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Effect of Corporate Social Responsibility on Organisation Performance; Banking Industrykenya, Kakamega County.

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ABSTRACT: Corporate Social Responsibility is how business organization activities influences the stakeholder intrest.CSR plays a very important role in organizational performance. Most organizations have embraced corporate social responsibility without substantial increase in organization performance hence the research sought to find out the effect of CSR on organization performance. This research limited itself to selected commercial banks in Kakamega that's equity and cooperative bank. A population of over 10,000 customers, the researcher picked on corporate customers of around 70 customers; a sample size of 50 was used to carry out the research. The questionnaires which were administered randomly for bank management, bank staff and customer among other stake holders in the banking industry. The internal consistency for performance independent variable was achieved through the use of reliability Cronbach's Alpha coefficient which had an alpha of 0.915 implying that the instruments used were reliable for the study. Based on the results of this study, it was concluded that philanthropic responsibility of a bank has an impact on bank performance. The positive significant correlation coefficient 0.490, $P<0.05$ shows that any increase in philanthropic responsibility will increase the performance of the bank.The intervening variables government policy and priority both had significant impact on organisation performance as there was significant increase in R squared for both models though government policy had got the highest increase of the two variables..The study recommended that for banks to retain its customers, they should focus on more on their ethics of how they treat their employees, customers and other stakeholder Bank management should prioritise CSR activities in their institution and ensure enough resources and personnel are set aside to fund the CSR activities. They can co-operate CSR as of its core functions thereby implementing it seriously. Bank management should implement Government policy on CSR because it has a positive impact on customer retention and performance as some of the activities are appealing to customer. Government agencies on environment should create awareness to citizen so as to make bank customer identify those banks that adhere to environmental regulation and laws as many customer are unaware of the importance of green and clean environment

I. INTRODUCTION

It's now recognized that sustainable development and reduction of poverty are the key issues that need to be addressed by the governments, mostly in the developing world. However, the government cannot meet this alone without the help of the private sector. Policy makers are paying much attention to the potential contribution of the private sector to such policy objectives. As the issue of sustainable development becomes more important, CSR becomes an element that addresses these issues and therefore it becomes more vital in the daily operations of financial institution in the banking industry. According to Pranjali (2011)The World Business Council for Sustainable Development (WBCSD) describes CSR as a contribution to sustainable economic development ;It is said that there is no way to avoid paying serious attention to corporate social responsibility: the costs of failing are simply too high. There are countless win opportunities waiting to be discovered: every activity in a firm's value chain overlaps in some way with social factors, everything from how you buy or procure to how you do your research, yet very few companies have thought about this. The goal is to leverage your company's unique capabilities in supporting social causes, and improve your competitive context at the same time. The job of today's leaders is to stop being defensive and start thinking systematically about corporate responsibility according to Michael Porter (2005) who says successful executive or leaders know that CSR is inevitable and their long term success is based on continued good relationship with the society.

Corporate social responsibility is applicable to almost all organization but the banks are keener to these programmers as they have to do extra in order to satisfy their multiplicity of stakeholders. According to Nwankwo (1991) he points the advantages of CSR as, maximizing profit to shareholders who are the real owners of the business, maintaining optimal liquidity for depositors, Complying with regulators demand, Satisfying the deficit sector demand for credits, contributing to the development of the economy and Satisfying the needs of the immediate community in which they operate.

CSR is being used today to establish good rapport with the public according to Nolan, Norton and Co (2009). It is also used as pre-emption strategy by the corporations to save their skin from unforeseen risks and corporate scandals, possible environmental accidents, governmental rules and regulations, protect eye-catching profits, brand differentiation, and better relationship with employees based on volunteerism terms. Corporations today are much conscious to publish their CSR activities on their websites, sustainability reports and their advertising campaigns in order to get the sympathy of the customer.

CSR is also practiced because customers as well as governments today are demanding more ethical behaviors from organizations. In response, corporations are volunteering themselves to incorporate CSR as part of their business strategies, mission statement and values in multiple domains, respecting labor and environmental laws, while taking care of the contradictory interest of various stake holders according to Kashyap et al(2006).

Another justification in favor of CSR actions by the leading corporations today is to gain competitive advantage which may not be enjoyed by the peer corporations. CSR actions in this respect also help corporations to attract and retain not only customers but also motivated employees, which in turn ensure long-term survival of the corporation. Drumright (1996) supported that companies with sound CSR actions developed positive social identity and enjoyed increased loyalty from both customers and employees. CSR actions are also often associated with better financial performance of the organizations. Margolis et al. (2001) has found significant positive relationship between CSR and corporate financial performance; Research has shown that companies that care for the environment and exhibit good CSR practices experience increased consumer purchase preference in addition to increased investment appeal according to Gildea (1994) and Zaman et al (1996).

Banks cannot do this alone without involving the community who are the customers. For them to produce relevant services and products, they must carry out a study to get information from their customer on their perceptions towards their business operations particularly their quality of services rendered to increase customer satisfaction and ultimately their loyalty by offering a variety of products according to customers expectation.

1.1 Statement of the problem

There is no evidence about the relationship between corporate social responsibility and organization performance that include financial and non-financial performance. In spite of the existing of some literature about the role of corporate social responsibility in the aspects of environment and society, there is a significance gap about how corporate social responsibility improves organization performance due to lack of documented evidence of the benefits hence the researchers focus was to find out the effect of CSR on organization performance based on selected commercial banks as we find out whether these institutions realize any benefits from the much they spend. It also seeks to find out the policies set by the government concerning the CSR activities since CSR has been used by business institutions to evade tax in terms of paying less towards tax as tax is free of CSR activities organization indulge in

1.2 Research Objectives

1) To investigate the effect of Philanthropic CSR activities on organizational performance
2) To investigate the effect of Ethical CSR activities on organizational performance.
3) To investigate the effect of Environmental focused CSR activities on organizational performance.
4) To investigate the effect of government policy and priority on organization performance.

