RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND THE FINANCIAL PERFORMANCE OF THE FIRM: A CASE STUDY OF SAFARICOM LIMITED COMPANY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY

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A Research Project Submitted to Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY

SUMMER 2016
I, Mnyampi Linda Msua, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

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This project has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________ Date: ___________________________

Mr. Kepha Oyaro

Signed: ___________________________ Date: ___________________________

Dean, School of Business
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ABSTRACT

The general objective of this study was to determine the relationship between corporate social responsibility and financial performance of Safaricom Limited Company. The study was guided by the following specific objectives; to assess the different corporate social responsibility practices of the companies; to evaluate the different measures of the firms’ financial performance; to establish the relationship between corporate social responsibility and firms’ financial performance.

The study adopted a descriptive and survey research designs. The target population for the study comprised of 1087 employees of Safaricom’s Limited key functional areas. The study used a sample size of 92 respondents computed using Yamane’s formula. A purposive sampling technique was used to select the respondents. The study collected primary data inform of standardized questionnaires and secondary data which was obtained from Safaricom’s annual reports to its shareholders. The data collected in the field was edited, coded, transcribed, and cleaned and analyzed using the Statistical Package for Social Science (SPSS). Both inferential statistics measures and descriptive statistics measures were used in the analysis of data.

In the first research objective, the findings established that majority of the respondents were in agreement that it is important for Safaricom Limited to engage in corporate social responsibility. The results showed that the company is involved in different corporate social responsibility programs 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.

On the second research objective the findings revealed that respondents agreed that Safaricom’s financial performance for the last five years was good, on measures such as return on asset, return on equity and return on sales. The analysis of the company’s growth also indicated that the company’s revenue, number of customers, net profit have increased tremendously in the last five years. The analysis of the company’s key ratios showed that the company’s profitability, market and efficiency ratios have improved for the past five years However the Liquidity ratios indicated that the company’s ability to meet its current liabilities as they come due was risky.
The last objective was to determine if there was a relationship between corporate social responsibility and financial performance, the correlation and regression analysis performed showed that there is a strong positive relationship between corporate social responsibility and financial performance and between corporate social responsibility and the financial performance measures such as return on assets return on equity and return on sales of the company.

The study concluded that there is a positive association between corporate social responsibility and financial performance of the company. From the results obtained the researcher recommended that Safaricom should continue to engage in corporate social responsibility to yield the benefits associated with corporate social responsibility engagement and further improve its overall performance. The researcher also recommended that the company should integrate corporate social responsibility as part of the company’s core business and view corporate social responsibility as an avenue for profit maximization. Lastly, due to the fact that companies differ in their approaches to corporate social responsibility, the study recommended further studies on different telecommunication companies, studies which can allow for generalization of the findings to the whole industry.
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<td>NSE</td>
<td>Nairobi Securities Exchange</td>
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<td>Return on assets</td>
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CHAPTER ONE

1.0 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 started to provide welfare, which included the provision of food, and constructions of hospitals (Carroll, 2008). According to Hay and Gray (1974), the great depression resulted in the introduction of public trusteeship management in addition to the profit-maximizing management.

Corporate social responsibility has gained so much popularity in the last decade. According to McWilliams, Siegel and Wright (2006), companies all over the world are now integrating CSR into all aspects of their businesses. In the recent years, corporate social responsibility has also moved from being an irrelevant concept to being one of the most orthodox and widely accepted concepts in the business world (Carroll and Shabana, 2010).

Today the world is witnessing a dramatic increase in CSR activities, especially in the emerging economies. Tsoutsoura (2004) highlighted that today more than half of the fortune 1000 companies issue corporate social responsibility (CSR) reports. Similarly a survey by Klynveld Peter Marwick Goerdeler International (KPMG) (2013), which looked at the global trends in CSR, the findings indicated that 71% of the companies in Pacific Asia carry out and publish CSR reports, 76% was recorded in America, and 73% in Europe. The survey also showed the highest growth since 2011 was in: India by +53%, Chile 46%, Singapore 37%, Australia 25%, Taiwan 19%, and China 16% (KPMG, 2013, p10).

Despite the increase in its global popularity scholars still differ on whether firms should adopt CSR and whether CSR lead to higher financial performance or not. Hernandez-Murillo and Martinel (2009) state that firm may obtain additional benefit from engaging in CSR activities. Studies have associated CSR with a number of benefits. The most
researched and widely accepted benefits of CSR are mostly in areas of human resource, talented management, firm reputation, branding and operation cost saving (McEtheny, 2009). On the other hand, Tsoutsoura, (2004) argued that most of these benefits are usually not realized immediately as opposed to the cost of CSR which is usually incurred immediately. This means the firm will sacrifice current profit for an unguaranteed return in the future.

