

**THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY
DISCLOSURE ON FINANCIAL PERFORMANCE OF MANUFACTURING
FIRMS QUOTED ON NAIROBI SECURITIES EXCHANGE**

BY

CHARLES MURIUNGI MUGAMBI

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
AWARD OF THE DEGREE OF MASTER OF SCIENCE IN COMMERCE
(FINANCE AND ACCOUNTING) TO THE SCHOOL OF BUSINESS AND
PUBLIC MANAGEMENT**

KCA UNIVERSITY

NOVEMBER 2018

DECLARATION

I declare that this dissertation has not been previously published or submitted elsewhere for award of a degree. I also declare that this is my own original work and contains no material written or published by other people except where due reference is made.

Charles Muriungi Mugambi KCA/17/01058

Signature_____

Date_____

I do hereby confirm that I have examined the dissertation of

Charles Muriungi Mugambi

and have certified that the work is his original and has been done as per the guidelines

Signature_____

Date_____

Dr. Fatoki O. Isola

Dissertation Supervisor

DEDICATION

This dissertation is dedicated to my daughter Kylie and son Myles for their love, emotional support, and encouragement throughout my studies. For that I say thank you.

ACKNOWLEDGEMENT

Special thanks to my supervisor Dr. Fatoki O. Isola for his constant support and guidance. The vast knowledge he gave highly influenced the completion of this proposal. I also want to thank the school library for providing me with all the research material I needed to complete this research thesis.

ABSTRACT

The purpose of this study was to determine the effects of corporate social responsibility disclosure on the organizations financial performance. Specifically, the study examined the effect of environmental disclosure, community disclosure, employee disclosure and financial performance of quoted manufacturing companies in Kenya. The study was anchored on stakeholders theory, legitimacy theory and stewardship theory. The study employed census research design. The target population was all the manufacturing firms that are listed in the NSE from 2007 to 2017. The researcher identified manufacturing firms because they impact heavily on environment through waste and pollution they discharge and in addition they are capital and labour intensive organizations. This study used secondary data and content analysis of data from the published financial records and analysis of other reports of the companies. Stata version 12 was used to analyze the data using both descriptive and inferential methods. The findings were presented in form of tables and figures. It was expected that the study findings help business owners and managers to make more informed decisions on whether or not to adopt corporate social responsibility disclosure. The study also expected to help investors to understand the relationship between corporate social responsibility and financial performance which will help them design and allocate their portfolio in a manner that maximizes returns by investing in firms and organizations that make decisions based on ethical concerns. Further, the study also expected to enrich the discussion on corporate social responsibility and contribute to the existing literature and theories. The study found positive and non-significant effect of environmental disclosure, community disclosure and financial performance of quoted manufacturing companies in Kenya. Moreover, employee disclosure had inverse and non-significant effect on financial performance of quoted manufacturing companies in Kenya.

Key words: Environmental disclosure, Community disclosure, Employee disclosure, Financial performance, Manufacturing company, Quoted.

TABLE OF CONTENTS

| | |
|---|------------|
| DECLARATION | ii |
| DEDICATION..... | iii |
| ACKNOWLEDGEMENT | iv |
| ABSTRACT | v |
| TABLE OF CONTENTS | vi |
| LIST OF TABLES..... | ix |
| LIST OF FIGURES..... | x |
| ACRONYMS AND ABBREVIATIONS | xi |
| OPERATIONAL DEFINITION OF TERMS..... | xii |
| CHAPTER ONE | 1 |
| INTRODUCTION..... | 1 |
| 1.1 Background of the Study..... | 1 |
| 1.1.1 Corporate Social Responsibility Concept..... | 3 |
| 1.1.2 Corporate Social Responsibility and Financial Performance | 7 |
| 1.2 Statement of the Problem | 8 |
| 1.3 Research Objectives..... | 9 |
| 1.3.1 General Objective | 9 |
| 1.3.2 Specific Objective..... | 9 |
| 1.4 Hypotheses | 9 |
| 1.5 Significance of the Study..... | 10 |
| 1.6 Scope of the Study | 10 |
| CHAPTER TWO | 12 |

| | |
|--|-----------|
| LITERATURE REVIEW | 12 |
| 2.1 Introduction | 12 |
| 2.2 Theoretical Framework..... | 12 |
| 2.2.1 Stakeholders Theory | 12 |
| 2.2.2 Legitimacy Theory..... | 14 |
| 2.2.3 Stewardship Theory | 15 |
| 2.3 Empirical Literature Review | 16 |
| 2.3.1 Environmental Disclosure and Financial Performance..... | 18 |
| 2.3.2 Community Involvement Disclosure and Financial Performance | 24 |
| 2.3.3 Employee Disclosure and Financial Performance..... | 27 |
| 2.3.4 Financial Performance | 29 |
| 2.4 Conceptual Framework..... | 29 |
| 2.5 Operationalization of Variables | 30 |
| CHAPTER THREE | 32 |
| RESEARCH METHODOLOGY | 32 |
| 3.1 Introduction | 32 |
| 3.2 Research Design | 32 |
| 3.3 The Target Population..... | 33 |
| 3.4 Sample Size and Sampling Technique..... | 33 |
| 3.5 Data Collection Instruments | 33 |
| 3.6 Data Analysis Methods and Procedures | 34 |
| 3.6.1 Model Specification Test..... | 35 |
| CHAPTER FOUR | 37 |
| ANALYSIS AND FINDINGS..... | 37 |

| | |
|---|-----------|
| 4.1 Introduction | 37 |
| 4.2 Exploratory Data Analysis | 37 |
| 4.2.1 Multicollinearity Analysis..... | 39 |
| 4.3 Diagnostic Tests | 39 |
| 4.3.1 Panel Data Descriptive Analysis..... | 41 |
| 4.4 Panel Regression Results | 42 |
| CHAPTER FIVE | 46 |
| SUMMARY, CONCLUSION AND RECOMMENDATIONS | 46 |
| 5.1 Introduction | 46 |
| 5.2 Summary of the Findings | 46 |
| 5.3 Conclusion..... | 47 |
| 5.4 Recommendations | 48 |
| 5.5 Areas for further studies..... | 48 |
| REFERENCES | 50 |
| APPENDICES | 56 |
| Appendix I: Data Collection Sheet | 56 |
| Appendix II: Corporate Social Responsibility Check List | 57 |

LIST OF TABLES

| | |
|--|-----------|
| TABLE 1 Operationalization of Variables..... | 31 |
| TABLE 2 Diagnostic Tests..... | 36 |
| TABLE 3 Correlation Analysis | 39 |
| TABLE 4 Chi-Square values for the Breusch-Pagan LM Test | 40 |
| TABLE 5 Test Results for Fixed Time Effects..... | 40 |
| TABLE 6 Test for Heteroscedasticity and Serial Correlation | 41 |
| TABLE 7 Panel Data Descriptive Analysis | 42 |
| TABLE 8 Hausman Test..... | 42 |
| TABLE 9 Fixed Effects of Corporate Social Responsibility Disclosure on Financial Performance on Manufacturing Firms Quoted at Nairobi Securities Exchange | 45 |

LIST OF FIGURES

| | |
|--|-----------|
| FIGURE 1 Conceptual Framework..... | 30 |
| FIGURE 2 Trend Line for Financial Performance | 38 |
| FIGURE 3 Financial Performance Overlay Graph | 38 |

ACRONYMS AND ABBREVIATIONS

| | |
|----------------|--|
| BSE | Bombay Stock Exchange |
| CSR | Corporate Social Responsibility |
| FRC | Financial Reporting Council |
| NACOSTI | National Commission for Science, Technology & Innovation |
| NEPAD | New Partnership for Africa's Development |
| NGOs | Non-Governmental Organizations |
| NSE | Nairobi Securities Exchange |
| ROA | Return on Assets |
| ROCE | Returns on Capital Employed |
| ROE | Return on Equity |
| ROI | Return on Investments |
| SEAD | Social and Environmental Accounting Disclosures |

OPERATIONAL DEFINITION OF TERMS

| | |
|---------------------------------|--|
| Community disclosure | This is the means in which corporations communicate their involvement in social initiatives in order to meet the needs of the communities in which they operate (Husillos, Spence & Correa-Ruiz, 2010). |
| Employee disclosure | This refers to the means by which organizations communicate their costs of employment policies to the stakeholders (Cooper & Owen 2007). |
| Environmental Accounting | This is the act of communicating the environmental impacts of a companys economic actions to specific interest groups within society and the society in general (Haniffa & Cooke, 2005). |
| Environmental Disclosure | This is the means of communicating to the stakeholders costs of environmental actions of the organisations (Najah & Jarboui, 2013) |
| Financial Performance | The measure of the profitability, market value and growth prospect of a firm or organization (Menassa, 2010) |
| Return on Assets | An indicator of the profit a company earns for every dollar of its assets (Mohammed, 2015) |
| Social Accounting | A set of organizational activities that deals with the measurement and analysis of the social performance of a firm and the reporting of results to concerned groups, both within and outside the firm (Kent, Windsor & Zunker, 2011). |

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Evolution of corporate social responsibility is traced back in the nineteenth century, during this period there were increased concerns about the welfare of the employee and firms became focused on the impact they have in the societies (Carroll, 2008). Events such as the great depression and the industrial revolution further propagated the trend, these events pushed firms to start providing welfare services to their workforce, their families as well as the general society in which they operated. These services included the provision of food, and constructions of hospitals among other services (Carroll, 2008). According to Lindgreen and Swaen (2010), the great depression resulted in the introduction of public trusteeship management in addition to the profit-maximizing management.

In the modern era, corporate social responsibility has become an important concept that is progressively being deliberated and adapted worldwide (McWilliams, 2015). Businesses operates in a highly dynamic environment characterized by a wince role of the government, disclosure of firms information on its operations, pressure from investors, demand for better suppliers/stakeholders relations and a competitive labour market. The foregoing characteristics have pushed firms to adopt CSR efforts (Carroll & Shabana, 2010). These efforts might have short-term costs but without direct financial benefits to business, but they promote a positive social and environmental change. Schneider and Schmidpeter (2012) explains that CSR has become an increasingly visible and central aspect of organizations and corporations all across the globe sine the government and customers have become more concerned about aspects of sustainability and environmental impact that these organizations and corporations make in their operations as they pursue profits. Globally there have been

calls that business organizations should give back to the society in which they operate. The basis of these calls is that the activities of business corporations have negatively impacted the society and individuals as a result of pollution, industrial waste, poor quality products and neglecting the rights, safety and welfare of employees (Akinpelu, Ogunbi, Olaniran & Ogunseye, 2013). The value of social responsibility, either collectively or individually, has been evolving throughout history and major institutions throughout the world now realize that CSR is an important part of companies' operations because of its positive effect on society, which in turn affects positively on staff and the general public (Masruki, Zakaria & Ibrahim, 2012). Promoters of corporate social responsibility argue that institutions must integrate economic, social and environmental concerns into their business strategies, going beyond compliance and investing more on human, their social activities and environmental capital (John, John & Adedayo, 2013).

There is evidence that investors see information on social and environmental activities as very important in investment decisions and therefore demand adequate disclosure of this information. The role of business organizations has evolved from classical profit maximization approach to social responsibility approach (Abdu, 2011). In addition, stakeholders do not only think about the profits earned by a company but also seek information on company's contribution towards the society and environment (Check, Mohamad, Yunis & Norwani, 2013). Corporate social responsibility disclosure is the process of communicating the environmental and societal impacts of organizations economic activities to certain interest groups of society and society at large (Gray, 1996). Corporate social and environmental disclosure is information dissemination about the company's human resource related practices, community involvement project and activities, safety and quality of products and services and environmental contribution (Ali & Rizwan 2013). According to Karaye, Ishak & Adam, (2014) there are many reasons for why companies involve in

corporate social disclosure; such as to build and maintain reputation, to improve market share, reduce cost of capital of the company, to gain competitive advantage, enjoy benefits of tax, gain commitment of employees and reducing cost and risk of company.