1.3 Research questions

1) What is the effect of Philanthropic CSR activities on organizational performance?
2) What is the effect of Ethical CSR activities on organizational performance?
3) 3. What is the effect of Environmental focused CSR activities on organizational performance?
4) 4. What is the effect of government policy and priority on organization performance?

II. LITERATURE REVIEW

This chapter will review literature relevant to the study; specifically it will look at Theories and empirical studies. These theories include instrumental or descriptive theories and normative or prescriptive theories according to Donaldson and Preston (1995) while the empirical literature will be on corporate social responsibility, organization performance, organization reputation, corporate image, quality of services and customer retention.

2.1 Corporate Social Performance

Corporate Social Performance (CSP) theory has evolved from several previous notions and approaches. Its root can be found in Howard R. Bowen (1953), who explained that social responsibility of businessmen was to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.

In 1979, Carroll introduced the concept of corporate social performance, making a synthesis of basic principle of social responsibility, concrete issues for which social responsibility exists and the specific philosophy of response to social issues. War tick and Cochran (1985) extended the Carroll approach suggesting that corporate social involvement rests on the principles of social responsibility, the process of social responsiveness and the policy of issues management.

2.2 Fiduciary Capitalism Theory

Fiduciary Capitalism Theory of CSR, which leads to shareholder value-oriented management, holds that the only social responsibility of businesses is to make a profit and, in the supreme goal, to increase the company’s economic value for its shareholders. This is the theory that underlies traditional neoclassical economic theory, primarily concerned with shareholder utility maximization. The Nobel laureate Milton Friedman , with his wife Rose Friedman said that In such an economy, there is one and only one social responsibility of business; to use resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competitions, without deception or fraud according to Friedman and Friedman (1962). Generally, shareholder value-oriented goes along with the Agency Theory according to Ross(1973), Jensen and Meckling,(1976), which has been dominant in many business schools in the last decades. In this theory, owners are the principal and managers are the agent. These later bear fiduciary duties towards the formers, and are generally subject to strong incentives in order to alienate their economic interests with those of the owners, and with the maximization of shareholder value.

2.3 Stakeholder Theory

Normative theory of stakeholder is used to interpret the function of the corporation and identify moral or philosophical guideline for corporation operations. It tries to stipulate what should happen based on moral value. One of the architects of deontological theory believed that individuals have the right to be treated as ends in themselves and not merely as a means to an end (shank man 1999; Metcalfe, 1998). Donaldson and Preston (1995) argued that ultimate justification for stakeholder theory is to be found in its normative base.

2. 4 Corporate Citizenship

The term corporate citizenship was introduced in the 80’s into the business and society relationship mainly through practitioners Altman and Vidaver-Cohen (2000), Windsor (2001). However, the idea of the firm as citizen already had appeared in several pioneers in the CSR field, including McGuire (1963) and Davis (1973). The latter, for instance, wrote that social responsibly begins where the law ends. A firm is not socially responsible if it merely complies with the minimum required of the law, because this is what a good citizen would do. Eilbert and Parket, already in the 70’s, turned to language for a better understanding what social responsibility really meant, using good neighborliness, which is not too far from being a good citizen. Eilbert and Parket explained that good neighborliness entails two meaning. First, not doing things that spoil the neighborhood and, second, the commitment of business, or Business, in general, to an active role in the solution of board social problems, such as racial discrimination, pollution, transportation, or urban decay.

The concern for communities where companies operate has extended progressively to a global concern due to intense protests against globalization, mainly since the end of the 90’s. Facing this challenge, 34 CEOs of the world largest multinational corporations signed a document during the *World Economic Forum* in New York in 2002.

Although, the concept of corporate citizenship has been understood as synonymous of corporate philanthropy, now is frequently used as equivalent of corporate social responsibility in the last few years, some scholars have undertaken the task of developing normative theories of corporate citizenship or similar concepts as something different than other concepts of corporate social responsibility.

2.5 Corporate social responsibility

The European Commission (2006) affirms, the CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis Corporate social responsibility understanding is limited due to the vast and absence of consensual definitions of the concept Weber (2008) says a universally accepted definition of CSR is yet to emerge. Indeed Amaeshi and Adi (2005) argue that there are as many definition of CSR as there are writers on the topic. It has been described as an ambiguous, vague, subjective, unclear, amorphous and fuzzy. CSR refers to the responsibility of the stake holders and the community that influence corporate policies and practices according to Khanifar *et al., (2012*). CSR is also considered to be influenced by the institutional environment in which companies operate (Gilbert, 2008). I.e. the surrounding where the firm is situated forces the firm into becoming more responsible by handling issues that are currently affecting the environment. For example in the banking industry they are need to allure and retain customers in order to compete favorably with other banks.
Corporate social responsibility has become the buzz word in business literature now-days.

2.6 Organization performance

(1997). Klassen and McLaughlin (1996) after carrying out there research they conclude that environmental management can play a positive role in improving corporate organization performance. Cheruiyot (2010) carried out a research to establish the relationship between corporate social responsibility and financial performance of firms. His conclusion was that there was a statistically significant relationship between CSR and organization performance. Li X., (2009) measured different corporations in China on an assessment index system and found that organization with higher scores have high financial performance. Obusubiri (2006) in a study on CSR and portfolio performance also found a positive relationship between CSR and portfolio performance. He attributed this positive relationship to good corporate image that comes with CSR making investors prefer such companies. The good CSR behavior has a reputational benefit for the company.