Wheelen and Hunger (2012) stated that firms usually have responsibilities to the society that extends beyond profit making. Financial performance is broadly viewed as the ability of the firm to meet its financial objectives. According to Hassan and Ahmed (2012) the two indicators of the firm’s financial performance are: the investor’s return and the accounting returns. The investors returns measured from the perspective of the shareholders, whereas accounting return focus on how the firm’s earning respond to different managerial policies (Okwomo, 2010). Accounting based indicators such as ROE, EPS, ROI, shows the internal efficiency of the firm (Cochran and Wood, 1984).

In 1984 Cochran and Woods carried out a one-year observation on approximately 400 firms; their main objective was to establish whether there is an association between the firms’ CSR and their financial performance. In their one year observations they found that, after controlling firm size, risk, industry, and the age long-term assets CSR is positively associated with financial performance at a significant level. However, other scholars believe that there is no association between the two variables. For example Murphy (2005) described the concept of CSR as being “a little more than a cosmetic treatment.”

The concept of CSR is widely accepted in developed countries. According to Quanzi, Rahman and Keating, (2007) CSR is more relevant to corporations operating in the developed countries due to elevated community expectations of socially responsible behavior. A survey by KPMG (2011) 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 in the year 2011, 71% of European companies reported on CSR while America came second with 61%. The survey also indicated that almost 60% of Chinese reported on CSR.
In 2012 Qui conducted an empirical study between CSR and financial performance of Chinese listed companies. 839 Chinese listed companies were included in the study. The findings of the study indicated implementing CSR on shareholders and employees had a positive impact on the firm’s financial performance on the other hand implementing CSR on other stakeholders had no significant impact on the Chinese listed companies’ financial performance. Qui concluded that “the CSR situation in China is still not optimistic.”

In developing countries the concept of CSR has been practiced gradually by companies. Studies have shown an increase in companies’ commitment to CSR beyond profit making (Quanzi, Rahman and Keating, 2007) in developing countries such as India and Malaysia. A study by Ramasayan, Ting and Yeung (2007), indicated that companies tendency towards disclosure of CSR is low in developing countries, however, awareness is increasing gradually with the emergence if Non-governmental Organizations. Lo and Yap (2011) conducted a research on 198 Malaysian firms their findings indicated that 97% of the respondents agreed that Malaysian companies practice CSR. The study findings also indicated a positive association between increased CSR and financial performance of the firms as well as the size of the firm and firm revenue. A study by (Quanzi, Rahman and Keating, 2007) on firms in Bangladesh indicated that companies such as CARE Bangladesh, Bangladesh Enterprise Institute, BATA are at the forefront of CSR programs.

When CSR was introduced in Africa most African firms showed little interest in the concept. It was said that “CSR is a theme generally inserted in the countries of the south by the countries of the North.” (Huppert’s, 2004) In 2010, Forstater, Zadek, Yu, Guang, Hong and George described the evolution of CSR in Africa in terms of generations in their study, First generation, CSR was carried out for a particular purpose only, such as to respond to environmental and social issues and challenges threatening the business. In the second generation, companies adopted a more proficient approach to CSR; firms became more committed to the concept and started reporting on CSR performance. In the third generation, it was no longer about controlling the negative impacts companies focused on building and aligning their firms to ensure they provide a positive impact to the people and the environment that surrounds them.
A number of studies on CSR have been conducted in Africa to establish the relationship between CSR and financial performance; these studies still show conflicting results. Usman and Amran (2014) conducted a study on 68 companies in the Nigeria stock exchange; the study sought to establish if there was a relationship between CSR and financial performance of these firms. Using CSR indexes and financial performance measures the study concluded that from the regression analysis, human resource disclosures, products disclosure, customer disclosures and community involvement disclosure, were found to enhance financial performance. The results also reveal a negative relationship between environmental disclosure and financial performance, which indicates that disclosure of the company’s environmental impact information could be value destroying in Nigeria. In South Africa, the World Bank (2003), highlighted a number of corporate financial failure and irregularities, these were blamed on weak CSR structure.

Forstater et al. (2010) aver that CSR activities in Kenya are focused towards education, agriculture, and food security, underprivileged children, and HIV/AIDS. In Kenya multinational companies are in the lead when it comes to CSR involvement. Most local companies viewed CSR only from a philanthropic perspective (Ufadhili trust, 2008). It is only recently that firms have moved to integrate and align CSR with their company mission and vision. The transition saw both foreign and local companies focusing on performance driven CSR mostly for profit maximization and enhanced competitiveness (Federal Ministry for Economic Cooperation and Development, 2011).

Tsoutsoura (2004) established that companies usually differ on how they implement CSR. The difference depending on factors such as the organization’s size, demands of the stakeholders, organizations culture and the historic involvement of the firm in CSR. The major CSR initiatives in Kenya include the Wings to fly foundation by Equity Bank; Rhino cement foundation, Bamburi rugby super series and the Standard chartered marathon by Standard chartered bank Kenya. This study focused on Safaricom Limited Company. Like many companies in Kenya Safaricom Limited Company has not been left out on corporate social responsibility. Most of Safaricom’s corporate social responsibility activities are carried out through the Safaricom Foundation, the Foundation is structured in that its operations are divided into ten areas these include Sports, Health Education, Education, Disaster Relief, Water, Economic Empowerment, MPESA Foundation and World of Difference and others.
According to Waweru (2004), Kenya like many countries has not been spared from the failures in CSR. In the 1980s, more than 33 banks collapsed (Barako, Hancock, and Izan, 2006). Many companies, for example, Kenya Corporative Creameries (KCC), National Housing Corporation and the Kenya National Assurance Company among others followed suit in the 1990s (Eshiwani, 2006). Therefore, there is a need to understand the relationship between corporate social responsibility and the firm’s financial performance.