1.1.1 Corporate Social Responsibility Concept

Although there is no overall agreement on the definition of CSR, various authors have interpreted it in various ways (Crowther, 2008). According to Commission of the European Communities (2002), CSR refers to voluntary interaction and integration between the firms or organizations with its stakeholders so as to help in addressing both the environmental and social concerns. Hopkins (2012) defined CSR as practice of handling the interested parties of the organization in a way deemed acceptable in a civilized society with a purpose of improving quality of life and at the same time preserving profitability of the business. Boulouta and Pitelis (2014) interpreted CSR as a technique used by an organization to attain a balance amongst its commercial, communal and ecological duties in its processes to enable it attain the expectations of both the shareholders and other stakeholders. According to Mullins (2010), CSR is a tactic that businesses use to enable them attain and surpass stakeholders expectations. This goes past the common responsibilities of profit, revenue and legitimate duties.

From the foregoing definition, CSR is hence imputed to include employee relations, public investments, ecological practices, human rights and moral behavior. This is emphasized by Pour, Nazari and Emami (2014) who posited that businesses should not only be responsible for making maximum profit, but should also protect the environment and contribute to the wellbeing of societies in which they operate. This could only be achieved if it conducts socially responsible businesses and help solve societal issues. In this context, Wambui (2013) noted that CSR therefore involves attainment of profit by use of methods that

respect communities, the public and natural environment and at the same time adhering to moral values. All the foregoing discussions imply that CSR is a key undertaking by a business as it helps to improve the corporate image of the organization and helps to avoid unnecessary and costly regulations.

Corporate social responsibility has been very popular amongst companies and top corporations across the world especially in the 21st century when environmental concerns, human rights, labor rights, fair trade and many other concerns are becoming increasingly important to consumers, stakeholders and companies alike (Morrison, 2014). While corporate social responsibility is not something that is required by the law for businesses to follow and implement, businesses that want to practice business more responsibly and contribute to the betterment of the society often choose to implement CSR strategies. As a result, many companies are incorporating CSR into their organizational ideals since they are seeking to improve their performance and to create a good image. According to Lindgreen and Swaen (2010), companies all over the world are now integrating CSR into all aspects of their businesses.

Corporate social responsibility has moved from being an irrelevant concept to being one of the most orthodox and widely accepted concepts in the business world particularly in the developed world (Carroll & Shabana, 2010). According to Morrison (2014), CSR is more relevant to corporations operating in the developed countries due to elevated community expectations of socially responsible behavior. A survey by Jackson & Apostolakou (2010) indicated that Europe takes the lead when it comes to CSR activities reporting although other countries in the region are quickly catching up. The survey also indicated that over 71% of European firms reported on CSR while America came second with 61%.

According to Aguinis, and Glavas (2012), in the US, adoption of CSR is no longer a part of fairy tales. Based on the recent research, firms have shown significant adoption of CSR and this has notable effect on the success and sustainability of the organizations (Grayson &Hodges, 2017). American firms are more concerned about the term sustainability and they thus always keep a check of what is the impact of their steps on the ecosystem on the whole. These firms have fostered the idea of CSR and are now well groomed in implementing the practice and improving their abilities to attract and keep more and more customers and stakeholders with them. At the same time, they have taken benefits of it in terms of reduced risks, increased performance and addressing the concerns of stakeholders on a serious note (Grayson & Hodges, 2017)

In China, the companies are not the standard setters when it comes to CSR. But, contrary, to many published reports, the concept of CSR has gained prominence and is widely adopted by firms in various sectors. According to Jamali and Karam (2018) almost 60% of Chinese firms reported on CSR. In an earlier study conducted in 2009, about 582 CSR reports of various forms were released by Chinese companies which were about three-and-a-half times the number produced the year before. According to Jamali and Karam (2018), curenly, there is a strong movement by Chinese firms to implement CSR and integrate aspects of CSR into their own operations.

India is another country that is increasingly adopting CSR practices. It is the first country in the world to make corporate social responsibility (CSR) mandatory, following an amendment to The Company Act, 2013 in April 2014 (Manchiraju & Rajgopal, 2017). Businesses are required to investpart of their profits in areas such as education, poverty, gender equality, and hunger. According to Ruia, Gupta and Bandyopadhyay (2018), listed companies in India spend US\$1.23 billion (Rs 83.45 billion) in various programs ranging

from educational programs, skill development, social welfare, healthcare, and environment conservation. This shows that CSR is a key undertaking by firms in various sectors.

As CSR becomes a huge phenomenon in global economic relations, Africa has not been left behind. Initially, when CSR was introduced in Africa, most African firms showed little interest in the concept. However, in the modern day, firms have recognized the significance of CSR and not only do various companies have their different CSR schemes and projects but there is even a functional and daily-updated website that reports issues of CSR in Africa: The CSR Africa Daily (Visser & Tolhurst, 2017). Good examples include oil multinational corporations operating in Nigeria which are quick to publicize their community development projects, mining companies in Zambia, hotels in Zimbabwe, telecommunications companies in Ghana, and even oil companies in Sudan which amplify their commitment to CSR.

In Kenya, CSR is still in its infancy stage. The CSR practices adopted and implemented by firms in Kenya are generally influenced by Western perspectives on CSR, ethical consumerism, and the work of the UN, specifically the UN Global Compact, the African Union, NEPAD, and the African Peer Review Mechanism. Others include international NGOs on human rights, corruption, governance and environmental impacts, the World Bank and IFC, indigenous approaches, and supply chain regulations such as export market regulations (Mbogoh & Ogutu, 2017). In Kenya, CSR is a product of Kenyas cultural, social, economic and political development over the centuries. Accordingly, Kenyas cultural and social values are consistent with social responsibility. A critical examination of Kenyas cultural, social, economic and political environment espouses her tenets and demonstrates the deep seated norms, traditions and values that promote social responsibility or irresponsibility

among the citizenry. Perhaps more significantly, CSR in Kenya has its roots in the national social, cultural, and political heritage.

1.1.2 Corporate Social Responsibility and Financial Performance

The relationship between corporate social responsibility and financial performance has remained unclear with literature showing contradicting information. The relationship between CSR and corporate performance has been found to be both negative and positive as pointed out previously. Some managers believe that CSR has the potential of improving the firms profits while others believe that CSR has negative relationship with financial performance. According to El Ghouli, Guedhami and Kim (2017), CSR can promote respect for the firm in a market place. This is likely to enhance the firms sales, attract more qualified personal to the firm and subsequently improve financial performance of their companies. According to Bagh et al (2017), there is a positive relationship between CSR activities and firms performance in financial perspective. The spending of firms on CSR activities improves the sustainability of the firm in the long run as well as enhancement of the firms performance in financial perspective.

Corporate social responsibility can also have negative impacts on the business. Zu (2009), in a study on the relationship between CSR and organisational performance in financial perspective of 318 firms that restructured between 1997 and 2003 in China established that after restructuring firms experienced significant decreases in profitability within the immediate three-year period. This implies that CSR can have negative implications on financial performance of a firm in the short to medium run. Similarly, a study in South Africa found that CSR activities lead to insignificant differences in financial performance (Chetty, Naidoo & Seetharam, 2015).

1.2 Statement of the Problem

Corporate Social Responsibility disclosure is a voluntary action where firms adopt strategies that align their business operations to the interests of the stakeholders. While pursuing CSR disclosure is a voluntary action by the business, in the modern day, many firms have integrated CSR disclosures in their strategic plans as a result of society pressure (Grayson & Hodges, 2017). Whereas CSR is taken to positively impact on the business, some opponents of it argue that it involves a set of actions which potentially increases the operating costs. This shows that while CSR is crucial in the current corporate world, debate on this concept is still in conclusive.

In Kenya, the concept of CSR disclosure is gaining momentum as firms acknowledge its key role to organizational performance. This is particularly the case among large firms which utilize it as a corporate positioning tool. Research has shown that by integrating CSR disclosures in business operations, these firms have been able to enjoy high profit due to positive market perception. These firms have also benefited from operational efficiency through reduction of waste with policies compelling the businesses to safeguard the environment in which they operate. In this regard, Wafula, (2012) posits that it is important to integrate CSR practices in the business operations in order for the firm to explore profitable prospects.

A number of studies have been conducted on CSR in Kenya. Okwoma (2012) analyzed the relationship between corporate social responsibility and the financial performance of commercial banks in Kenya and established a positive relationship. Mwangi (2011) focused on the effect of CSR on the financial performance of companies quoted at NSE and found out that there was an upward trend in performance of those firms that had integrated CSR practices in their operations. In other findings, Mwangi and Jerotich (2013)

focused nexus between corporate social responsibility practices and financial performance of firms in the manufacturing, construction and allied sector of the Nairobi Securities Exchange. From the findings, it was established that CSR had insignificant positive effect on the financial performance of the firms. From the highlighted studies, it is evident that no study has focused on the effect of CSR on the financial performance of manufacturing firms quoted in the NSE. It is against this background that the researcher sought to establish the effect of corporate social responsibility disclosure on the financial performance of manufacturing firms quoted on the Nairobi Securities Exchange.

1.3 Research Objectives

1.3.1 General Objective

The main objective of the study was to determine the effect of corporate social responsibility disclosure on financial performance of manufacturing firms quoted on the NSE.

1.3.2 Specific Objective

- i. To determine the effect of environmental disclosure on the financial performance of manufacturing firms in Kenya
- ii. To find out the effect of community involvement disclosure on the financial performance of manufacturing firms in Kenya.
- iii. To establish the effect of employee disclosure on the financial performance of manufacturing firms in Kenya.

1.4 Hypotheses

In order to examine the current research problem, three hypotheses were proposed based on the existing literature and the known research findings,

Ho₁: Environmental disclosure does not have a significant effect on financial performance of manufacturing firms in Kenya

Ho₂: Community involvement disclosure does not have a significant effect on financial performance of manufacturing firms in Kenya.

Ho₃: Employee disclosure does not have a significant effect on financial performance of manufacturing firms in Kenya.

1.5 Significance of the Study

The study was important in various ways;

1.5.1 Corporate Companies

The study will enable company executives to understand the significance of engaging in CSR activities in managing emerging social risks. The manufacturing firms and other organizations will therefore get a better understanding on CSR and they will be able to make more informed decisions on whether or not to adopt CSR practices.

1.5.2 Researchers and Scholars

The findings on the relationship between CSR on firms financial performance may enrich the discussion on CSR and contribute to the existing literature and theories. Scholars can build on the aspects of CSR and financial performance that are yet to be addressed by earlier studies.

1.6 Scope of the Study

The study was based on manufacturing firms listed on the Nairobi securities exchange under the manufacturing and allied sector. The study focused on the effect of firms environmental disclosure, community involvement disclosure, and employee disclosure on

the financial performance of manufacturing firms in kenya. The study covered only the firms that have been in operation for the 11 years of study, those that may have been suspended or delisted will not be included in this study. The period of study covered financial years 2007 to 2017.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on corporate social responsibility and financial performance. The chapter also discusses the relevant theories that will anchor the study and the conceptual framework of the study.