2.7 Customer satisfaction and retention

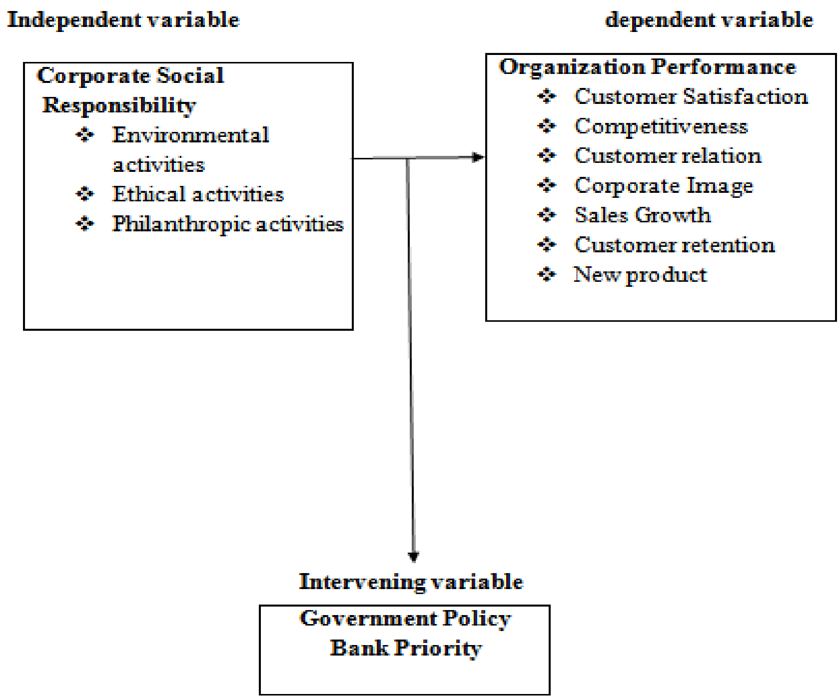
Customer satisfaction is a communal outcome of the customer's perception, evaluation, and psychological reaction to consumption experience with product or service. According to a research carried out by Nevine, Sobhy, Abdel and Megeid (2013) Customer satisfaction is a post purchase attitude formed through mental comparison of the quality a customer expects to receive from an exchange, and the level of quality the customer perceives actually receiving. Customer satisfaction results in behavioral outcomes such as customer retention, commitment, creation of a mutually rewarding bond between the user and the service provider, increased customer tolerance for services and products failures, positive word-of-mouth advertising about the organization, increased future customer spending, and it might result in more selling, attracting new customers, lowering costs, and greater profitability.

Luo and Bhattacharya (2006) studied the 500 companies and concluded a direct positive relationship between CSR and customer satisfaction. Marketing studies focused on customer satisfaction with physical products and services delivered through channels according to Khalifa and Liu (2002).Customer satisfaction leads to faster market penetration and in turn, to accelerated cash flows and likely acts as underlying mechanism by which customers' satisfaction affects shareholder value in any industry according to Eugene et al (2003). Communication is vital to any organization in that good communication leads to no deficit or gap between the company and the public there by creating a positive image, this leads customer retention. Many studies explained that customer satisfaction can lead to brand loyalty and repurchase intention. Wang et al., (2004) investigated that customer satisfaction that has a positive result on brand loyalty. Accordingly, Kim et al., (2008) related that customer satisfaction positively influences brand loyalty. Satisfaction occurs as a result of performance of a product or services meets purchaser expectation.Ganesan(1994) proposed that satisfaction is a positive affective reaction to an outcome of a prior experience.

2.8 Corporate Philanthropy and competitive advantage.

Philanthropy involve the following activities in a organization;-Donation of sales, Unrestricted cash donations, Donation of products, Employee volunteerism, Collection of customer donations, Charity events, Promotion of public service announcements to mention but a few. According to Noam Noked (2011) corporate philanthropy is a potential source of other-oriented, extrinsic value since it entails the ethical benefit of supporting others in need, it's also means of gaining social status and, as such, can be a source of self-oriented, extrinsic value. "A discretionary responsibility of a firm that involves choosing how it will voluntarily allocate resources to charitable or social service activities in order to reach marketing and other business-related objectives of which there are no clear social expectations as to how the firm should perform" Ricks (2005).

CONCEPTUAL FRAME WORK



III. RESEARCH METHODOLOGY

3.1 Introduction

This chapter entails the research design and methodology that will used to find out the impact of corporate social responsibility of a bank in relation to its performance base on customer retention. It also spells out nature of variables to be used, research design, sampling techniques, types of data, data collection methods, processing and analysis of data.

3.2 Research design

It used a descriptive design since we focused on getting inferences from the findings on the impact of social corporate responsibility on a bank performance**.** The design for the study was a survey design which measured two variables: independent variable and dependent variable. The independent variable was corporate social responsibility which was measured by three
Sub-variables (ethical, environmental and philanthropic) and the dependent variable was organizational performance.

3. 4 Target sample size

Out of a population of 10,000 involving customer, 50 Bank employees and Bank management, a sample size of 50 was used to carry out the research which was a representative of corporate customers. Since the two banks have two branches in the region i.e. Kakamega and Mumias Branch, questionnaires were issued randomly to customer at the banking hall and ATM bay. Each respondent was given enough time to respond to questions and any clarification was done at the same time by research assistants.

Category	Population	Sample Size
Customers	10000	50
Employee	50	36
Management	6	4
Total	**10,056**	**90**

Table 3: 1 Sample size

3.5 Data collection instruments

The questionnaires were the main instrument of data collection. The questions were divided into variables of interest. Likert scale with point 5 was used with 1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Stongly agree. The variable under study included Philanthropic, Ethical and Environment. All these three variables related to Corporate Social Responsibility of a bank in the area under study. The dependent variable was customer retention of the bank as a measure bank performance. The respondent were to respond to the questions in each variables base on strength of 1 to 5.