1.2 Statement of the problem

Although there are many discussions on corporate social responsibility still not much is known about corporate social responsibility and firm’s financial performance (Balmer and Greyser, 2006). Cochran and Wood (1984) in their recommendations called for a more empirical evidence on the association between corporate social responsibility and financial performance. Since then a number of studies on corporate social responsibility and firm’s financial performance were conducted on different industries, however, the results of these studies do not seem to agree, there are still conflicting results.

A number of studies on the relationship between corporate social responsibility and financial performance have indicated a positive relationship between the variables. This means an increase in corporate social responsibility activities will result an increase in the financial performance of the company. Some studies have also indicated a negative relationship between corporate social responsibility and financial performance. Garriga and Melle (2004) argued that corporate social responsibility increases financial performance, at least in the long run. Griffin and Mahon (1997) summarized 66 results on the relationship between corporate social responsibility and financial performance; their findings indicated that 33 results indicated a positive relationship and 20 suggesting a negative relationship. Serfatiem (2010) in his study also observed that some corporate social responsibility initiatives are costly and may have a negative effect on the firm’s profit margin. A study by Margolis & Walsh (2003) concluded that there is a positive relationship between corporate social responsibility and financial performance.

Most studies in Kenya tend to focus on the relationship between corporate social responsibility and the financial performance of financial institutions listed in the Nairobi securities exchange. Little has been done on telecommunication companies. Ngatia (2012) found preliminary evidence that corporate social responsibility and financial performance of the insurance companies were negatively correlated. Mutuku (2004)
found no relationship between corporate social responsibility and financial performance of firms listed on the NSE. Githinji (2012) in his study on Kenyan superior profits in the year 2012, company’s’ high profits were associated with the firm’s corporate social responsibility involvement. Similarly, Okwomo (2010) also concluded that corporate social responsibility improves the financial performance of commercial banks in Kenya. It is clear that the very little has been done on the relationships between corporate social responsibility and financial performance of telecommunication companies; therefore, this research sought to determined the relationship between corporate social responsibility Safaricom’s financial performance.

1.3 General Objective

To determine the possible effects of corporate social responsibility on the financial performance of Safaricom Limited Company

1.4 Specific Objectives

1.4.1 To assess the different corporate social responsibility practices of the company
1.4.2 To evaluate the different measures of financial performance of the company
1.4.3 To establish the relationship between corporate social responsibility and the financial performance of the company

1.5 Importance of the Study

1.5.1 Corporate Companies

The company will get a better understanding on CSR and the managers of Safaricom will be able to make more informed decisions on whether or not to adopt CSR. Friedman (1970) stated that CSR activities always come at the expense of shareholders and employees, thus, managers should only undertake CSR if it increases its shareholders’ value.

1.5.2 Investors

The study will also be of value to the different investors interested in investing in Safaricom. Understanding the relationship between corporate social responsibility and financial performance will help the investors in designing and determining the allocation of their portfolio so as to maximize returns (Carroll, 1979). Thus, the study will help the

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investors maximize their profits by investing in firms that make decisions based on ethical concerns.

1.5.3 Researchers and Scholars

Finally, the findings on the relationship between CSR on firm’s financial performance will enrich the discussion 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

This study focused on Safaricom Limited Company. The study critically examined the relationship between CSR and the firm’s financial performance. The study focused on the firm’s financial data for the five years period between 2011 and 2015 gathered from the Safaricom employees and the company’s annual financial reports.

1.7 Definition of Terms

1.7.1 Corporate Social Responsibility

Corporate social responsibility is the actions that appear to further some social good, beyond the interest of the firm and that which is required by law (McWilliams and Siegel, 2001). Corporate social responsibility is the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll, 1979).

1.7.2 Triple Bottom Line

Triple Bottom line is an accounting framework that incorporates three dimensions of finance, social and environment which are commonly known as the three Ps (3Ps): People planet and profit (Slaper, 2011)

1.8 Chapter Summary

Chapter one introduces the research study on the relationship between corporate social responsibility and the financial performance of firms. The chapter looked at the history of corporate social responsibility both internationally and locally with the main focus on Safaricom Limited Company. Chapter one proceeded to discuss the problem statement, the objectives of the study, the scope of the study.
Chapter two provides a detailed literature review on the research topic. Different sources relevant to the study used in this chapter. The literature review is based on the research objectives stated in chapter one. Chapter three focus on the research methodology of the study. Chapter four outlines the finding of the study, chapter five provides a discussion of the findings, and the chapter will also draw conclusions and provide recommendations of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The previous chapter highlighted the statement and background of the problem, the research questions, importance, and scope of the study. This chapter details the literature review conducted on the research questions highlighted in the previous chapter. The literature reviewed in this chapter is recent or historic significant research studies, industry reports, and company data that act on the basis for proposed study. The literature focuses on the research questions.