2.2 Theoretical Framework

This study was informed by three theories, stakeholders theory, legitimacy theory and stewardship theory

2.2.1 Stakeholders Theory

The stakeholders theory by Edward Freeman (1984) is a theory of organizational management and business ethics that addresses morals and values in managing organizations. The theory bases on communication with various stakeholders. Firms and organizations have various stakeholders who influence on their activities in various ways. These include the managers, suppliers, creditors, customers, employees, the government, the local communities, and the general public. The theory therefore presupposes the existence of various groups within and outside the organization with each having a stake and they, therefore, expect accountability from the organization.

According to Uddin et al., (2008) apart from achieving financial gains and meeting the shareholders' expectations, companies also have a key responsibility of contributing to the welfare of the society. Uddin et al., (2008) argue that since an organization operates

within the society, it is the same society that defines the number of stakeholders to which the organization has responsibility and furthermore the responsibility may be broad or narrow based on the sector within which the organization operates and its perspective. Akinpelu et al., (2013) also postulate that while the key responsibility of the firm is to meet the shareholders' expectations, companies also have a wide spectrum of society which includes customers, employers, suppliers, community, government among others.

The stakeholder's theory holds that firms should identify its stakeholder groups and incorporate their needs and values within the strategic and daily decision-making process (Uddin et al., 2008). This mainly involves incorporation of social and environmental policies in order to promote and enhance the company's relationship with various stakeholders and the society in general (Abbasi et al., 2012). This creates a bridge between the organization and its surrounding in order to balance the corporate profits and prosperity of society (Tjia & Setiawati, 2012).

Al- Shubiri et al., (2012) argue that a fundamental element of corporate social responsibility is the stakeholder theory. It elucidates desire for firms to reflect social and environmental impacts of the firm's operations particularly on issues linked to employees, community engagement and inclusivity, environmental issues among other ethical concerns (Branco & Rodrigues, 2006). In this theory, the main aim is to determine the impact of both social and environmental accounting on the financial performance of firms. The theory highlights that apart from making profit and returns to shareholders, firms should have accountability to a wide spectrum of society which includes customers, employers, suppliers, community, government among others. Therefore, according to this theory, as part of accountability, firms should adopt social and environmental accounting and reporting practices. The theory was relevant and applicable in this study as it focused on how

manufacturing companies in show accountability to the society in which they operate through corporate and social responsibility practices and the influence of these practices on the financial performance.

2.2.2 Legitimacy Theory

Legitimacy theory by (Suchman 1995) has become one of the most cited theories within the corporate social responsibility area. Legitimacy theory regards firms underlying need to operate legitimately by conforming to the expectations of the society (Deegan, 2002). Suchman (1995) defined legitimacy as a generalized perception that the operations of an organization are desirable, proper, or suitable within some socially constructed system of norms, values, beliefs, and definitions. According to Dowling and Pfeffer (1975), legitimacy refers to an important consideration to the relationships between the firm and the external environment. Näsi et al., (1997) highlight the significance of legitimacy that it helps the organization to create and maintain a healthy relationship with the society in which it operates.

Organizations respond to pressure resulting from the society through engaging in corporate social responsibility practices. Organizations strive to balance between their own values and the values of the society in which they operate. In adopting a legitimacy theory perspective, a company would voluntarily engage in various practices to the benefit of the society if the management perceived that those activities were expected by the communities in which it operates (Deegan, 2002). According to the legitimacy theory, a company's performance is legitimate when it is judged to be fair and worthy of support, that is, when it is socially accepted. Legitimacy gaps arise when societal expectations of the firm's behavior differ from societal perceptions of its behavior.

A process of legitimating may be engaged in by a company either to gain or to extend legitimacy, to maintain its level of current legitimacy, or to repair or to defend its lost or threatened legitimacy (ODonovan, 2002). Moreover, Deegan (2002) argues that where managers perceive that the operations of an organization do not commensurate with the social contract then, pursuant to legitimacy theory, remedial strategies are predicted. Since the theory is based on perceptions, any remedial strategies implemented by managers, to have an impact on the external parties, must be accompanied by disclosure. This theory was relevant to this study as it will establish how manufacturing firms in listed on the NSE under manufacturing and allied sector seek to conform to the expectations of the society through corporate social responsibility practices.

2.2.3 Stewardship Theory

Stewardship Theory was developed by Donaldson and Davis (1991, 1993). The theory is premised on the concept that organizations have a mission to preserve, protect and maintain natural, social and economic assets for the benefit of stakeholders and the communities in which they operate. Stewardship provides an approach to help firms take a more holistic approach to wealth and well-being by protecting and enhancing the capabilities of the organization to create economic and societal value over time. Stewards identify themselves with the business and are motivated to maximize business performance and as such their behavior are aligned with the interest of the business owners (Huse, 2005).

Stewardship theory puts forward the view that individuals particularly the directors often see themselves as stewards of the affairs of the organizations who can be trusted to do a good, professional job, and they are so connected to the aims of the company that that these take precedence over their self-interest (Schillemans & Basuioc 2015). According to this theory, the managers of a company are the stewards of the owners, and that both groups share

common goals (Davis, Schoorman & Donaldson, 1997). This theory holds that there is no conflict of interest between the managers and owners.

Stewardship theory places the value on goal convergence among the parties involved in corporate governance than on the agents self- interest (Slyke, 2006). The theory assumes that the managers will serve the interests of the stakeholders by serving to attain the objectives of firms performance. According to Contrafatto and Bebbington (2013), stewardship has some resonance with current policy agendas that attend to the issues related to sustainable development, corporate social responsibility and accountability. The stewardship theory is based on the concept that firms have an obligation to protect, preserve, and maintain natural, social and economic assets in order to benefit the society in which they operate. The theory was therefore being relevant and applicable in this study on how manufacturing companies preserve the environment and relate with the society in which they operate.

2.3 Empirical Literature Review

Corporate social responsibility is the commitment of the business to contribute to sustainable socio-economic development of the society in which it operates to improve their quality of life. CSR is also the progressive commitment by the organization to operate ethically and to promote economic development while improving the quality of life of the employees, their families as well as the local community and the society in general (Mbithi, 2016). CSR includes the ethical, legal and the discretionary expectations that the society has of the business at a certain point in time.

Corporate social responsibility can have various benefits to the business. For instance, according to Moon, Crane and Matten (2005), CSR helps to attract and retain high quality

workforce, to generate a positive image of the business and to enhance product evaluation through evaluation of the organisation. CSR activities also helps the organization to get a social license to operate, to minimize the risk of the operations of the business, to expand the resource base of the business, to open up wider market opportunities, to minimize costs linked to environmental impacts, to foster relationships with stakeholders, and to boost employee morale and productivity.

The question of whether there is any linkage between corporate social responsibility practices adopted by a firm and corporate financial performance has led to lively debate amongst researchers and scholars since the 1960s (Cochran & Wood, 1984). Waddock and Graves, (1997) postulated that while companies and organisations exist and strive to make profit they have a crucial responsibility to contribute to environmental and social goals. Do companies and organisations that adopt corporate social responsibility practices make superior profits? Various researchers have examined this linkage between CSR and financial performance and have come up with various conclusions.

A number of researchers and scholars have established a positive relationship between adoption of CSR practices and organisational performance. Marcia, Otgontsetseg and Hassan (2013) investigated whether US commercial banks in aggregate were taking substantive steps at being socially responsible, if their socially responsible activities had changed since the financial crisis, and whether they were being rewarded for their actions. The study used publicly available data on CSR to analyze CSR strengths and CSR concerns. It found out that the largest banks consistently had higher CSR strengths and CSR concerns during the sample period. Further, this group saw a steep increase in CSR strengths and a steep drop in CSR concerns as the worst of the financial crisis passed. The study also found that more profitable

banks, banks with higher capital ratios, and banks that charged lower fees on deposits had significantly higher CSR strengths.

2.3.1 Environmental Disclosure and Financial Performance

The discussion about the importance of environmental disclosure has gained momentum in recent times in relation to business performance (Saleh et al., 2011). A notable number of researchers have evidenced that additional environmental CSR implementation is likely to lead to improved firms' financial performance (Haniffa & Cooke, 2005). Shen and Chang in their research concluded that firms with strong CSR on environment perform better than firms with weak CSR on environment.

A study by Nor et al., (2016) on the effects of environmental accounting and reporting on financial performance of firms in Malaysia which was motivated by the opportunities environmental accounting could achieve the sustainable growth and development, the study sought to investigate the existences of the environmental accounting and reporting and financial performance among top 100 firms of market capitalization in Malaysia for the year 2011. Through content analysis of the companies' annual reports, the study established that environmental accounting is crucial since it helps to boost the returns on assets of the firms. In addition, the study found out that as a result of environmental accounting, the firms were able to legitimize their positions among the society and to create rapport with the society. It is the role of regulators to facilitate provision of such information that need to be disclosed by the firms without comprising the need of various parties.

A study, by Najah and Jarboui (2013) analyzed the environmental and social accounting and disclosure impact on corporate financial performance of big firms in France. Through empirical analysis of secondary data obtained from the firms for duration 2000 to

2010, the study established no significant relationship between environmental and social accounting on the returns on equity of the firms.

In another study carried out by Oti and Mbu-Ogar (2018) of Nigeria's quoted oil and gas companies between 2012 and 2016 the results indicated that disclosure on waste management had positive and significant effect on firm's financial performance. The study used time series data and was hinged on stakeholder and legitimacy theories which describe the tie between organizations and the societal need for disclosure and financial performance. In similar study, Owolabi (2009) analyzed the practice of social and environmental accounting and disclosures among Nigerian firms. This study analyzed the yearly report disclosures of environmental information of 20 firms selected from 10 sectors covering a five-duration ended 2006. From the analysis, it was established that environment analysis had a significant influence on the returns on assets of the selected firms. This is because, through environmental accounting, the firms were able to garner support, and increase sales. A study by Ahmad and Mohmes (2011) which aimed at identifying environmental disclosures by Libyan companies found out that the level of environmental disclosure was low in Libya. This study used questionnaire to collect data from 127 largest audit firms with a sample of 81 participants.

Locally, Magara, Aminga and Momanyi (2015) analyzed the impact of environmental accounting on financial performance of corporate firms in Kisii County. Descriptive research design was adopted. Secondary data was collected from annual financial statements, Correlation, descriptive and regression analysis were used to analyze the data. The study found out that environmental accounting has improved revenue generation, cash flows, and returns on assets of the firms.

Carmen-Pilar, Rosa and Lisa (2011) analyzed the effect exerted by CSR on short-term and long-term corporate financial performance of European companies listed in the Stoxx Europe 600 index and Stoxx Europe Sustainability index from 2007 to 2010. Results revealed that the implementation of a CSR strategy, the level of economic development of the country and firm size determine the ROE of the firm. The CSP variable is positively and significantly related to the ROE of companies. Thus, companies with more socially responsible activities improve the shareholders' return by realizing higher CFP. Thus, firms in more developed countries obtain significantly better financial performance than other companies situated in less developed countries.

Theofanis (2010) studied corporate social responsibility and financial performance on Greek companies. Analysis of CSR as the independent variables was done using content analysis of sustainability reports in generating a compound score of companies CSR level. The study found a positive and significant relationship between stock returns and CSR. The model was found to be statistically significant and results showing that a company which adopts CSR strategy could be evaluated positively by the market and its stakeholders. This result concluded that a company which adopts CSR strategy and practices may obtain higher stock values due to the fact that stakeholders (shareholders) evaluate positively these activities.