Variable Anchor Cronbach's Alpha Content Validity Index

Variable	**Anchor**	**Cronbach's Alpha**
Philanthropic	**5**	**5**
Ethical	**5**	
Environment	**5**	
Performance	**5**	

Table 3:2 Reliability

Results in table 2 showed the instrument was both reliable and valid as the Cronbach Alpha
Values and the Content Validity Index had values that were well above 0.5.

3.8 Data processing and analysis

The data collected from the respondent was coded and entered in SPSS V19 for data analysis. Before analysis was, test for normality was done so as to ascertain whether to use parametric or non-parametric test in subsequent analysis. Descriptive statistics was done to identify characteristics of demographic data of respondents while inference statistics was done for the purpose of Correlation i.e. identify the relationship between CSR activities and organization performance of the bank and Multiple Regression was done to find out the variance in the dependent variable (organization performance) that was explained or accounted by the independent variables (Philanthropic, Ethical, and Environment).
Three models were used to predict the bank performance based on CSR activities

Model 1. Independent variable and dependent variable

$$OP=\alpha+\beta_1 ET+\beta_2 EN+\beta_3 EN+e$$

Model 2: Model 1 plus Government policy as intervening variable

$$OP=\alpha+\beta_1 ET_{+}\beta_2 EN+\beta_3 EN+\beta_4 GOP+e$$

Model 3: Model 1 plus priority as intervening variable

$$OP=\alpha+\beta_1 ET+\beta_2 EN+\beta_3 EN+\beta_4 PRI+e$$

PRESENTATION AND INTERPRETATION OF FINDINGS

IV. INTRODUCTION

The chapter contains findings of the study and their interpretations using SPSS as data analysis tool. The chapter is guided by research objectives and research questions. It includes both descriptive statistics and inferential statistics. The inferential statistics will consist of reliability analysis of performance variable, correlation analysis and regression analysis of both independent and dependent variables. Moderated variables i.e. size of the firm and priority of the firm will also be included and the results will be compared thereof.

4.1 Descriptive Analysis

The present descriptive statistics of demographic data collected from the respondents of the two banks under study i.e. Equity bank and Co-operative Bank of Kenya. The characteristics include Bank branch, Gender of the respondent, age, customer type, area, education level and Occupation of the respondents. Cross tabulation generated in SPSS were used to show characteristics of both banks in term of frequencies and percentages.

4.1.1 Bank branches

BRANCH	**EQUITY**	**COOP**	**TOTAL**
KAKAMEGA	21(58.3%)	15 (41.7%)	36(100%)
MUMIAS	10 (71.4%)	4 (28.6%)	14(100%)
TOTAL	31(62.0)	19(38.0%)	50(100%)

Table 4: 1Bank Branches

The above table shows the results of respondent bank branches. The branches were Kaka mega and Mumias since the area of the study covers Kaka mega County. Equity bank account for 62% of the branches while Co-op Bank account for 38% of the banks. In Mumias, Equity account for 71.4% whereas Co-op account for 28.6% of the respondents. In Kaka mega Equity account for 58.3% whereas Co-op account for 41.7% of the respondents

4.1.2 Gender of the respondents

GENDER	EQUITY	COOP	TOTAL
MALE	16(57.1%)	12 (42.9%)	28 (100%)
FEMALE	15(68.2%)	7(31.8%)	22 (100%)
TOTAL	31 (62.0%)	19(38.0%)	50 (100%)

Table 4: 2Genders of the respondents

The above table shows the results of respondents' gender. The valid gender were male and female. Male account for 56% of the gender while female account for44 % of the gender. For males, Equity account for 57.1% whereas Co-op account for 42.9% of the respondents. For Females, Equity account for 68.2% whereas Co-op account for 31.8% of the respondents

4.1.4 Type of the respondents

CUSTOMER TYPE	EQUITY	COOP	TOTAL
MANAGEMENT	2(50.0%)	2(50.0%)	4 (100%)
BANK EMPLOYEE	5(50.0%)	5(50.0%)	10 (100%)
CUSTOMERS	24(66.7%)	12(33.3%)	36 (100%)
TOTAL	31 (62.0%)	19(38.0%)	50 (100%)

Table 4: 3 Categories of the respondents

The above table shows the results of respondents' Type. Management accounts for 50% of the respondents of which 50.0% are from Equity and 50.0% are from Co-op, while Bank Employee accounts for 50.0% of the Respondents of which 50.0% are from Equity and 50.0% are from Co-op.

4.1.5 Area of the respondents

GENDER	EQUITY	COOP	TOTAL
BUSIA	2(100.0%)	0(.0%)	2 (100%)
KAKAMEGA	14(66.7%)	7(33.3%)	21 (100%)
KHAYEGA	5(71.4%)	2(28.6%)	7(100.0%)
MALAVA	6(50.0%)	6(50.0%)	12(100.0%)
MUMIAS	4(50.0%)	4(50.0%)	8(100.0%)
TOTAL	31 (62.0%)	19(38.0%)	50 (100%)

Table 4: 4Areas of the respondents

The above table shows the results of respondents' area. These were the areas where the respondents live. Busia account for 4% of the respondents of which 100% are from Equity and 0.0% are from Co-op, while Kaka mega account for 42 % of the Respondents of which 66.7% are from Equity and 33.3% are from Co-op, Khayega accounts for 14 % of the Respondents of which 71.4% are from Equity and 28.6% are from Co-op, Malava accounts for 24% of the Respondents of which 50% are from Equity and 50% are from Co-op and Mumias account for 16% of the Respondents of which 50% are from Equity and 50% are from Co-op.

