported that there is a positive relation between firm performance (measured using market value added) and strategic CSR and a negative relation between altruistic CSR and firm performance. This study therefore collaborates with the two studies that corporate social responsibility strategy strongly correlates with financial performance of firms.

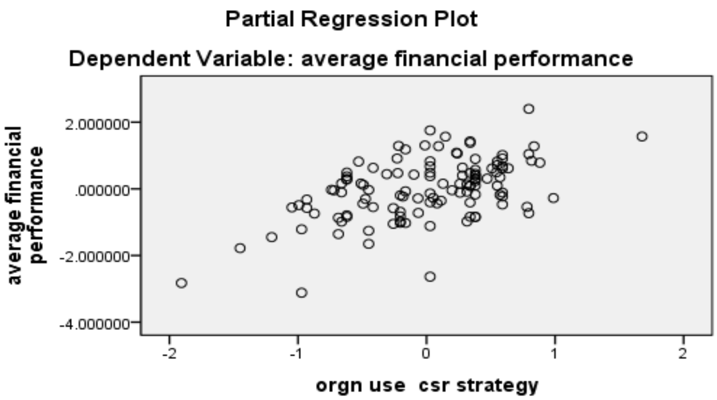


*Figure 4.36: Partial Regression Plot for Dependent Variable and Defensive Strategy*

Figure 4.36 show a graphical representation of the relationship between corporate social responsibility and financial performance of deposit taking SACCOs. It shows that the relationship is a strong positive linear one.

***Summary of Study Findings***

The purpose of the study was to examine the relationship between generic stakeholder management strategies and the financial performance of deposit taking SACCOs in Kenya. Descriptive and inferential statistics were used to analyze the data from 121 licensed deposit taking SACCOs in Kenya from a sample of 130. Only licensed deposit taking SACCOs in were included in the study.

Cronbach Alpha was carried out to determine reliability of the research instrument. The test gave Alpha of 0.915 as shown in table 4.1. This implies that there is internal consistency and that the research instrument is reliable. Multicolliality test was carried out and an inflation factor analysis factor (VIF) of between 1.981 and 2.525 was reported for every predictor. This implies that there is no strong correlation among the predictors. Mayer (2000) postulated that only VIF OF 10 and above should make a researcher worry. Data was analyzed using Statistical Package for Social Science (SPSS Version -20). The following indicate the summary of each individual objective.

***Relationship between Adoption of CSR and Financial Performance of DTS***

The fifth objective was to examine the relationship between adoptions of corporate social responsibility strategy and the financial performance of deposit taking SACCOs. Descriptive statistics gave a high mean value of 3.94 and while 80% of managers interviewed engage in CSR. This implies that a big number of senior managers were adopting corporate social responsibility strategy.

Research finding further show that out of 121 managers and directors interviewed 59.5% observed that engaging in CSR enhances workers motivation to work even harder; 85.9% think that engaging in CSR improves deposit taking SACCO image in the eye of the community. Top management also indicated (64.5%) that engaging in CSR activities as a strategy enhances marketing of their products and helps to improves relationship (68.6%) with the communities who benefit from such positive externalities.

Results indicated that adoption of CSR strategy individually and when combined with other predictors has a significant influence of financial performance of deposit taking SAACOs in Kenya. When used individually correlation coefficient R = 0.819. When used together with other predictors, the relationship becomes even stronger is shown in the overall model in table 4.25 of R = 9.04.

Inferential analysis indicates that there is a significant positive, relationship between corporate social responsibility strategy and financial performance of deposit taking SACCOs. The regression analysis was significant since alternative hypothesis was true $\beta 1 \neq 0$. This implied that there is a significant relationship between adoption of CSR strategy and financial performance of deposit taking SACCOs in Kenya.

These finding on corporate social responsibility strategy collaborate with other scholars who observe that strategic philanthropy can create new market opportunities, improve social relations and take advantage of opportunities for innovation (Porter & Kramer, 2006). Other evidence has shed light on a positive relationship between CSR programs and economic performance (Post et al., 2002; Margolis & Walsh, McWilliams, Siegel & Wright 2006; McAdam & Leonard, 2003).

## 6. DISCUSSION

Individually, the relationship between corporate social responsibility strategy and financial performance of deposit taking SACCOs was found to strong and positively correlated. Top management of deposit taking

SACCOs who adopted the CRS strategy were 80% of the representatives who were interviewed. DTSs who adopted the CSR strategy were found to be performing well compared with those who were not. A majority of top management interviewed also believed that adopting CSR strategy also enhanced their Sacco's image and reputation, improved their staff motivation, enhanced marketing their products and services and improves their relationships with communities around them. This concurs with Mc Elhaney (2009) who postulates that proven financial benefits of strategic CSR can be found in the area of human resources, reputation and branding, and operational cost saving. Drienikova & Saka'l (2012) also observed that to reach the win-win or successful corporate social responsibility strategy in a company, all the stakeholders must be included into the responsible business. Serves and Tamayo (2013) in their study shows that corporate social responsibility and firm's value are positively related for firms with high customer value.

## 7. CONCLUSIONS

Although majority of deposit taking SACCOs were seen to adhere and demonstrate their commitment to CSR, a few (20%) were struggling to do that. DT SACCOS use CSR activities to position their corporate brand in the eyes of consumers and other stakeholders, such as through their member's education days and during their annual general meetings when presenting reports. Managers also believed that by engaging in CSR activities, it played a key role in motivating the staff, helped enhance their corporate image and also improved the effect of their marketing and community relations. This implies that even though the main motive of business is to earn profit, organizations should take initiative for welfare of the society and should perform its activities within the framework of environmental norms strategically.

When organizations operate in an economically, socially and environmentally responsible manner, and they do so transparently, consequently it helps them succeed, in particular through encouraging shared value and customer satisfaction. Management and mitigation of social and environmental risk factors are paramount for business success, as the costs to companies of losing that social license, both in terms of share price and the bottom line may be significant.

## 8. RECOMMENDATIONS

Corporate Social Responsibility (CSR) should be duty of every corporate body to protect the interest of the key stakeholders and the society at large. Even though the main motive of business is to earn profit, firms should take initiative for welfare of the society and should perform its activities within the framework of environmental norms. Strategic philanthropy can create new market opportunities, improve social relations and take advantage of opportunities. Engaging in CSR has shown be beneficial to both the community receiving it and to the firm itself. Research has proved that engaging in CSR activities enhances the firm's image; motivates the staff; creates a good forum for marketing of firm's products and services while it improves the relations with the communities within which the firm is operating. These should be enough justifications for firms, including medium sized to adopt corporate social responsibility. Corporate social responsibility should used as a strategy and not as disjoined philanthropic activities. It should be incorporated in the firm's strategic plan for better results. Corporate social responsibility need to be moved from strategically philanthropic activities to an integrated business strategy linked to core business objectives and core competencies. This is true because key stakeholders like customers and supplies are not only interested with mere transactions but also in building good relationships. This will help to enhance the positive financial returns for the company/firm as well as positive social or environmental impact.

## 9. PROPOSED AREA FOR FURTHER STUDY

The researcher focused on the instrumental approach of stakeholder management by examining use of corporate social responsibility and the relationship with DTS SACCO financial performance. A cross section study can be made covering more years than the two studied. The study looked at CSR strategy (as one of stakeholder management strategies) in relation to financial performance of deposit taking SACCOS. However, financial performance is a consequence of many variables. Further studies can incorporate other variables that are known to influence firms' performance.

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