Ghelli (2013) studied corporate social responsibility and financial performance using fortune 500 data. The study found that in the manufacturing sector the relationship between CSR and performance was positive significant in both directions, while in the retail trade industry the relationship was in some cases even negative and never significant. The study concluded that depending on the sector in which the analysis is conducted the results will be different. The manufacturing and retail trade industries are two different sectors: the way in

which the businesses are run, the differences in the environment and context in which they operate, and the different needs that the stakeholders have, could explain the difference in the results.

Dhaliwal et al., (2011) conducted a study on the relationship between corporate social responsibility and financial performance. From the findings, it was established that firms with a high cost of equity capital in the previous year tend to initiate disclosure of CSR activities in the current year and that initiating companies with superior CRS performance enjoy a subsequent reduction in the cost of equity capital. Further, initiating firms with superior social responsibility performance attract dedicated institutional investors and analyst coverage. Moreover, these analysts attain lower absolute forecast errors and dispersion. Finally, the study established that firms exploit the benefit of a lower cost of equity capital linked with the initiation of CSR practices.

In another study, Maqbool and Zameer (2018) focused on the effect of CSR practices on the financial performance of Indian banks. Based on the secondary data obtained from 28 Indian commercial banks listed in Bombay stock exchange (BSE) for the period between 2007 to 2016), the study established a positive correlation between CSR and corporate financial performance of the banks. The findings of this study provided great insights for management, to integrate the CSR with strategic intent of the business, and renovate their business philosophy from traditional profit-oriented to socially responsible approaches. In an earlier study, Barnett and Salomon (2012) analyzed whether firms achieve superior corporate financial through engagement in CSR practices. From the analysis, the study established that companies with the highest CSR engagement had the highest corporate financial performance.

Okiro, Omoro and Kinyua (2013) tested the relationship between investment in CSR and sustained growth of commercial banks in Nairobi County. The researchers sought to establish the relationship between banks sustained growth and CSR. The findings revealed an increasing positive attitude towards CSR in terms of investment. There was a general agreement that CSR was essential for the success of the firm. In another survey, Gichana (2004) analysed the effect of CSR on the performance of Kenyan companies. The study found out that all the companies practiced long term planning and had strategies or social responsibility in place. It was observed that majority of these firms focused on health and education in their practice and were responsible to their employees by offering them medical, housing and pension schemes. It was also observed that water conservation and management was poorly addressed with most of the respondents focusing on internal implications or their activities rather than the water situation as a whole on factors that drive companies to adopt CSR. The recognition of CSR as a core value was the most cited explanation. Other factors include: giving back to the community as a way of meeting government requirement on degradation and as a medium of advertisement

In another study, Okoth (2012) found out that CSR was good for the financial performance of large and medium size banks and had no effect on the ROA of small banks. The researcher realized that CSR had a positive and significant effect on ROA and ROE for all commercial banks when aggregated. However, when classified on the basis of market size, the study revealed that CSR improved financial performance of large and medium size banks while the effect on ROA of small banks was insignificant. This study concluded that CSR had a positive effect on financial performance of large and medium size banks and no significant effect on the financial performance of small banks. The researcher concluded that it was not in the interest of shareholders for small banks to engage in CSR activities as doing so could only drain their wealth without any return.

Wafula (2012) examined corporate social responsibility from a Kenyan firms' perspective. The study analysed the activities of the selected companies in Kenya to help in understanding the impact of CSR on their performance. The study found that many organizations are recording both tangible and intangible benefits as a result of incorporating social responsibilities in their business strategies. The perception that CSR is a voluntary activity is gradually changing as institutions work hard to achieve sustainable growth and development through social programs. The study concluded that the assumption that organizations will always act on the interest of the wider society to bring social change is misplaced because these entities are formed primarily to look after the interest of their owners; CSR is used as a tool for advancing organization' s objectives not necessarily related to social responsibility.

Omoró, Kinyua, and Okiro, (2014) tested the linkage between investment in CSR and sustained growth of 13 commercial banks in Nairobi County between the years 2006 and 2010. Using regression analysis, the study established a positive relationship between CSR practices and organizational performance. The study found out that the sustained growth of 11.0% of commercial banks can be linked to investment in CSR activities. Based on the findings, it can be concluded that organisations can invest in CSR activities to create a platform for improvement on their brand value, promotion and to uphold and improve social insurance. In earlier study, Githinji (2012) focused on the effectiveness of CSR practices on organizational performance by ascertaining whether responsibility towards primary stakeholders affects the financial and non-financial performance of commercial banks in Kenya. From the findings, it was established that the relationship between superior profits were as a result of the adoption of CSR practices by the firms.

Mnyampi (2016) focused on the relationship between CSR and the financial performance of Safaricom Limited Company. The study specifically sought to assess the various CSR practices adopted by the company, the various measures of the company's financial performance, and the correlation between corporate social responsibility and the company's financial performance. Using a descriptive survey design, primary data collected from 92 respondents, and secondary data gathered from the financial records of the company, the study established a positive relationship between CSR practices adopted by the company and the corporate financial performance. The study established that by engaging in various CSR practices such as education programs, sporting programs, healthcare programs, HIV/AIDS campaigns, programs that aimed at uplifting the orphans, sick and disabled, disaster relief and environmental, the company has improved its image to the public, has created a large customer base and this has contributed significantly to the growth of the company. Okwomo (2010) also concluded that CSR improves the financial performance of commercial banks in Kenya. The theory behind these findings is that firms that are socially responsible can achieve economic benefits and enjoy wealth maximization. According to Palmer (2008) socially responsible firms experience improved financial performance since CSR practices leads to improved organization reputation, increased ability to attract better employees, increased sales, reduced business risk, and decreased operating costs.

2.3.2 Community Involvement Disclosure and Financial Performance

Community involvement disclosure (CID) is a distinctive form of corporate social disclosure as it relates to the actual and tangible interaction between the corporation and their community of operation as opposed to the usual broad and general characterization of CSR (Campbell et al., 2006). The understanding of the factors that affect specific disclosure through the lenses of the stakeholder theory is crucial, for the achievement of corporate

objectives, due to the growing sophistication in stakeholder social performance disclosure demands (Cooper & Owen 2007).

Community involvement disclosure involves communicating the social aspects of the firms activities to the various stakeholder groups in a manner that is comprehensible. Studies have been carried out to assess the effects of community disclosure on the returns of assets. Disclosure of community involvement actions is one of the most important elements of social responsibility when assessing corporate responsibility of a company. Saleh, Pontianak, Zulkifli and Muhammad (2011) examined the relationship between corporate social responsibility (CSR) and corporate financial performance of Malaysian public listed companies. They found that there is positive and significant influence of the CSR on corporate financial performance. Two of the CSR dimensions, namely employee relations and community involvement, were found to be positively related to financial performance. This proves that CSR practices can be considered as a catalyst to enhance the financial performance of public listed companies in Malaysia (Saleh et al., 2011). Moslemany & Etab, (2017) in their study in which hypothesis one assumed existence of positive relationship between financial performance indicators and CSR towards environment, the study resulted in an insignificant relationship between CSR of environment and financial indicators.

In a study carried out by Gatimbu & Mukaria (2016) aimed at determining the effect of community involvement disclosure on financial performance of NSE listed firms in Kenya. The study used panel data from the annual reports and financial statements of listed firms and analyzed 32 companies. The study revealed that community disclosure with $p\text{-value} < 0.05$ had significant difference in the mean financial performance and they concluded that firms community involvement disclosure leads to increased financial performance.

Okwoma (2012) studied the effect of corporate social responsibility on the financial performance of commercial banks in Kenya. This study used a longitudinal research design and covered the year 2007 to 2011 both years inclusive. Financial performance was measured by use of accounting ratios that included ROA, ROE and data obtained from supervisory reports compiled by central bank of Kenya. CSR was measured using financial spending on CSR activities. The study found that CSR had a positive and significant effect on ROA and ROE. The study further found that CSR contributed significantly to the financial performance of large and medium size commercial banks but did not have any significant effect on the ROA of small commercial banks.

Mwangi and Jerotich (2013) studied the relationship between corporate social responsibility practices and financial performance of firms in the manufacturing, construction and allied sector of the Nairobi Securities Exchange. The study used regression analysis to establish the relationship between financial performance and CSR practice of firms listed in the Manufacturing, Construction and allied Sector of the NSE. Efficiency and capital intensity of the firms were also included as control variables in the model. The study found is that there was a strong relationship between the independent variables (CSR practice, efficiency and capital intensity) used in the model and the dependent variable (ROA). Whereas CSR score was found to have a positive relationship (correlation coefficient of 0.7407) with financial performance this was not significant.

Gathungu and Ratemo (2013) revealed that disclosure of the CSR activities by organizations was used as a measurement tool of performance in the sense that the investment in CSR activities was an indication of the level of resources available and more especially the value that the organization had ascribed to the beneficiaries of the programs. In an earlier study, Ongolo (2012) focused on the relationship between CSR and market share of

supermarkets in Kisumu City for the period 2006 to 2010. He sought to determine the factors that motivated the practice of CSR amongst supermarkets in Kisumu City. The findings revealed that there was a strong relationship between CSR and market share. Institutions that had invested more on CSR had high sales revenue. The study also realized that there was a positive correlation coefficient between market share index and CSR. Larger supermarkets preferred education, water and sanitation while the other supermarkets preferred to support to the less fortunate in society as their CSR activities.

2.3.3 Employee Disclosure and Financial Performance

An employee is considered the most valuable resource in any business undertaking, many companies state this in their annual reports. In many of the jurisdictions employee disclosure is voluntary and unregulated. According to Tilt (2004) many Australian companies however continue to provide voluntary social information within their annual reports and the amount of disclosure is exponentially increasing over time. Several studies have examined deriving ideas, policies and practices of employee disclosure in corporate social responsibility reports with researchers using various theoretical and methodological approaches (Husillos Spence & Correa-Ruiz, 2010). However, many firms continue to make corporate social responsibility disclosure on employees. Corporate social responsibility related to human resource has been linked to high financial performance outcomes and organizational effectiveness (Menassa, 2010).

A research carried out on Jordanian public industrial firms by Mohammed (2015), showed a positive significant impact of operating performance measured by ROA for a sample on corporate social responsibility towards employees dimension. The study aimed at testing the impact of company size and financial performance on corporate social responsibility disclosure from employees and environmental dimensions with reference to the

disclosure frequency and quality of these disclosures among Jordanian industrial public share holding companies. The researcher analyzed the contents disclosed in the annual reports for 2013. The study applied a CSRD checklist for measuring the extent of CSRD in the annual reports and regression analysis was used to examine the issue. A similar study carried out by Kent, Windsor & Zunker (2011) provided evidence about voluntary employee disclosures in Australian annual company reports. The study employed Ullmanns (1985) strategic framework for social reporting, which examined the companys provision and quality of voluntary employee disclosure in relation to employee stakeholder power represented by employee share ownership and trade union membership. The results indicated that employee share ownership empowers employees in relation to the propensity and quality of corporate employee disclosures. The economic performance was measured using Tobins Q and ROA and resulted in mixed results with marginal association with the quality of employee reporting.

Gustavo, et al., (2015) carried out research in Portugal which examined the relationship between financial performance and information disclosure on human resource, an analysis of companies in the IBrX-100. Method by Mamun (2009) was use to analyze the process of disseminating information on human resource, and multiple regression was applied to interpreted the data based on cross-sectional view. The study concluded that there is a relationship between the process of disseminating information on human resource and financial performance of companies when represented by turnover and EBITDA-given that the profitability demonstrated no significant relationship. Oti, and Geraldine (2018) carried out an analysis of environmental and social disclosures and financial performance of selected quoted oil and gas companies in Nigeria between 2012-2016 and found out that disclosure on employee health and safety and community development do not significantly.