4.1.6 Education Level of the respondents

EDUCATION	EQUITY	COOP	TOTAL
PRIMARY	4(100.0%)	0(.0%)	2 (100%)
SECONDARY	5(55.6%)	4(44.4%)	9 (100%)
COLLEGE	12(75.0%)	4(25.0%)	16(100.0%)
1ST DEGREE	8(72.7%)	3(27.3%)	11(100.0%)
2ND DEGREE	2(20.0%)	8(80.0%)	10(100.0%)
TOTAL	31 (62.0%)	19(38.0%)	50 (100%)

Table 4: 5Education levels of the respondents

The above table shows the results of respondents' education level. Primary Level account for 8% of the respondents of which 100% are from Equity and 0.0% are from Co-op, while Secondary Level accounts for 18 % of the Respondents of which 55.6% are from Equity and 44.4% are from Co-op, College level account for 32 % of the Respondents of which 75% are from Equity and 25% are from Co-op, 1st Degree account for 22% of the Respondents of which 72.7% are from Equity and 23.7% are from Co-op and 2nd Degree account for 20% of the Respondents of which 20% are from Equity and 80% are from Co-op.

4.1.7 Occupation of the respondents

OCCUPATION	EQUITY	COOP	TOTAL
ACCOUNTANT	3(60.0%)	2(40.0%)	5 (100%)
CIVIL SERVANT	4(80.0%)	1(20.0%)	5 (100%)
FARMER	6(85.7%)	1(14.3%)	7(100.0%)
BANK EMPLOYEE	5(50.0%)	5(50.0%)	10(100.0%)
LAWYER	0(0.0%)	2(100.0%)	2(100.0%)
MANAGER	2(50.0%)	2(50.0%)	4(100%)
NURSE	1(25.0%)	3(75.0%)	4 (100%)
SELF EMPLOYED	8(66.7%)	4(33.3%)	12(100.0%)
STUDENTS	1(100.0%)	1(0.0%)	1(100.0%)
TOTAL	31 (62.0%)	19(38.0%)	50 (100%)

Table 4: 6 Education levels of the respondents

The above table shows the results of respondents' occupation. Accountants account for 20% of the respondents of which 60% are from Equity and 40% are from Co-op, while Civil Servants accounts for 10 % of the Respondents of which 80% are from Equity and 20% are from Co-op, Farmers account for 14 % of the Respondents of which 85.7% are from Equity and 14.3% are from Co-op, Hotelier account for 4% of the Respondents of which 50% are from Equity and 50% are from Co-op, Lawyers account for 4% of the Respondents of which 0.0% are from Equity and 100.0% are from Co-op, Manager account for 6% of the Respondents of which 0.0% are from Equity and 100.0% are from Co-op, Nurses account for 8% of the Respondents of which 25% are from Equity and 75% are from Co-op, Self Employed account for 24% of the Respondents of which 66.7% are from Equity and 33.3% are from Co-op, Students account for 2% of the Respondents of which 100% are from Equity and 0.0% are from Co-op and Teachers account for 18% of the Respondents of which 77.8% are from Equity 22.2% are from Co-op

4.2.1 Reliability analysis of 12 questions under Profitability

Cronbach's Alpha	Cronbach's Alpha Based on Items	N of Items
.901	.898	12

Table 4: 7 Cronbach Alpha Value

The cronbach Alpha Values was extracted from the test carried out with all 12 questions and the alpha value was 0.901 as shown in the table 7

	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
GOOD RISK MANAGEMENT POLICY& STRATEGY	.393	.897
TECHNOLOGY	.640	.892
INNOVATION	.624	.890
IMPROVEREPUTATION	.746	.887
GOOD RELATIONSHIP INVESTOR	.756	.883
COMPETIVE IN THE MARKET	.509	.893
TO ACCESS MARKET	.605	.895
MARKET SHARE OF THE BANK	.791	.889
CUSTOMER SATISFACTION	.491	.893
INCREASE IN SALES	.650	.885
PROFITABILITY	.591	.890
OPERATION COST	.181	.915

Table 4: 8 Item-Total Statistics

If operation cost is deleted from the group then Cronbach's Alpha will be 0.915. All other questions will lower the alpha to less than 0.901.

4.2.2 Reliability analysis excluding operation Cost

A second reliability analysis was carried out minus the Operation cost which shows the alpha increasing to 0.915. There was need to delete any question in the group since all Alpha Values were below 0.915 in the item total table below. This means that during subsequent analysis, Operation cost will be excluded.

Cronbach's Alpha	Cronbach's Alpha Based on Items	N of Items
.915	.915	11

Table 4: 9 Reliability Statistics excluding operations cost

	Scale Variance if Item Deleted	Cronbach's Alpha if Item Deleted
GOOD RISK MANAGEMENT POLICY& STRATEGY	55.424	.914
TECHNOLOGY	53.478	.909
INNOVATION	53.814	.907
IMPROVEREPUTATION	52.023	.903
GOOD RELATIONSHIP INVESTOR	50.122	.900
COMPETIVE IN THE MARKET	54.526	.910
TO ACCESS MARKET	53.438	.911
MARKET SHARE OF THE BANK	51.966	.904
CUSTOMER SATISFACTION	55.644	.910
INCREASE IN SALES	52.163	.902
PROFITABILITY	54.222	.905
GOOD RISK MANAGEMENT POLICY& STRATEGY	55.424	.914

Table 4: 10 Cronbach's Alpha

4.2 Correlation Analysis

The objective of the study was based on the impact of CSR on profitability and customer retentions. The CSR variables under study were Philanthropic, Ethical and Environmental Responsibilities. Pearson (r) correlation coefficient was carried out using SPSS so that the nature of strength and direction of the relationship between independent variables and dependent variable was identified. The table 6 below shows correlation analysis output.