2.2 Corporate Social Responsibility Practices of a Company

Corporate social responsibility is an umbrella term overlapping with some and synonymous with other conceptions of business-society relations (Moon, 2008). The World Bank defined Corporate Social Responsibility (CSR) as, “a term that describe the company’s obligations to be accountable to all of its stakeholders in all its operations and activities.” According to Nicolau (2008) before balancing the needs of stakeholders and their need to make a profit, firms consider the full scope of their impact on communities and environment. Weber (2008) argued that the main force that drives companies to adopt corporate social responsibility may be the corporate social responsibility’s subsequent financial benefits. Although the main aim of business is to make profits, the company should contribute towards social and environmental goals by applying corporate social responsibility as a strategy in their core business practices, corporate governance, and management instruments (Waddock and Graves, 1997).

Kotler and Lee (2005) defined CSR strategies as the major activities or initiatives undertaken by a firm to support social causes and to fulfill commitments to corporate social responsibility. These initiatives are those that contribute to, community employment, the environment, health, safety, education, community and economic development and other basic human needs and desires.

Turban and Greening (1997) stated the benefits of having good CSR programs. Turban & Greening argued that companies that have strong CSR engagements often have increased ability to attract and retain employees, which leads to reduced costs of turnover, training
and recruitment. According to Tsoutsoura (2004) employees, of a company often gauge whether their personal value conflict with the value of the company by evaluating the firm’s CSR performance. According to Turban & Greening (1997) there are many times where employees were asked, under pressure from their supervisors, to overlook written moral laws and written laws in order to achieve higher profits. These practices create a culture of fear in the workplace and affects employees’ trust, loyalty, and commitment to the company (Tsoutsoura, 2004)

Tsoutsoura (2004) argued that companies that work on improving their working conditions and labor practices have high chances of experiencing increased productivity and reduced error rate. Studies by Moskowitz, (1972); Parket and Eibert, (1975); Solomon and Hansen, (1985) have indicated that although the practices to improve working conditions and living wages may be costly, increased productivity and improved product quality will increase the firms cash flow to cover the cost incurred. That is the “firm will benefit from a socially responsible action in terms of morale and productivity” (Tsoutsoura, 2004).

There are several approaches to firm’s CSR initiatives. A study by Bénabou and Terole (2009) gave three visions to Corporate social responsibility: Vision One: ‘Win–win’ this posits that being a good corporate citizen leads to superior profits. Vision Two: ‘Delegated philanthropy’ states that some stakeholders often sacrifice money so as to further social goals. Vision two of CSR maximizes profit given the demand of stakeholders. Vision Three: ‘Insider-initiated corporate philanthropy’ states that the social behavior of the firm reflects the desires of the manager to engage in philanthropy. Other approaches to CSR are discussed below.

2.2.1 Carroll’s Pyramid of Corporate Social Responsibility

The commonly used theoretical approach to CSR is Carroll’s (1991) Model or Pyramid of Corporate Social Responsibility. Carroll suggested that corporate social responsibility comprise of four social responsibilities; economic, legal, ethical and philanthropic. These four responsibilities can be illustrated as a pyramid (Pandya, 1999). Carroll considers CSR to be framed in such a way that the entire range of business responsibilities is embraced (Mbithi, 2015). Carroll’s has been utilized by many scholars and researchers (Wartick and Cochran, 1985; Swanson, 1995; Carroll and Hatfield 1985;
O’Neill, Saunders and McCarthy, 1995; Strong and Meyer, 1992). Several businesses, society, and business texts have incorporated Carroll’s four categories (Schwartz and Carroll, 2011).

Carroll (1991) argued that economical responsibility is the most fundamental and most important responsibility of a company, which reflects the nature and the impotence of company as a profit-making organization. He also argued that without economic responsibility it is impossible to carry out other responsibilities as the other three responsibilities are based on economic responsibility.

Figure 2.1: The Pyramid of Corporate Social Responsibility

Santiago (2004) stated that Philanthropic responsibilities include those actions that the society expects from the company. The society expects the company to be a good corporate citizen. That is the society expects the company to contribute financial and human resources to their society and to improve their quality of life. According to Carroll (1991) Ethical responsibility includes behavior, criterion, standards which reflect not only the company’s concern for the value of justice among customers, employees and the local community, but also showed its moral spirit of respecting and protecting the interest of stakeholders. Legal responsibility aspect of the pyramid is concerned with the society’s expectations of the company’s compliance with the laws and regulations in place.
2.2.2 The Triple Bottom Line Model

The triple bottom line model is another theoretical approach to CSR. The term Triple Bottom Line was coined by Elkington in 1997. Triple bottom line model provides a framework for measuring performance and success of the business using the economic, the social and the environmental line (Goel, 2010). Roger and Hudson (2011) referred to the triple bottom line model as the practical framework for sustainability. It is also known as People, Planet, and Profit, or the three P’s (Marrewijk, 2003).