2.3.4 Financial Performance

Traditionally, firm performance measures have always raised a debate as to the appropriate indicators. Companies are motivated differently and hence their goals are also diverse and this is one of the reasons why a variety of measures for firm performance exist. Not-for-profit making will bother less on financial issues as to achieving their mission is more relevant. Those motivated to make profit will focus more on financial performance and less consideration will be given to non-financial matters.

Empirical scholars have defined financial performance as organization ability to attain financial objectives and goals as anchored in its policy assessment as per financial gains or losses (Nor et al., 2016). On the other hand, Menassa, (2010) perceived financial performance as listed firms ability to maximize shareholders returns as well as enhanced of distribution of shareholders as per agency theory provision and shareholders' wealth maximization principle.

Alterative measures such as return on assets, return on equity, net profit margin have been adopted by empirical scholars as measurers of financial performance (Najah & Jarboui, 2013; Gatimbu & Mukaria, 2016). Since financial management is pegged on decision making on sources of finance, uses of finance, dividend decisions and working capital management strategy, the current study adopted return on assets as measure of financial performance since it incorporates both investment and revenue generation while evaluating financial performance of a firm.

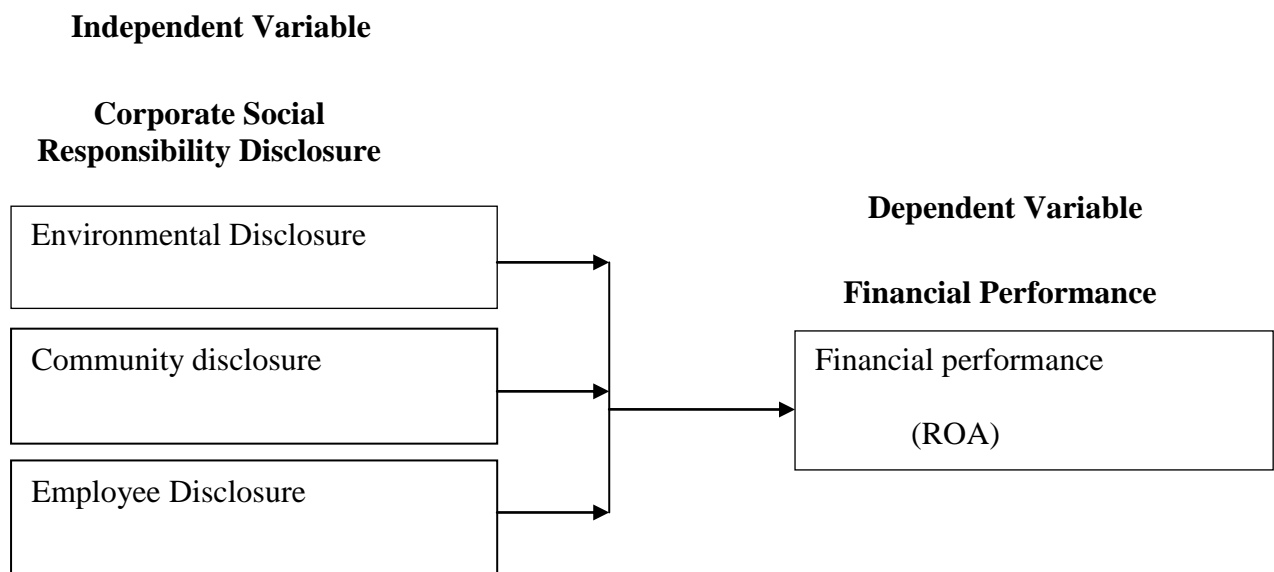
2.4 Conceptual Framework

A conceptual framework refers to the pictorial representation of the research variables (Britton & McGonegal, 2007). In this study, the independent variable was corporate social

responsibility disclosure. This was denoted by environmental disclosure, community disclosure and employee disclosure. The dependent variable in this study was financial performance which will be measured in terms of Return on assets.

FIGURE 1

Conceptual Framework



2.5 Operationalization of Variables

This section outlines the Operationalization of all the variables that were used in the study. The predictor variables include environmental disclosure, community disclosure, and employee disclosure. The outcome variable for this study is financial performance which was measured in Returns on Assets (ROA). The study variables are summarised in table 3.2.

TABLE 1**Operationalization of Variables**

| Variable | Type of variable | Indicators | Scale of measurement |
|---------------------------------|-------------------------|---|-----------------------------|
| Financial Performance | Dependent | Return on assets | Ratio |
| Environmental disclosure | Independent | <ul style="list-style-type: none"> • Firm environmental policy • Key persons view on environmental policies • Firm activities on regular environmental review | Ratio |
| Community involvement | Independent | <ul style="list-style-type: none"> • Donation welfare • Culture of protection of community welfare • Safe assurance policy | Ratio |
| Employee Disclosure | Independent | <ul style="list-style-type: none"> • Firm activities associated with labour organizations • Guidelines on employee promotions • Details of employees welfare allocations | Ratio |

Source: (Campbell, 2003; 2004; Brown & Deegan 1998; Campbell et al., 2003; 2006)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology of the study. It presents the methods and procedures that were utilized to successfully conduct the study. The pertinent issues covered here are the research design, the target population, the sample size determination, sampling techniques, data collection instruments and procedures, data analysis methods, and ethical issues observed during the study.

3.2 Research Design

A research design refers to is a conceptual structure outlining the manner in which research is undertaken (Kothari, 2004). To carry out the study, the researcher used descriptive research design. Descriptive research includes surveys and fact-finding enquiries of different kinds with major purpose of describing the state of affairs as it exists at present (Kothari, 2004). Since descriptive design can utilize quantitative and qualitative research methodologies, it was found to be suitable and applicable to this research because the study was built on mixed research paradigm and it enabled the researcher to determine the effect of the independent variables on the dependent variable. The research design relied on secondary data mainly from published audited annual financial statements. However, there is no set quantitative metric that can be used to measure CSRD instead qualitative data was assessed and systematically condensed into quantitative score for CSRD utilization.

3.3 The Target Population

Population refers to all people or items with similar characteristics that one wishes to study. (Zikmund et al., 2011). Population is a set of people or items with similar characteristics that a researcher intends to study and to draw statistical inferences or conclusions (Gall et al., 2006). The population of interest in this study includes eight manufacturing firms that were listed in the NSE under manufacturing and allied sector for 2007 to 2017.

3.4 Sample Size and Sampling Technique

A sample refers to a subsection of the target population that is selected and used in a research and the findings used to make general conclusions about the entire population (Kothari, 2004). The researcher used census approach since the target population is accessible, where all the manufacturing firms listed on the NSE under the manufacturing and allied sector was studied. The study covered 11-year period; 2007 to 2017.

3.5 Data Collection Instruments

The study used secondary data. This data was collected from the audited and published financial statements of the selected firms. The researcher did content analysis and analyzed the disclosures in the financial statements of the three dimensions of CSR. Content analysis generally includes determining the constructs of interest, seeking information about these constructs and codifying qualitative information to derive quantitative scales that can be used in subsequent statistical analyses. The method is the considered most suitable for this research because it will enable the research to evaluate textual data. The main advantage of content analysis is to interpret the content or contextual meaning of text data (Capriott & Moreno, 2007).

3.6 Data Analysis Methods and Procedures

After data collection, data was reviewed carefully to check for consistencies and completeness. Stata was used to analyze the data. Inferential and descriptive statistics were used to analyze the data. Descriptive statistics was in form of measures of central tendency, dispersion and range. Inferential statistics involved linear regression analysis. This was used to test the effect of the independent variables on the dependent variables. The model was as follows;

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \epsilon_{it}$$

Where: Y_{it} = Financial performance

β_0 = Constant (intercept)

β_1 = Coefficient of environmental disclosure

β_2 = Coefficient of community disclosure

β_3 = coefficient of employee disclosure variable

X_{1it} = environmental disclosure

X_{2it} = community disclosure analysis

X_{3it} = employee disclosure

ϵ_{it} = Error term

The findings were presented in form of tables and figures.

3.6.1 Model Specification Test

Model specification test was done to determine the appropriateness of the regression model.

Test for Multicollinearity

Pearson correlation and variance of inflation factor (VIF) were used to test multicollinearity. Multicollinearity test was carried out to find out whether there is correlation between each dimension of the CSR (environmental disclosure, community disclosure and employee disclosure). A VIF of more 10 will indicate presence of multicollinearity.

Test for homoscedasticity

Modified Wald test introduced by Trevor Breusch and Adrian Pagan 1979 will be used to tests for heteroskedasticity. It tested whether the variance of errors from a regression is dependent on values of the independent variables. If the P- value obtained is below 0.05 ($p < 0.05$), which is the significance level we reject the null hypothesis that the residuals is constant and infer that heteroscedasticity is present. In addition, the following tests as summarized in Table 2 were carried out:

TABLE 2**Diagnostic Tests**

| Test | Test Used | Conclusion |
|---------------------------------------|-------------------------|--|
| Use of pooled or random effects model | Poolability- test | If P value >0.05 , use pooled regression model. |
| Random or fixed effects | Hausman test | If p value >0.05 , use random effects model. |
| Heteroskedasticity | Modified Wald Test | If P value <0.05 , presence of non-uniform variance. |
| Serial correlation | Wooldridge Drukker test | If $P > 0.05$, no serial correlation |

CHAPTER FOUR

ANALYSIS AND FINDINGS

4.1 Introduction

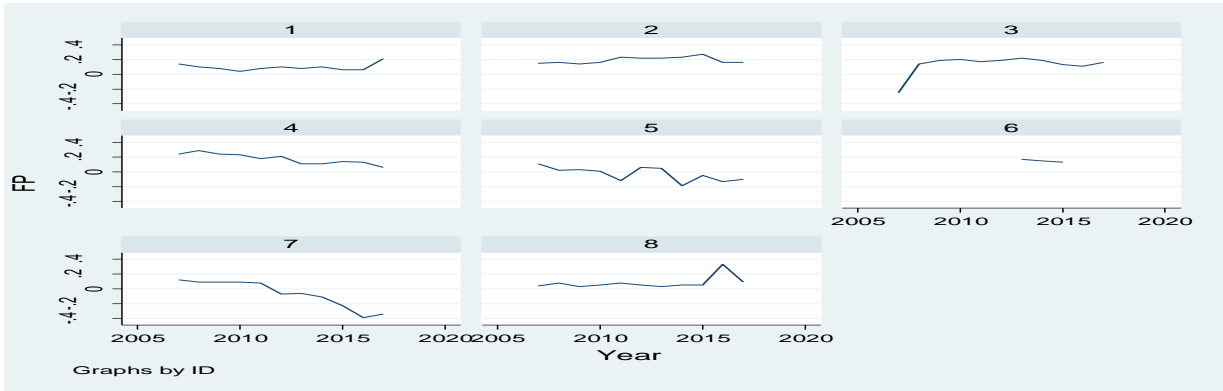
This chapter presents study findings of unbalanced panel data collected from annual financial statements for periods 2007 to 2017. Long panels were considered since there were only eight manufacturing companies listed within the period under consideration. To enhance research confidentiality dummy codes were adopted as names of listed manufacturing companies. The chapter has exploratory data analysis, followed by diagnostic tests and finally conceptualized model in chapter was presented.