		PHILANTROPIC	ENVIRONMENTAL	ETHICAL	CSR
PHILONTROPIC	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	50			
ENVIRONMENTAL	Pearson Correlation	-.160	1		
	Sig. (2-tailed)	.267			
	N	50	50		
ETHICAL	Pearson Correlation	.324*	.133	1	
	Sig. (2-tailed)	.022	.358		
	N	50	50	50	
CSR	Pearson Correlation	.490**	.146	.720**	1
	Sig. (2-tailed)	.000	.311	.000	
	N	50	50	50	50

Table 4: 11Pearson Correlations

4.2.1 Relationship between profitability and philanthropic activities

There was an insignificant positive relationship between organization profitability and philanthropic activities of the banks ($r=.146^{**}$, $p>0.010$) as shown in the table 6 This means that increase in philanthropic activities in the society like donations to charities, building of social amenities among others will result to increase in profitability of the bank because many people will be proudly associated with bank that gives bank to society

4.2.2 Relationship between profitability and environmental activities

There was a significant positive but weak relationship between organization profitability and environmental activities of the banks ($r=.490^{**}$, $p<0.010$) as shown in the table 6 This means that a bank which is been involved in environmental activities like good waste management, use of renewable energy, obey local and international laws on environmental will increase its profitability though it is not significant with p=0.311. This is because most of these activities are salient and most customers are not aware of them

4.2.3 Relationship between profitability and ethical activities

There was a significant positive relationship between organization profitability and ethical activities of the banks in the society ($r=.720^{**}$, $p<0.010$) as shown in the table 6 This means that banks with proper and well defined ethics like treating customers well, offering most jobs to the locals among others will results to increase in the profitability of the firm so most local will feel appreciated and recognized by the bank thereby increase in subscription and retention of existing customers

4.3 Regression Analysis

Regression analysis was used to determine the degree in which the dependent variable (Organization profitability) can be predicated or explained from the independent variables (Ethical, Environmental and Philanthropic). Multiple linear regressions was done since there was more than one independent variables predicating on dependent variable

4.3.1 How well model Fits

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig f	Durbin Watson
1	.777[a]	.604	.578	.40833	23.412	0.000	1.578

Table 4: 12How well model Fits (Model Summary)

The R value represents the correlation strength between independent variables and dependent variables. The value is 0.777 which shows strong correlation. The R Square shows how much of dependent variable can be explained or accounted for by the independent variables. For this case 60.4% of variance in the independent variables can be accounted in the independent variable. The Durbin Watson value is used to detect the presence of autocorrelation and if the value is less than 3 there is no presence of autocorrelation in the regression model. In this model no autocorrelation was detected as the value was 1.578

4.3.2 Statistical Significance

Model		Sum of Squares	DF	Mean Square	F	Sig.
	Regression	11.710	3	3.903	23.412	
	Residual	7.670	46	.167	.000[a]	
	Total	19.380	49			

Table 4: 13 Statistical Significance (ANOVA TABLE)

The F ratio in the ANOVA table tests whether the overall regression model is good fit for the data tested. The independent variables (ETH, ENV and PHIL) statistically significant predict the dependent variable (Performance), F (3, 43) =23.412, p<0.0005. Hence the regression model is good fit of the data

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.295	.468		2.768	.008		
	PHIL	.299	.096	.313	3.119	.003	.853	1.173
	ENV	.108	.089	.116	1.212	.232	.936	1.068
	ETH	.479	.079	.603	6.024	.000	.860	1.163

Table 4:14 Statistical Significance (ANOVA TABLE)

The above result in table 8 shows that PHIL (B1) and ETH (B3) Variables are better predicator of organization performance since there P<0.01 than ENV (B2) activities which its P Value is insignificant (P=0.232). The constant B0 is also statistically Significant with P<0.01. The Values of VIF (variance Inflation Factor) is less than 10 for all independent variables (PHIL=1.173, ETH=1.068 & ENV=1.163) meaning there is no problem of Multicolinearity of variables i.e. two or more independent variables are not highly correlated.

4.3.3 Estimated Model Coefficients (Coefficient Tables)

The Unstandardized coefficient (B) indicates how much the dependent variable (Bank performance based on customer retention) varies with the independent variable when all other independent variables are held constant. While ENV, the unstandardized coefficient B2 is equal to 0.108 as shown in the Table 9 this indicates that an increase in unit of ENV activities will result to an increase of 0.108 in performance of the bank base on customer retention. Since the P value than 0.01 this result is statistically insignificant and in case ETH the Unstandardized coefficient B3 is equal to 0.479 as shown in the Table 9 this indicates that an increase in one unit of ETH activities will result to an increase of 0.479 in performance of the bank base on customer retention. Since the P value is less 0.01 this result is statistically significant.

The general form of the model to predict PRO from ENV, ETH, PHI is predicted PRO=1.295+ (0.299) PHI + (0.108) ENV + (0.479) ETH as obtained from coefficients table (Table 8)

4.3.4 Stepwise regression to isolate contribution of each Independent Variable to dependent variable performance based on customer retention.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.720[a]	.518	.508	.44117
2	.769[b]	.592	.574	.41036

Table 4: 15 Statistical Significance (ANOVA TABLE) Step Wise Regression

4.4 Correlation Analysis with Government Policy as an intervening Variable

The objective of the study was based on the impact of CSR on Bank performance based on customer retention in Banking Industry. The CSR variables under study were PHIL, ETH and ENV Responsibilities. These independent variables alone don’t determine how a firm will invest in CSR but other variables like Government Policy and firm priority may also be a determining factor. Pearson (r) correlation coefficient was carried out using SPSS so that the nature of strength and direction of the relationship between independent variables and dependent variable was identified with intervening variables. The table 10 below shows correlation analysis output.