The triple bottom line is based on the assumption that companies do not only have profitability as their only objective but that they also have other objectives such as adding environmental and social value to society (Crane and Matten, 2004).

![Figure 2.2: Elements of the Triple Bottom Line](image)

A sustainable society should meet three conditions; the rate of use of renewable resources should not exceed their rate of generation; the society’s rate of use of non-renewable should not exceed the rate at which sustainable renewable substitutes are developed; and its rate of pollution should not exceed the capacity of the environment (Elkington, 1997, p. 55). According to Goel (2010), the environment line is concerned with the efficient use of resources, reduction in greenhouse gas emission, minimizing ecological footprint, etc. The economic line of the triple bottom line is concerned with the impact the organization has on the economic systems as well as the economic performance of the organization itself (Elkington, 1997). Elkington’s model also states that the Social line of the triple
bottom line model refers to conduction beneficial and fair business practices to labor, human capital and to the society.

2.3 Measures of Financial Performance of the Company

Financial performance is a composite of an organization’s financial health, its ability and willingness to meet its long-term financial obligations and its commitment to provide services in a foreseeable future (Weber, 2008). Weber also argued that the time frame for objectives and strategies should be consistent, usually from two to five years.

Measuring the performance of the company is done using different measures. The literature review of Fiori, Donato and Izzo, (2009) indicated that financial performance can be measured based on the firm’s: solvency, repayment capacity, profitability, efficiency and liquidity. Many researchers measured financial performance using accounting-based measures such as Return on Assets, Return on Equity, Return on Capital Employed, Return on Sales, and Earnings per Share (Cochran and Wood, 1984; Waddock and Graves, 1997). Other researcher used market-based measures of financial performance, such as investor returns (Vance, 1975; Alexander and Buchholz, 1978). Others, such as Balabanis (1998) and Choi, Kwak and Choe (2010), employ a combination of both accounting-based and market-based measures. 49 of the 95 studies reviewed by Margolis and Walsh (2001) used accounting-based measure, whereas 12 studies used market-based measures and the remaining 34 used a combination of both accounting and market-based measures.

2.3.1 Accounting-Based Measures

The literature review of Griffin and Mahon (1997) concluded that the most common used accounting measures of financial performance of a company are the size (total assets), ROA, ROE, asset age and the 5-year ROS. Their study looked at different studies and concluded that, Return on Asset (ROA) was widely used in the following studies: Hull and Rothenberg, (2008); Mahoney and Roberts, (2007); Waddock and Graves, (1997); D’Arcimoles and Trebuq, (2002); Aras et al., (2010); Bhagat and Bolton, (2008); Fernandez-Sanchez and Sotorrio, (2007). Hull and Rothenberg (2008, p.785), argued that ROA “represents the profitability of the firm with respect to the total of resources, or assets, under the company’s control.”

13
The rate of return on equity is another useful measure of financial performance; it provides useful information about the performance of debt in the capital structure. This accounting-based measure is used in studies by Mahoney and Roberts, (2007); Waddock and Graves, (1997); D’Arcimoles and Trebucq, (2002); Aras, Aybars and Kultu (2010). Studies by Waddock and Graves, (1997) and Aras, Aybars and Kultu (2010) indicated that Return on Sales is an accounting measure that was also widely used in different studies.

According to the study by Sukanya, Naidoo and Seetharam (2014), accounting-based measures and market-based measures represent different perspectives on financial performance and have different implications. McGuire, Schneeweis and Hill, (1986) pointed out that, accounting-based measures indicate the overall financial health of a company for a given period of time. The accounting-based measures such as ROA, ROE, ROCE and ROI capture only the historical aspects of a firm’s financial performance as opposed to future performance. McGuire, Schneeweis and Hill also pointed out the limitations that may occur, using accounting-based measures and market-based measures. Accounting measures subjected to different accounting procedures and they are affected by management manipulation. Despite its limitations the accounting based measures are still a better measure of financial performance than market-based measures (Moore and Spence, 2006).

2.3.2 Market-Based Measures

Market-based measure focus on the future performance of the company (Aras, Aybars and Kultu, 2009) Market-based measures such as Market-to-book value, Tobin Q, Price earnings ratio, Market value added, and Dividend yield are categorized as long term and characterized its forward-looking aspect and its reflection of the shareholders expectations concerning the company’s future performance (Wahla, ShahSyed and Hussain, 2012). Market-based measures focus on a firm’s future performance as opposed to past performance; thus, they are less susceptible to accounting procedures and managerial manipulation (Aras et al., 2009).

2.3.3 Key Ratios

According to Fiori, Donato and Izzo, (2009) the key ratios in the analysis of the firm’s financial performance include Profitability, liquidity, market and efficiency ratios.
2.3.3.1 Profitability Ratios

Profitability ratios show the extent to which the company is generating profit from its factors of production such as labor and capital. Profitability analysis focuses on the relationship between revenues and expenses and on the level of profits relative to the size of investment in the business.