4.2 Exploratory Data Analysis

Pictorial presentation shown in Figure 2 shows that the first quoted manufacturing company has down ward financial performance in initial periods followed by upward trends. The five-manufacturing had stagnant followed by declining trend, increment and downward trend which was reversed in the later stages. Manufacturing company number six was only listed for three years within the period under investigation and its performance was stagnant. Manufacturing company number eight registered declining trend throughout the period under consideration.

FIGURE 2

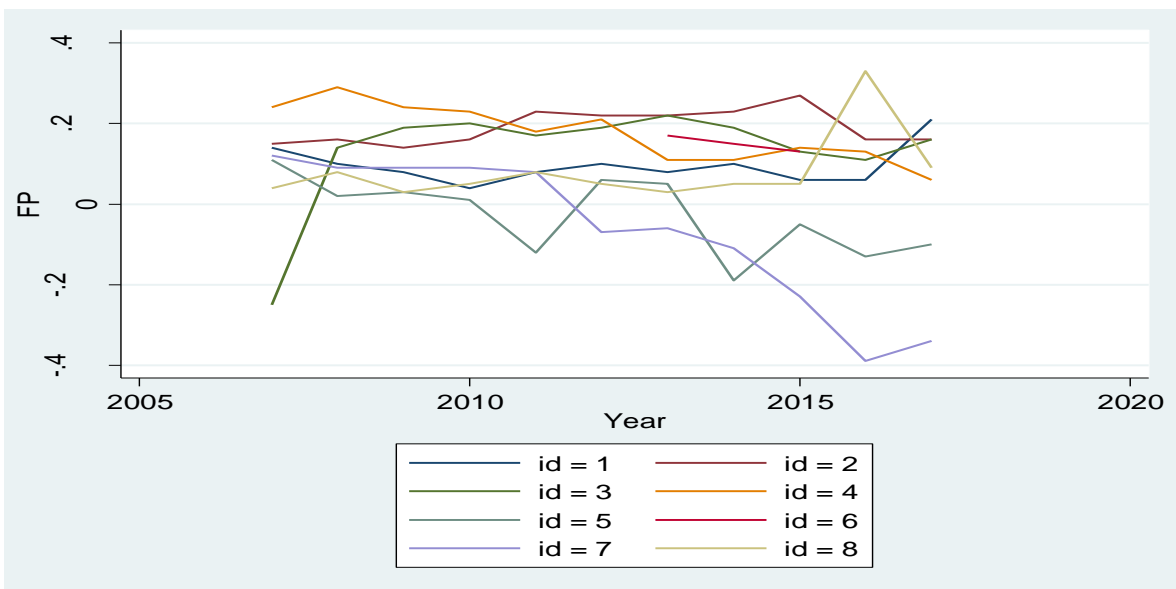
Trend Line for Financial Performance



As shown in Figure 3, it can be inferred that quoted manufacturing companies had different slope coefficients. Quoted manufacturing companies had different slope coefficients and intercepts.

FIGURE 3

Financial Performance Overlay Graph



4.2.1 Multicollinearity Analysis

Correlation analysis was carried out to show the strength of the effect of independent and dependent variables. Study findings are shown in Table 3, it was found that there was positive and non-significant effect of environment disclosure and financial performance of quoted manufacturing companies in NSE ($\rho = -0.05$, p value >0.05). Secondly, there was negative and non-significant effect of community disclosure on financial performance of quoted manufacturing companies in NSE ($\rho = -0.03$, p value >0.05). Environmental disclosure had positive and significant effect on community and employee disclosure respectively. An examination of variance inflation factors and tolerance revealed that independent variables were not highly related which concurred with correlation coefficients between independent variables. According to Baltagi (2005) independent variables are not collinearly related if VIF is less than 10 or tolerance limits are greater than 0.1.

TABLE 3

Correlation Analysis

| | FP | ENV_DISC | COM_DISC | EMP_DISC | VIF | Tolerance |
|----------|---------------|-----------------|-----------------|-----------------|------------|------------------|
| FP | 1 | | | | | |
| ENV_DISC | -0.05 0.66 | 1 ----- | | | 1.96 | 0.51 |
| COM_DISC | -0.03 0.80 | 0.61 0.00 | 1 ----- | | 1.59 | 0.63 |
| EMP_DISC | 0.10 0.40 | 0.54 0.00 | 0.36 0.00 | 1 ----- | 1.42 | 0.71 |

4.3 Diagnostic Tests

Prior to fitting conceptualized model several diagnostics were carried out, they included Lagrangian multiplier test, testparm test, heteroskedasticity test, serial correlation test and Hausman.

Results in Table 4 shows the test for null hypothesis of uniform variance across entities or no panel effect against an alternative that there is panel effect. Since the p value was less than 0.05, there was enough evidence to reject null hypothesis at 5 % level of significance and conclude that there were panel effects and pooled effects regression model was not the appropriate to fit in examination of the effect of corporate social responsibility on financial performance of quoted manufacturing companies listed in NSE.

TABLE 4

Chi-Square values for the Breusch-Pagan LM Test

| Model | Dependent variable | χ^2-value | p-value |
|--------------|---------------------------|----------------------------------|----------------|
| 1 | Financial Performance | 51.57 | 0.0000 |

Secondly, Testparm was applied to test for fixed time effects. Testparm states a null hypothesis that there were time fixed effects against an alternative that there is no time fixed effects. Results shown in Table 5, there was enough evidence to warrant rejection of the null hypothesis at 5% level of significance since P value was less than 0.05. Consequently, we conclude that there was time fixed effects and we can either introduce dummy variables or fit two-way model analysis. In this study two-way analysis model was fitted.

TABLE 5

Test Results for Fixed Time Effects

| Model | Dependent variable | F-value | p-value |
|--------------|---------------------------|----------------|----------------|
| 1 | Financial Performance | 6.20 | 0.0153 |

Thirdly, heteroskedasticity test was carried Modified Wald test was applied. The test stated null hypothesis that there was constant variance versus an alternative that there is no uniform variance. Results shown in Table 6 revealed that there was enough evidence to warrant rejection of null hypothesis at 5 % level of significance. Hence, it was concluded that

there was no uniform variance and the most appropriate model to fit was either fixed generalized model or fit a model with robust standard error. In this study a model with robust standard errors was fitted to examine the effects of corporate social responsibility on financial performance of quoted manufacturing companies in Kenya. Further, serial correlation evaluation was carried out using Woodridge test for autocorrelation with a null hypothesis that there is no first order serial correlation against an alternative of first order serial correlation. Results in Table 6 revealed that there was enough evidence to warrant rejection of the null hypothesis and conclusion that there was first order serial correlation. To mitigate this robust standard error.

TABLE 6

Test for Heteroscedasticity and Serial Correlation

| Model | Dependent variable | Test for heteroscedasticity | | Serial Correlation | |
|--------------|---------------------------|------------------------------------|----------------|---------------------------|----------------|
| | | χ^2-value | p-value | F-value | p-value |
| 1 | Financial Performance | 21.15 | 0.023 | 28.35 | 0.00 |

4.3.1 Panel Data Descriptive Analysis

Results shown in Table 7 average environmental disclosure amongst quoted manufacturing companies was 77%, community disclosure averaged at 51% and employee disclosure averaged at 67%. Most of quoted manufacturing companies had almost the same level of environmental community disclosure as accounted for by 18% standard deviation.

TABLE 7

Panel Data Descriptive Analysis

| Variable | | Mean | Std. Dev. | Min | Max |
|--------------------------|---------|-------------|------------------|------------|------------|
| Environmental disclosure | overall | 0.77 | 0.20 | 0.03 | 1 |
| | between | | 0.06 | 0.65 | 0.83 |
| | within | | 0.19 | 0.04 | 1 |
| Community disclosure | overall | 0.51 | 0.18 | 0.06 | 0.98 |
| | between | | 0.06 | 0.42 | 0.59 |
| | within | | 0.17 | 0.09 | 0.90 |
| Employee disclosure | overall | 0.67 | 0.20 | 0.08 | 0.96 |
| | between | | 0.07 | 0.57 | 0.79 |
| | within | | 0.19 | 0.08 | 1 |

4.4 Panel Regression Results

To choose between random effects model and fixed effects model Hausman test is applied. The test states null hypothesis that random effects is the most appropriate to fit against an alternative that fixed effects is the most appropriate model. Study findings shown in Table 4.6 had chi square value of 9.02 and p value of 0.029 supported rejection of the null hypothesis at 5 % level of significance and conclusion that the most appropriate model to fit was fixed effects model.

TABLE 8

Hausman Test

| | Coefficients | | (b-B) Difference | sqrt(diag(V_b-V_B)) S.E. |
|----------|--------------|---------------|---------------------|-----------------------------|
| | (b) fixed | (B) random | | |
| env_disc | .0343741 | .0159119 | .0184623 | .0061916 |
| com_disc | .0318268 | .0256297 | .0061971 | . |
| emp_disc | .0082841 | .0236235 | -.0153394 | .0090075 |

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \text{chi2}(3) &= (b-B)' [(V_b-V_B)^{-1}] (b-B) \\ &= 9.02 \\ \text{Prob}>\text{chi2} &= 0.0290 \\ &(\text{V}_b-\text{V}_B \text{ is not positive definite}) \end{aligned}$$

Regression results shown in Table 9 revealed that environmental disclosure, community disclosure and employee disclosure jointly had significant effect on financial performance of quoted manufacturing companies in Nairobi securities exchanges as accounted for by F statistics of 3.45 and p value <0.05. An R squared of 0.54 indicated that 54 percent of changes in financial performance of quoted manufacturing companies can be accounted for by environmental disclosure, community disclosure and employment disclosure while the remaining percentage can be accounted for by other factors excluded in the model.

The first hypothesis of the study stated that environmental disclosure had no significant effect on financial performance of quoted manufacturing companies in Kenya. The study found positive and non-significant effect on financial performance of quoted manufacturing companies in Kenya ($\beta = 0.12$, p value >0.05).

In line with the first objective, the study probed to find effect of firms environmental disclosure on financial performance in manufacturing firms listed at the NSE. Analysis output has shown in fact firms environmental disclosure is not only insignificant but also positively influencing financial performance of manufacturing firm listed in Kenya. On the same vein, Najah and Jarboui (2013) research of big firms in France establishes that environmental accounting and disclosure of the same, boosts corporate financial performance as measured by return on equity. Also, Moslemany & Etab (2017) investigation of the public listed companies have shown that CSR of environment is insignificant to the financial indicators.

Unlike the results herein, Nor et al., (2016) noted in Malaysian top 100 companies were found to move a notch higher financially due to environmental accounting and disclosure of the same since it boost ROA. More so, these companies were able to generate

good rapport with the community they hailed or worked from. Further contravening current study, Oti and Mbu-Ogar (2018) in Nigeria researched listed oil and gas companies only to finds that environment disclosure on waste management had a positive and significant effect on financial performance. Probably this could be explained by the fact that being environment accountable would help garner support from outside thus tending to increase sales.

The second hypothesis of the study stated that community disclosure had no significant effect on financial performance of quoted manufacturing companies in Kenya. The study found positive and non-significant effect of community disclosure on financial performance of quoted manufacturing companies in Kenya ($\beta = 0.02$, p value >0.05).

The output of the analysis has proven that indeed community involvement disclosure has nothing significant to do with the determination of manufacturing firms' financial performance in NSE. Contrarywise to the Gatimbu and Mukaria (2016) who researched the impact of community involvement disclosure on financial performance in Kenya listed companies and found that for sure this type of disclosure was relevant in increasing the finances of the firm.