Control Variables			PHI	ENV	ETH	PER
GOVPLY	PHI	Correlation	1.000	-.157	.330	.491
		Significance (2-tailed)	.	.281	.021	.000
		Df	0	47	47	47
	ENV	Correlation	-.157	1.000	.127	.146
		Significance (2-tailed)	.281	.	.384	.316
		Df	47	0	47	47
	ETH	Correlation	.330	.127	1.000	.722
		Significance (2-tailed)	.021	.384	.	.000
		Df	47	47	0	47
	PER	Correlation	.491	.146	.722	1.000
		Significance (2-tailed)	.000	.316	.000	.
		Df	47	47	47	0

Table 4: 16Pearson Correlations with Government policy as an intervening variable

4.4.1 Relationship between bank performances based on customer relation and philanthropic responsibilities using Government Policy as intervening variable

There was a significant positive relationship between Bank Performance based on customer retention and philanthropic responsibilities of the banks using government policy as an intervening variable (r=.491**, *p<0.010)* as shown in the Table 10. This means that increase in philanthropic activities will result to increase in bank performance of the bank but at higher rate compared to Philanthropic responsibilities of the bank minus in intervening variable (0.490) as government policies will force the bank to carry to be more responsible to the community where they operate in.

4.4.2 Relationship between bank performances based on customer relation and Environmental responsibilities using Government Policy as intervening variable

There was an insignificant positive relationship between Bank Performance based on customer retention and Environmental responsibilities of the banks using government policy as an intervening variable *($r=.146^{**}$, $p>0.010$)* as shown in the Table 10. This means that increase in environmental responsibilities will result to increase in bank performance of the bank but at same rate as environmental responsibilities of the bank minus in intervening variable (0.146). This indicates that government policy has no impact on environmental responsibilities of the bank in relation to its performance

4.4.3 Relationship between bank performances based on customer relation and Ethical Responsibilities using Government Policy as intervening variable

There was a significant positive relationship between Bank Performance based on customer retention and ethical responsibilities of the banks using government policy as an intervening variable ($r=.722^{**}$, $p<0.010$) as shown in the Table 10. This means that increase in ethical responsibilities will result to increase in bank performance of the bank but at higher rate compared to Ethical responsibilities of the bank minus in intervening variable (0.720) as government policies will force the bank to be more ethical responsible to the community where they operate in.

4.5 Regression Analysis with Government policy as an intervening variable

Regression analysis was used to determine the degree in which the dependent variable (Bank performance based on customer retention) can be predicated or explained from the independent variables (ETH, ENV and PHI) with GOPLY as intervening variable. The Government Policy influences the independent variables which in turn influences bank performances based on customer retention.

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
				R Square Change	F Change	df1	df2	Sig. F Change	
.848[a]	.719	.694	.34814	.719	28.726	4	45	.000	1.743

Table 4: 17Model summary with Government Policy as Intervening Variable

The R value is 0.848 which shows there exist strong relationship between performance and the independent variables with government policy as an intervening variable. The R Square shows that a variance of 71.9% of in the performance of the bank can be accounted by the independent variables when government policy is used as intervening variable

4.3.3 Estimated Model Coefficients (Coefficient Tables)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	.564	.434		1.299	.201		
	GOPLY	.249	.058	.342	4.276	.000	.980	1.021
	PHI	.279	.082	.292	3.399	.001	.850	1.177
	ENV	.116	.076	.124	1.520	.136	.936	1.069
	ETH	.450	.068	.566	6.606	.000	.851	1.175

Table 4: 18 Regression coefficient using Government policy as Intervening Variable

The regression model for the first equation is

$$\mathbf{P_{CR2}=0.564+0.249GOPY_2+0.279PHI_2+0.116ENV_2+0.450ETH_2}$$

The intercept value for Bank performance based on customer retention is 0.564 and its t-Value is 0.299 and the P value=0.201. This implies that if all independent and intervening variables are held at zero, the rate of performance of the bank based on customer retention will 0.564 though the value is not significant as P>0.05.
The partial correlation coefficient of Government policy is 0.249; this implies that if other explanatory variables that include both independent and intervening are held constant, an increase in one unit of government policy will result to a significant increase in bank performance by 0.249. The partial correlation coefficient of Philanthropic responsibility is 0.249; this implies that if other explanatory variables that include both independent and intervening are held constant, an increase in one unit of bank philanthropic responsibility will result to a significant increase in bank performance by 0.279. The partial correlation coefficient of Ethical is 0.116; this implies that if other explanatory variables that include both independent and intervening are held

constant, an increase in one unit of bank environmental responsibility will result to an increase in bank performance by 0.116. The value is not significant since p=0.136 therefore p>0.05. The partial correlation coefficient of ethical is 0.450; this implies that if other explanatory variables that include both independent and intervening are held constant, an increase in one unit of bank ethical responsibility will result to a significant increase in bank performance by 0.450.

Since $PHI_1 > PHI_2$, $ETH_1 > ETH_2$ and $ENV_1 > ENV_2$ Government policy affects how a bank invest into CSR which has an impact in retaining customers

4.5 Correlation Analysis with Priority as an intervening Variable

The objective of the study was based on the impact of CSR on Bank performance based on customer retention in Banking Industry. The CSR variables under study were PHIL, ETH and ENV Responsibilities. These independent variables alone don't determine how a firm will invest in CSR but other variables like Government Policy and firm priority may also be a determining factor. Pearson (r) correlation coefficient was carried out using SPSS so that the nature of strength and direction of the relationship between independent variables and dependent variable was identified with intervening variables. The table 12 below shows correlation analysis output.