According to Crane (2014) the most widely used measures of the company’s profitability are the rate of return on assets (ROA), the rate of return on company equity (ROE), and the rate of return on company sales (ROS), and net income. Carne also stated that ROA measures the return to all the company’s assets. Higher return on assets indicates that the company is more profitable. ROE shows the company’s profit against the company’s shareholders equity. ROS or the operating profit margin measures the percentage of profit generated from each dollar of sales the returns.

Net income derived directly from the company’s income statement and is calculated by deducting the company’s revenues from the expenses incurred to create those revenues, plus the any gain or loss on the sale of capital assets. According to Crane (2014) net income represents the return to the company for unpaid operator and family labor, management and owner’s equity.

2.3.3.2 Liquidity Ratios

Liquidity measures the ability of the business to meet financial obligations as they come due, without affecting the normal operations of the firm. Liquidity can be analyzed both structurally and operationally (D’Arcimoles and Trebucq, 2002). According to D’Arcimoles and Trebucq, structural liquidity is the balance sheet measure of the relationships between assets and liabilities and operational liquidity is the cash flow measures. A frequent liquidity problem occurs when debt maturities are not matched with the rate at which the company’s’ assets are converted to cash (Crane, 2014). Two measures of liquidity recommended by many studies are the current ratio and quick ratio.

The current ratio measures the relationship between the company’s total current assets and total current liabilities and is a relative measure rather than an absolute dollar measure. The higher the ratio, the more liquid the company is considered to be. Quick Ratio or the Acid-Test measures the ability of a company to use its near cash or quick assets to extinguish or retire its current liabilities immediately. Quick assets include those
current assets that presumably can be quickly converted to cash at close to their book values. The quick ratio is more conservative than the current ratio because it excludes inventories from current assets. (Crane, 2014)

2.3.3.3 Efficiency Ratios

According to the dissertation by Cantalupp and Hug (2000) efficiency ratios indicate the efficiency of the use of assets in generating sales. The most important efficiency ratios include: inventory turnover, receivable turnover and total assets turnover. The inventory turnover indicates whether inventory levels are reasonable in relation to cost of goods sold (Cantalupp and Hug, 2000). Lower inventory turnover ratio relative to the industry standard may indicate excessive, obsolete, or slow moving inventory, while higher turnover may indicate inadequate inventory and perhaps possibility of inventory shortages.

According to Gorczyńska (2011) accounts receivable turnover ratio indicates how many times a company’s accounts receivable are generated and collected during the year. The accounts receivable turnover ratio is usually computed by dividing net credit sales by average accounts receivable outstanding. The asset turnover ratio measures the efficiency of the use of assets in generating sales. It is computed as sales divided by average net assets, where the average net assets is equal to the simple average of beginning and ending balance sheet values of net assets (Filimon, 2004).

2.3.4 Non-Financial Performance Measures

Studies by Ittner and Larcker, (1998) and Hughes, (2000) have supported the idea that non-financial performance measures are a good indicator of firm’s current and future financial performance. For a very long time managers of organizations have used accounting and market-based measure of performance (Van Der Stede, Chow and Lin, 2006). They also argued that due to the increased emergence of new competitive realities such as increased flexibility, increased customization, and rapid response to customer expectations, as well as the advent of new practices such as Total Quality Management and Just in Time, accounting-based measures and market-based measures are no longer adequate.
Studies by Hughes, (2000) and Ittner, Banker (2000) and Larcker, (1998) have examined several researches and provided evidence that non-financial performance measures are the leading indicators of both current and future performance of the company. Chenhall (1997) linked the use of non-financial performance measures to the adoption of measures such as Just in time and total quality management. This means that non-financial performance measures are related to profit enhancement and achievement of firm’s objectives.

According to Hofmann (2001), non-financial performance measures are used often for performance evaluation and central elements of concepts such as balanced scorecard. Hofmann stated that non-performance measures include: Product quality, customer satisfaction, and employee turnover. He argued that although performance can be measured using different performance measure, combining these measures may help in reducing management myopia and help the firm in inducing specific activities. According to Hofmann, the use of non-financial performance measures is constrained in that it is always difficult to relate to accounting performance

2.4 Relationship between Corporate Social Responsibility and Financial performance

The question of whether there is any relationship between CSR and corporate financial performance has led to lively debate amongst researchers since the 1960s (Cochran and Wood, 1984). Waddock and Graves, (1997) argued that although firms exist to make profit they should also strive to contribute to environmental and social goals. Can firms that exercise CSR make superior profits? A number of theoretical perspectives have been examined in the literature on the relationship between CSR and firm financial performance.