The third hypothesis of the study stated that employee disclosure had no significant effect on financial performance of quoted manufacturing companies in Kenya. The study found negative and non-significant effect of employee disclosure on financial performance of listed manufacturing companies in Kenya ($\beta = -0.04$, p value >0.05).

Conversely, a research by Mohammed (2015) had showed a positive significant relationship on disclosure on employees and ROA for firm trading publicly in Jordan. Earlier on, in 1985, Ullmann revealed that Australian companies had enjoyed good profit related to their voluntary disclosure on employees, their share ownership and their trade union

membership. Unlike these two studies, Oti and Geraldine (2018) found that disclosure on employee health and safety and integration into community development do not significantly affect financial performance of Nigerian oil and gas companies. A contradict is notable in these studies perhaps due their diversity in focusing on many issues affecting employees like their ownership in the company, health and safety, grouping and the like.

TABLE 9

**Fixed Effects of Corporate Social Responsibility Disclosure on Financial Performance
on Manufacturing Firms Quoted at Nairobi Securities Exchange**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|-----------------------|--------------------|-------------------------|--------------------|--------------|
| ENV_DISC | 0.12 | 0.10 | 1.21 | 0.23 |
| COM_DISC | 0.02 | 0.09 | 0.26 | 0.79 |
| EMP_DISC | -0.04 | 0.09 | -0.42 | 0.67 |
| C | 0.01 | 0.06 | 0.10 | 0.92 |
| R-squared | 0.54 | Mean dependent variable | | 0.09 |
| Adjusted R-squared | 0.38 | S.D. dependent variable | | 0.13 |
| S.E. of regression | 0.11 | Akaike info criterion | | -1.44 |
| Sum squared residuals | 0.65 | Schwarz criterion | | -0.82 |
| Log likelihood | 78.79 | Hannan-Quinn criterion. | | -1.19 |
| F-statistic | 3.45 | Durbin-Watson stat | | 1.06 |
| Prob(F-statistic) | 0.00 | | | |

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter summary, conclusion and recommendations will be presented. Conclusions are also based on the output of analysis as highlighted and what was presumed to be true. Finally, the chapter ends with recommendations of what can be done on environmental, community involvement and employee disclosures to enhance better financial performance. Areas that can be studied in future are also outlined at the close.

5.2 Summary of the Findings

Overall, the study sought to find how corporate social responsibility disclosure (CSR) impact the financial performance of the manufacturing firms listed at the NSE. In this case financial performance was metricized by return on Assets (ROA) and CSR by level of environmental, community involvement and employee disclosure. After conducting diagnostics test were carried on the panel. After these tests the output from the panel regression revealed that CSR accounts for 54% of the financial performance as shown by the R squared. This significant determination going more than half implying other factors explain about of 46% which have been excluded in the model.

Further, the study sought to specifically determine the effect of environmental disclosure on financial performance of manufacturing firms listed in NSE. A correlation analysis that the two variables had weak negative relationship ($\rho = -0.05$, $p \text{ value} > 0.05$). Panel regression analysis on its part found that environmental disclosure had a positive though insignificant effect on financial performance of manufacturing firms quoted in NSE ($\beta = 0.12$, $p \text{ value} > 0.05$).

Also, the study investigated specifically the effect of community involvement disclosure on financial performance of manufacturing firms listed in NSE. Correlation test

revealed that two variables had weak negative and insignificant relationship ($\rho = -0.03$, p value >0.05). Panel regression analysis on its part found that community involvement disclosure had a positive though insignificant effect on financial performance of manufacturing firms quoted in NSE ($\beta = 0.02$, p value >0.05).

Finally, their specific objected purposed to determine the effect of employee disclosure on financial performance of manufacturing firms listed in NSE. A correlation analysis that the two study variables had weak positive and insignificant relationship ($\rho = 0.10$, p value >0.05). Panel regression analysis on its part found that environmental disclosure had a negative though insignificant effect on financial performance of manufacturing firms quoted in NSE ($\beta = -0.04$, p value >0.05).

5.3 Conclusion

The study findings have shown that corporate social responsibility disclosure indeed plays a significant effect on the financial performance of the listed manufacturing firms in NSE. This implies that an increase in the CSRD would actually be followed by increased profitability relative to the assets of the company employed. As per the first specific objective, the results of the analysis have approved existing literature that hold the statement that environmental disclosure does not have significant effect on financial performance of manufacturing firms in Kenya. Even if the relationship insignificant, it is a flowing positively. It can thus be concluded that firm wishing to increase their financial performance need not to commit a lot of their resources in disclosing environment related issues as do not account significantly in the performance thereof.

As per the existing finding that led to formulation of the hypothesis that, community involvement disclosure does not have a significant effect on financial performance of manufacturing firms in Kenya. This study actually reiterates the same. Empirically, it can be drawn that firms wishing to improve their financial performance would lose little by failing to

disclosure on how they have involved community in their affairs. This study further approves the held believe that employee disclosure does not have a significant effect on financial performance of manufacturing firms in Kenya by providing an empirical evidence. A conclusion is thus drawn that a focus to revealing employees issues on the company annual reports tell little in term of enhancing or even improving financial performance.

5.4 Recommendations

The following recommendations can be made as per the results of study: Going by the results contained herein, corporate planners and strategizers need not worry of the emerging social risk related to environment, employees and community involvement as they are all irrelevant in regard to financial performance. The specific CSR practices studied are not advisable to be adopted by firm focused to fulfill a desire to earn more profit every time they are disclosed. Based on the results of the study, not all disclosures are relevant financially and therefore firms before fully engaging in different types of disclosure should review the existing literature to make sense of the best disclosure to adopt.

At the face of it, corporate social responsibility can be said to be overall important, however, as revealed by the results of the study not all are conclusively relevant for the growth of the firms. Therefore, firms should be caution on what CSR to adopted and pilot check would not be harmful for advice. Probably, it is high time that the investors engage on corporate social responsibility without expecting some form of return as the study has proved that it is good but may have no significant impact on the firm financial position.

5.5 Areas for further studies

The study was informed by the contribution made by manufacturing firms onto the environment. Thus, it would be interesting to test the CSR on other industry such as pharmaceuticals. The study only involved stringently regulated companies in the NSE;

perhaps a further study to include private firms would give more information. Use of secondary data sometime may not get the perception of the managers working in the companies; further studies can collect both secondary and primary data for conclusive reports. Of interest in further studies can be general performance of companies and not only in terms of financial gains since the same may have to do with what members of the public perceive the company.

REFERENCES

- Abdu, R. M.D. (2011). The corporate social responsibility disclosure: a study of listed companies in Bangladesh. *Business and Economics Research Journal*, 2(7), 12-26.
- Aguinis, H., & Glavas, A. (2012). What we know and don't know about corporate social responsibility: A review and research agenda. *Journal of Management*, 38(4), 932-968.
- Akinpelu, Y. A., Ogunbi, O. J., Olaniran, Y. A., & Ogunseye, T. O. (2013). Corporate social responsibility activities disclosure by commercial banks in Nigeria. *European Journal of Business and Management*, 5(7), 173-185
- Ali, W. & Rizwan, M. (2013). Factors influencing corporate social and environmental disclosure (CSED) practices in the developing countries: an institutional theoretical perspective. *International Journal of Asian Social Science*, 45(6), 23-38.
- AL-Shubiri, F.N., AL-Abedallat, A. Z., & Orabi, M. M. A (2012). Financial and non-financial determinants of corporate social responsibility. *Asian Economic and Financial Review*, 2(8),1001-1012.
- Bagh, T., Khan, M., Azad, T., Saddique, S., & Khan, M. (2017). The Corporate Social Responsibility and Firms' Financial Performance: Evidence from Financial Sector of Pakistan. *International Journal of Economics and Financial Issues*, 7(2), 301-308.
- Branco, M. C., & Rodrigues, L. L. (2006). Corporate social responsibility and resource-based perspective. *Journal of Business Ethics*, 69(2), 111-132.
- Boulouta, I., & Pitelis, C. N. (2014). Who needs CSR? The impact of corporate social responsibility on national competitiveness. *Journal of Business Ethics*, 119(3), 349-364.
- Carmen - Pilar, M. B., Rosa, R. M. & Lisa, G. J. D. (2011). *Do the Best European Socially Responsible Companies Perform Better Financially?* Unpublished project, University of Barcelona.
- Carroll, A. B. (2008). *A History of Corporate Social Responsibility: Concepts and Practices*. *The Oxford handbook of Corporate Social Responsibility*, 19-46.
- Carroll, A. B., & Shabana, K. M. (2010). The business case for corporate social responsibility: A review of concepts, research and practice. *International Journal of Management reviews*, 12(1), 85-105.
- Check, I. T., Mohamad, Z. Z., Yunus, J.N & Norwani, N.M. (2013). Corporate social responsibility (CSR) Disclosure in consumer products and plantation industry in Malaysia. *American international journal of contemporary research*.
- Chetty, S., Naidoo, R. & Seetharam, Y., (2015). *The Impact of Corporate Social Responsibility on Firms Financial Performance in South Africa*. Available at: [Accessed 15 Sep. 2018].

- Cochran, P. L., & Woods, R. A. (1984). Corporate social responsibility and financial performance. *Academic Management Journal*, 27(1), 42-56
- Commission of the European Communities (2002). *Corporate Social Responsibility – Main Issues, MEMO/02/153, Brussels.*
- Davis, J., Schoorman, D., & Donaldson, L. (1997). Toward a stewardship theory of management: *Academy of Management Journal*, 22 (1), 26-39.
- Deegan, C. (2002) introduction: The legitimizing effect of social and environmental disclosure- a theoretical foundation. *Accounting, Auditing & Accountability Journal*, 15(3), 282-311
- Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. (2011). Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *The Accounting Review*, 86(1), 59-100.
- Donaldson, L. & Davis, J. H., (1991). Stewardship theory or Agency theory: CEO Governance and shareholder returns. *Australian Journal of Management*, 16(4)9-25.
- Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: social values and organizational behavior. *Pacific Sociological Review*, 18(1), 122-136.
- Freeman, R. E (1984). *Strategic Management: A Stakeholder Approach*. Boston: Pitman.
- El Ghoul, S., Guedhami, O., & Kim, Y. (2017). Country-level institutions, firm value, and the role of corporate social responsibility initiatives. *Journal of International Business Studies*, 48(3), 360-385.
- Gatimbu, K., & Mukaria, K. (2016). Community involvement disclosure and financial performance of firms listed at Nairobi securities exchange, Kenya. *The SIJ Transactions on Industries, Financial and Business Management (IFBM)*, 4(10), 203-217.
- Gathungu, J. M. & Ratemo, N. Z. (2013). An Assessment of the Impact of Corporate Social Responsibility on the Strategic Intent at Standard Chartered Bank Kenya Limited. *International Journal of Education and Research*, 1(5) 1-16.
- Ghelli, C., (2013). *Corporate Social Responsibility and Financial Performance: Empirical Evidence*. MSc Finance & Strategic Management, Unpublished Masters Thesis.
- Gichana, O. B. (2004). *A Survey of Corporate Social Responsibility Practice by Kenyan Companies: A Case for Companies Listed in the Nairobi Stock Exchange*. An unpublished MBA Research project, University of Nairobi.
- Githinji, R. K. (2012). *The Corporate Social Responsibility Strategies and Activities Employed by the Equity Bank in Kenya to Improve Its Performance*. Catholic University of Eastern Africa, Unpublished Thesis.
- Gustavo, H., Luiz, A., Umbelina, C., & Joao, G. (2016). Financial performance and information disclosure on Human resources in the IBRX-100: an analysis of companies. *Journal of Education and Research in Accounting*, 12(6), 125-138.