Control Variables			PHI	ENV	ETH	P_{CR}
PRI	PHI	Correlation	1.000	-.169	.322	.481
		Significance (2-tailed)	.	.245	.024	.000
		Df	0	47	47	47
	ENV	Correlation	-.169	1.000	.131	.139
		Significance (2-tailed)	.245	.	.371	.341
		Df	47	0	47	47
	ETH	Correlation	.322	.131	1.000	.722
		Significance (2-tailed)	.024	.371	.	.000
		Df	47	47	0	47
	P_{CR}	Correlation	.481	.139	.722	1.000
		Significance (2-tailed)	.000	.341	.000	.
		Df	47	47	47	0

Table 4: 19Pearson Correlations with Priority as an intervening variable

4.4.1 Relationship between bank performances based on customer relation and philanthropic responsibilities using Priority as intervening variable

There was a significant positive relationship between Bank Performance based on customer retention and philanthropic responsibilities of the banks using priority as an intervening variable (r=.481**, *p<0.010)* as shown in the Table 12. This means that increase in philanthropic activities will result to increase in bank performance of the bank but at lower rate compared to Philanthropic responsibilities of the bank minus in intervening variable (0.490) as the bank may prioritize the philanthropic responsibility agenda but they to cost of implementation, little will be done for the community

4.4.2 Relationship between bank performances based on customer relation and Environmental responsibilities using Priority as intervening variable

There was an insignificant positive relationship between Bank Performance based on customer retention and Environmental responsibilities of the banks using government policy as an intervening variable *(r=.139**, p>0.010)* as shown in the Table 12. This means that increase in environmental responsibilities will result to increase in bank performance of the bank but at a lower rate than without in intervening variable (0.146). This indicates that prioritizing CSR Environment will not increase the desired result since environmental responsibility is an international issue than an individual firm for it to have noticeable impact.

4.4.3 Relationship between bank performances based on customer relation and Ethical Responsibilities using Priority as intervening variable

There was a significant positive relationship between Bank Performance based on customer retention and ethical responsibilities of the banks using priority as an intervening variable (r=.722**, *p<0.010)* as shown in the Table 12. This means that increase in ethical responsibilities will result to increase in bank performance of the bank but at higher rate compared to Ethical responsibilities of the bank minus in intervening variable (0.720) as prioritizing the ethics of the bank will have higher impact to bank customers thereby having major impact to their retention.

4.5 Regression Analysis with priority as an intervening variable

Regression analysis was used to determine the degree in which the dependent variable (Bank performance based on customer retention) can be predicated or explained from the independent variables (ETH, ENV and PHI) with PRI as intervening variable. The priority of the bank to be CSR compliant influences the independent variables which in turn influences bank performances based on customer retention.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.822[a]	.676	.647	.37343	1.874

Table 4: 20Model summary with Government Policy as Intervening Variable

The R value is 0.822 which shows there exist strong relationship between performance and the independent variables with priority as an intervening variable. The R Square shows that a variance of 67.6% of in the performance of the bank can be accounted by the independent variables when priority is used as intervening variable

4.3.3 Estimated Model Coefficients (Coefficient Tables)

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.817	.454		1.801	.078		
PRI	.273	.086	.304	3.162	.003	.779	1.284
PHI	.212	.092	.222	2.306	.026	.776	1.288
ENV	.108	.082	.115	1.317	.195	.936	1.068
ETH	.412	.076	.518	5.437	.000	.792	1.262

Table 4: 21**Regression coefficient using Government policy as Intervening Variable**

The regression model for the first equation is

$$\mathbf{P_{CR3}=0.817+0.273PRI_3+0.212PHI_3+0.108ENV_3+ 0.412ETH_3}$$

The intercept value for Bank performance based on customer retention using priority as intervening variable is 0.817 and its t-Value is 1.801 and the P value=0.078. This implies that if all independent and intervening variables are held at zero, the rate of performance of the bank based on customer retention will 0.817 though the value is not significant as P>0.05. The partial correlation coefficient of priority as an intervening variable is 0.273; this implies that if other explanatory variables that include both independent and intervening are held constant, an increase in one unit of priority will result to a significant increase in bank performance by 0.273. The partial correlation coefficient of Philanthropic responsibility is 0.212; this implies that if other explanatory variables that include both independent and intervening are held constant, an increase in one unit of bank philanthropic responsibility will result to a significant increase in bank performance by 0.212. The partial correlation coefficient of Environment is 0.108; this implies that if other explanatory variables that include both independent and intervening are held constant, an increase in one unit of bank environmental responsibility will result to an increase in bank performance by 0.108. The value is not significant since p=0.196 therefore p>0.05. The partial correlation coefficient of ethical is 0.412; this implies that if other explanatory variables that include both independent and intervening are held constant, an increase in one unit of bank ethical responsibility will result to a significant increase in bank performance by 0.412.

Since $PHI_1>PHI_3$, $ETH_1>ETH_3$ and $ENV_1>ENV_3$ Priority affects how a bank invest into CSR which has an impact in retaining customers

5.3 Conclusion

Basing on the results of this study, it can be concluded that philanthropic responsibility of a bank has an impact on bank performance based on customer retention. The positive significant correlation coefficient 0.490, P<0.05 shows that any increase in philanthropic responsibility will increase the performance of the bank based on customer retention. The regression analysis indicated that philanthropic responsibility has a significant impact on bank performance based on customer retention F (2, 47) =34.043, P<0.005 with a contribution of 0.074 on R Square. This indicates that 7.4% variance in bank performance based on customer retention can be accounted by philanthropic responsibility. This indicates that banks should consider philanthropic responsibility as factor that has got an impact to customer retention. Environmental responsibility was insignificant in this study as most of the environment obligation of the go unnoticed by customers and most bank prefer to invest in CSR activities that are conspicuous to customer as opposed to those which are salient

The intervening variables government policy and priority both had significant impact on customer retention as they there was significant increase in R squared for both models though government policy had got the highest increase of the two variables. Government policy tend to force banks to be more responsible to their area of operation thereby increasing the retention of customer while priority of the bank though maybe manipulated or supersede by other important priorities still it has significant impact as an intervening variable between the variables

5.4 Recommendation

Recommendations

- ✓ Bank should consider in investing much in ethical activities then philanthropic as this will lead to improve in performance
- ✓ CSR environment has got insignificant impact on organization performance
- ✓ Recommends further research to check other factors as :
- ➢ Why environment does not affect bank performance
- ➢ The research limited itself to 3 aspect of CSR i.e. Ethical, Environmental and Philanthropic, further research should include other factors

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