Margolis and Walsh (2002) established that between 1971 and 2000, total of 122 studies examining the relationship between CSR and financial performance were published. Since them many studies have been carried out to determine the relationship between CSR and firm’s financial performance. However these studies provided conflicting results. Margolis and Walsh (2002) the empirical studies are divided into two types. The first assessed the short-run financial impacts using an event study method. Posnikoff (1997) reported a positive. Wright and Ferris (1997) in their study established a negative
relationship; while Welch and Wazzan (1999) found that there was no relationship between corporate social responsibility and financial performance.

The second type of study assessed the relationship between some measure of corporate social performance and long-term measures of the company’s financial performance. These studies used accounting-based measures and they also produced conflicting results regarding the relationship between CSR and financial performance (Palmer, 2012). A study by Cochran and Wood (1984) indicated a positive correlation between corporate social responsibility and accounting performance. Waddock and Graves (1997) also indicated a significant positive relationships between an CSR and performance measures, such as return on asset. On the other hand, Carroll and Hatfield (1985) in their study detected no significant relation between CSR and a firm’s risk-adjusted return on assets.

As discussed above it is clear that the results of the empirical studies on the relationship between CSR and financial performance produced mixed results. From the studies there are three possible results: negative association, no association, and positive association. According to Ullmann(1985) the results of the studies on the relationship between social responsibility and financial performance ranged from no correlation to various significant positive or negative linear relationships. These possible results are discussed below and the reasoning behind the conclusion of different empirical studies.

2.4.1 Negative Association

Between the year 2002 and 2004 Lopez and Rodriguez (2007) analyzed the relationship between CSR and financial performance in 110 European firms, this study indicated a negative association. The study used the accounting-based measure and the Dow Jones Sustainability Index (DJSI). Similar a study by Friedman (1970) showed a possible negative relationship between CSR and financial performance. Friedman also stated that firms do not have social responsibilities. He argued that a corporation is an "artificial person" and it cannot have responsibilities instead the company’s executives bears the responsibilities. They have a “direct responsibility to their employers,” and must conduct the business in a way that maximizes profits while respecting the law and ethical norms (Friedman, 1970).
Most studies in Kenya focus on the relationship between CSR and financial performance of financial institutions. Little has been done on telecommunication companies such as Safaricom. Some of these studies have also indicated a negative association. For example Ngatia (2014) studied 51 registered insurance companies in Kenya December 2013. The study covered the year from 2009 to 2013. The study found preliminary evidence that there is a negative association between CSR and financial performance of insurance companies in Kenya.

Aupperle, Carroll and Hatfield (1985) surveyed to assess chief executive officers to find out their perspectives on CSR activities. The findings of the study and report a significant and negative association between CSR and accounting-based financial performance measures. The theory behind these findings is that engaging in CSR activities disadvantages the firm because the firm will incur avoidable costs. Sun (2012) argued that CSR programs increase costs without sufficient offering benefits. Examples of these avoidable costs include programs established to; reduce pollution, improve communities and make charitable donations.

2.4.2 Positive Association

Recent studies have indicated that most studies found a positive association between corporate social responsibility and financial performance of the firm (Holmes, 2012). The positive association suggests that firms find economic benefits from increased engagement in CSR, this is supported by studies by; VanBeurden and Gossling, (2008); Wu, (2006); Allouche and Laroche, (2005); Tsoutsoura, (2004); Orlitzky, (2003), all these studies have shown a positive association.

Tsoutsoura (2004) used firms selected on the S&P 500 Index for the period between 1996 and 2000 to measure the effect of CSR on financial performance measures. Tsoutsoura (2004) found a significant and positive relationship between CSR and financial performances. The study used accounting performance measures such as ROA, ROE, and ROS. Waddock and Graves (1997) also indicated a significant positive relationships between an CSR and performance measures, such as ROA.

In 2006 Wu carried out an analysis on 121 studies published in the years before 2000, the study found a positive relation between CSR and financial performance. Similarly, Dhaliwal et al. (2011) concluded that CSR activities may lead to long term financial
benefits to the firm. Recent reviews by Beurden and Gossling, (2008) and Orlitzky et al., (2003) both conclude a positive relationship between CSR and financial performance.

There are a number of studies that examined the relationship between CSR and financial performance in Kenya. Omoro, Kinyua, and Okiro, (2014) tested the investment Corporate social responsibility and sustained growth of 13 commercial banks in Nairobi County- Kenya between the years 2006 and 2010. Using regression analysis the study established that there is a positive significant association between investment in CSR and banks’ sustained growth. Githinji (2012) in his study established that superior profits in the year 2012 were associated by the firm’s CSR involvement. Similarly Okwomo (2010) also concluded that CSR improves the financial performance of commercial banks in Kenya.

The theory behind these findings is that a firm that is socially responsible can yield economic benefits and contribute to wealth maximization. Holmes (2012) argued that corporate social responsibilities activities can improve the relationship between firm and stakeholders and improve returns. A study by Palmer (2012) explained why socially responsible firms experience positive effect on the financial bottom line. Some of these factors that contribute to a positive association include: Improved organization reputation, increased sales, increased ability to attract better employees, Decreased operating costs, and reduced business risk.