- Grayson, D., & Hodges, A. (2017). *Corporate Social Opportunity! Seven Steps to Make Corporate Social Responsibility Work for Your Business*. Routledge.
- Hopkins, M. (2012). *Corporate Social Responsibility and International Development: Is Business the Solution?* Routledge.
- Huse, M. (2008.) *Accountability and Creating Accountability: A Framework for Exploring Behavioral Perspective of Corporate Governance*. In *the Value Creating Board*, (51-72) Routledge.
- Jackson, G., & Apostolakou, A. (2010). Corporate social responsibility in Western Europe: an institutional mirror or substitute? *Journal of Business Ethics*, 94(3), 371-394.
- Jamali, D., & Karam, C. (2018). Corporate social responsibility in developing countries as an emerging field of study. *International Journal of Management Reviews*, 20(1), 32-61.
- John, E.A., John, A.O & Adebayo, O.E. (2013). Corporate social responsibility and financial performance: evidence from Nigeria Manufacturing Sector. *Asian journal of management research*, 4(1), 162-153
- Karaye, Y.I, Ishak, Z & Adan, N. C (2014). Corporate social disclosure quantity and quality as moderators between corporate social responsibility performance and corporate financial performance. *Research Journal of Financial*, 26(4), 236-248.
- Kothari, C. R. (2004). *Research Methodology: Methods and Techniques*. New Age International.
- Kumar, S., & Phrommathed, P. (2005). *Research Methodology*. Springer US.
- Lindgreen, A., & Swaen, V. (2010). *Corporate social responsibility*. *International Journal of Management Reviews*, 12(1), 1-7.
- Magara, R., Aminga, N. N & Momanyi, E. (2015). Effect of environmental accounting on company financial performance in Kisii County. *British Journal of Economics, Management & Trade*, 10(1): 1-11.
- Masruki, R., Zakaria, N. & Ibrahim, N (2012). Value relevance of accounting numbers: Views and perceptions of the accounting Responsibility (CSR) disclosure of Islamic banks in Malaysia. *Journal of Muamalate and Islamic Finance Research*, 25(4), 345-354.
- Manchiraju, H., & Rajgopal, S. (2017). Does corporate social responsibility (CSR) create shareholder value? evidence from the Indian companies act 2013. *Journal of Accounting Research*, 55(5), 1257-1300.
- Maqbool, S., & Zameer, M. N. (2018). Corporate social responsibility and financial performance: An empirical analysis of Indian banks. *Future Business Journal*, 4(1), 84-93.
- Marcia M. C., Otgontsetseg, E. & Hassan T. (2013). *Corporate Social Responsibility and its Impact on Financial Performance: Investigation of U.S. Commercial Banks*. Unpublished research paper, Bentley University, Waltham, US.

- Mbithi, A. M. (2016). *Effects of Corporate Social Responsibility on Organizations' Profitability of the Banks Listed on Nairobi Securities Exchange*. Unpublished Doctoral dissertation, University of Nairobi.
- Mbogoh, E., & Ogutu, M. (2017). Challenges of Implementing Corporate Social Responsibility Strategies by Commercial Banks in Kenya. *Journal of Business and Strategic Management*, 2(2), 1-16.
- McWilliams, A. (2015). *Corporate Social Responsibility*. Wiley encyclopedia of management, 1-4.
- Menassa, E., (2010). Corporate social responsibility: an exploratory study of quality and extent of social disclosure by Lebanese commercial banks. *Journal of Applied Accounting Research*, 11(1) 4-23.
- Mnyampi, L. M. (2016). *Relationship between Corporate Social Responsibility and the Financial Performance of the Firm A Case Study of Safaricom Limited Company* (Doctoral dissertation, United States International University-Africa).
- Morrison, J. (2014). *The Social License: How to keep your organization legitimate*. Springer.
- Mugenda & Mugenda (2003). *Research Methods: Acts Press, Nairobi*.
- Mwangi, A. (2011). *The Relationship Between Corporate Social Responsibility and Financial Performance of Publicly Quoted Companies in Kenya*. Unpublished MBA Project, University of Nairobi
- Mwangi, C., & Jerotich, J., (2013). The Relationship between Corporate Social Responsibility Practices and Financial Performance of Firms in the Manufacturing, Construction and Allied Sector of the Nairobi Securities Exchange. *International Journal of Business, Humanities and Technology*, 3(2), 232-248.
- Myers, J. L., Well, A., & Lorch, R. F. (2010). *Research Design and Statistical Analysis*. Routledge.
- Najah, A., & Jarboui, A. (2013). The Social Disclosure Impact on Corporate Financial Performance: Case of big French companies
- Nasi, J., Nasi, S., Philips, N., & Zyglidopoulos, S. (1997). The evolution of corporate social responsiveness: An exploratory study of Finnish and Canadian forestry companies. *Business & Society*, 36(3), 296-321.
- Ngatia, S.W. (2014). *The effect of corporate social responsibility on financial performance of insurance companies in Kenya*. Unpublished MBA project, University of Nairobi.
- ODonovan, G. (2002). Environmental disclosures in the annual report: Extending the applicability and predictive power of legitimacy theory. *Accounting, Auditing & Accountability journal*, 15(3), 344-371.
- Okiro, K., Omoro, N. & Kinyua, H. (2013). Investment in Corporate Social Responsibility and Sustained Growth in Commercial Banks in Kenya. *Journal of Emerging Issues in Economics, Finance and Banking*, 3(2), 1057-1064.

- Okoth, D. O. (2012). *The Effect of Corporate Social Responsibility on the Financial Performance of Commercial Banks in Kenya*. An unpublished MBA Research project, University of Nairobi
- Okwoma, D., (2012). *The effect of corporate social responsibility on the financial performance of commercial banks in Kenya*. MBA project, University of Nairobi
- Ong' olo, P. B. (2012). *Relationship between Corporate Social Responsibility Practices and Market Share among Supermarkets in Kisumu Town*. An unpublished MBA Research project, University of Nairobi.
- Owolabi, A. (2010). *Environmental Disclosures in Annual Reports: The Nigerian Perspective*. Retrieved March 25, 2018, from Research Gate <https://www.researchgate.net/publication/>
- Oti, A. & Geraldine., B (2018). Analysis of environmental and social disclosure and financial performance of selected quoted oil and gas companies in Nigeria (2012-2016). *Journal of Accounting and Financial Management*, 4(2), 345-357.
- Palmer, H. J. (2008). Corporate Social Responsibility and Financial Performance: Does it pay to Be Good? Claremont McKenna College. *Journal of Business Ethics*, 8(2), 234-243.
- Pour, B. S., Nazari, K., & Emami, M. (2014). Corporate Social Responsibility: A literature review. *African Journal of Business Management*, 8(7), 228-234.
- Ruia, A., Gupta, R. K., & Bandyopadhyay, G. (2018). Can Corporate Social Responsibility be a Force Multiplier to Control Malnutrition in India? *Indian Journal of Public Health Research & Development*, 9(2),23-58.
- Saleh, M., Zulkifli, N. and Muhamad, R., 2011. Looking for evidence of the relationship between corporate social responsibility and corporate financial performance in an emerging market. *Asia-Pacific Journal of Business Administration*, 3(2), pp.165-190.
- Schillemans, T., & Basuioc, M. (2015). Predicting public sector accountability: from agency drift to forum drift. *Journal of public administration research and theory*.
- Schneider, A., & Schmidpeter, R. (2012). Corporate social responsibility. *Verantwortliche unternehmensführung in der praxis*, berlin ua.
- Sekaran, U., & Bougie, R. (2010). *Research Methods for Business: A Skill Building Approaches* (5th Ed.). Chichester: John Willey & Sons Ltd.
- Spence, C., Husillos, J., & C. Correa-Ruiz. (2010). Cargo cult science and death of politics: a critical review of social and environmental accounting researchcritical perspectives on accounting. *Journal of Finance and Accounting*, 21(1) 76-89.
- Tilt, C.A. (2004). The Influence of External Pressure Groups on Corporate Social Disclosure: Some Empirical Evidence. *Accounting, Auditing and Accountability Journal*, 7(4),47-72.
- Tjia, O., & Setiawati, L. (2012). Effects of CSR disclosure to value of the firm: a study for banking industry in Indonesia. *Journal of Business Research*, 2(6), 235-241.

- Theofanis, K., (2010). *Corporate Social Responsibility and Financial Performance: An Empirical Analysis on Greek Companies*. European Research Studies, XIII
- Uddin, M. U., Hassan, M. R., & Tarique, K. M. (2008). Three dimensional aspects of corporate social responsibility. *Daffodil International University Journal of Business and Economics*, 3(5) 199-212
- Visser, W., & Tolhurst, N. (2017). *The world guide to CSR: A country-by-country analysis of corporate sustainability and responsibility*. Routledge.
- Waddock, S. A., & Samuel B. Graves (1997). The Corporate Social Performance Financial Performance Link. *Strategic Management Journal*, 18 (4): 303-319.
- Wafula, J., (2012). *Corporate Social Responsibility: A Perspective of Kenyan Firms*. Masters of Business Administration, Unpublished Kenyatta University, Kenya,
- Wambui, M. R. (2013). *The impact of the corporate social responsibility on the corporate financial performance in the corporate and NGO partnerships in Kenya*. Masters of Business Administration, Unpublished University of Nairobi.

APPENDICIES

Appendix I: Data Collection Sheet

Company name _____

| CRS dimension | Total items disclosed | Year | |
|----------------------------------|--------------------------|--------|---|
| | | amount | % |
| Environmental disclosure | | | |
| Community involvement disclosure | | | |
| Employee disclosure | | | |
| Total | | | |
| Average no of items | | | |

Remarks _____

Appendix II: Corporate Social Responsibility Check List

CSR Environmental disclosure

1. Environmental policies or concern for environment statement
2. Statement indicating that the companys operations are within non-polluting or that they are in compliance with pollution laws and regulations
3. Statement of pollution control measures in the conduct of business. Statement that pollution has been controlled or reduced
4. Conservation of natural resources e.g. recycling
5. Prevention or repair of damages to the environment resulting from business operations
6. Support for public/private actions designed to protect the environment
7. Designing environmental rules
8. Disclosing emissions/discharge to the environment information
9. Disclosing solid waste disposal information

b) CSR Community involvement disclosure

1. Donations of cash, products, event, arts, community activity
2. Sponsorship of sports
3. Sponsoring public health projects, distributing health related information to the public
4. Funding scholarship programs/activities and bursaries
5. Sponsoring education, conferences, seminars and workshops
6. Support for the elderly and children (donations, cash, products)
7. Supporting development of community events, activities

C. CSR employee disclosure

1. Complying with health and safety standards and regulations
2. Information on education/ training of employees on health and safety

3. Information on accidents statistics
4. Providing low cost health care to employees
5. Employee training, giving financial assistance to employees in educational institutions or those continuing with education courses.
6. Providing recreational facilities and activities
7. Provision of staff accommodation, staff houses, food, fuel and other benefits.
8. Information about support during maternity, paternity leaves, holidays and vacations
9. Disclosing policy on remuneration
10. Providing information on qualification and experience of employees recruited
11. Providing information on employment stability
12. Reporting firms relationship with trade unions
13. Information on recruitment/employment of minorities, women and special interest groups