2.4.3 No Association

Some theoretical studies support the possibility that there is no association between CSR and financial performance. A study by Aupperle, Carroll and Hatfield (1985) is an example of an empirical study that found no relationship between the two variables. The study surveyed 241 CEOs and used CSR programs such as ethical, economic, philanthropic, and legal responsibilities. To measure financial performance the study employed both short-term and long term return on asset. The study concluded there was no statistically significant association between CSR and financial performance. Aupperle, Carroll and Hatfield (1985) posit that, it did not matter whether the indicators were adjusted for risk or whether long-term or short-term return on assets was used.

Mutuku (2004) studied firms listed on the NSE; He tried to establish if there is a relationship between CSR programs and financial performances of these firms. The study
found no significant relationship between CSR and financial performance of firms listed in the NSE.

A study conducted by Ullman (1985) tried to explain these results. Ullman argued that there are many intervening variables between CSR and financial performance and thus there is no reason to expect any relationship. He also argued that there are many limitations in measuring the tangible impact of CSR; He stated that the CSR components are not all quantitative as the money spent on CSR programs of corporate social performance, thus the measure used by most studies may cofound the results. He also argued the stakeholders level of awareness to the company’s CSR programs also contribute to the null hypothesis. If the stakeholders are not aware of CSR programs, the programs cannot affect the stakeholders’ decision and attitudes towards the corporation.

2.5 Chapter Summary

This chapter has reviewed relevant literature on corporate social responsibility and financial performance. The literature review highlighted the findings of other studies on the research objectives. The chapter started with a review of different corporate social responsibility activities and practices that are adopted by firms. After this, the different measures of financial performance were discussed. The chapter also reviewed the literature on the relationship between corporate social responsibility and financial performance. The study in chapter three focuses on the research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the different methodologies used in carrying out this study. The chapter describes the research design to be used in the study. The Population from which the sample was drawn, the sampling design used in the study, and the components under sampling design include sampling frame, sampling technique, and the sample size is identified. The other part of the chapter highlights the data collection methods, research procedures, and data analysis method. This chapter concludes with a summary.

3.2 Research Design

A research design is a blueprint for fulfilling objectives and answering research questions (Cooper and Schindler, 2001). Hyusamen (1993) defined research design as a detailed plan of how the research is going to be conducted or how it was conducted from data collection to data analysis. The study adopted a descriptive research approach. According to Churchill and Brown (2007), descriptive research approach is concerned with determining the frequency with which the something occurs or the relationship between variable. According to Polit and Hungler (2004) the descriptive research approach has its main objective as an accurate portrayal of characteristics of persons, situations or group. Descriptive study investigates variable by answering, who, what, when, where and how questions (Cooper and Schindler, 2001).

A survey was conducted in the form of standardized questionnaires; the questionnaires were used to collect primary data. According to Zinkmund and Babin (2010, p.64) a survey is a research design in which responses are collected through structured instruments. Survey are usually linked to deductive logic and are regular methods of collecting data in management research by employing questionnaires that collect data from a sample and then statistically analyzing it (Saunders, Lewis and Thornhill, 2007). The independent variable of the study is corporate social responsibility and financial performance the dependent variable of the study.
3.3 Population and Sampling Design

3.3.1 Population

Cooper and Schindler (2001) the population is the unit of study. It is a well-defined set of people, group of things, elements, firms, households, services, or events which are being investigated (Cooper and Schindler, 2008). The population of focus for this study comprised of 1087 employees from 8 of Safaricom’s departments. These departments included finance, human resource, corporate affairs, customer operation, risk management, market and communication, investor relations and the Safaricom foundation. The population was selected because the interaction of their departments forms the basis for the company’s corporate social responsibility initiatives. The distribution of the population is shown in table 3.1 below.

Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Department</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employee Numbers</td>
</tr>
<tr>
<td>Safaricom Foundation</td>
<td>52</td>
</tr>
<tr>
<td>Finance</td>
<td>71</td>
</tr>
<tr>
<td>Human Resource</td>
<td>32</td>
</tr>
<tr>
<td>Corporate Affairs</td>
<td>34</td>
</tr>
<tr>
<td>Customer Care</td>
<td>831</td>
</tr>
<tr>
<td>Risk</td>
<td>47</td>
</tr>
<tr>
<td>Investors Relation</td>
<td>8</td>
</tr>
<tr>
<td>Market Communication</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1087</strong></td>
</tr>
</tbody>
</table>
3.3.2 Sampling Design

According to Mugenda and Mugenda (2003), Sampling involves the selection of the subset of individuals from the targeted population to estimate the characteristics of the whole population.

3.3.2.1 Sampling Frame

Sampling frame is the list of elements from which the sample is actually drawn (Cooper and Schindler, 2001). The sample frame is a list of all those within the population who can be sampled and may include individuals (Mugenda and Mugenda, 2003). The study used a sample frame comprising of Safaricom’s employees from 8 departments.

3.3.2.2 Sampling Technique

Sampling techniques these are methods used to select sample from the population by reducing the population to a more manageable size (Saunder, Lewis and Thornhill, 2007). Purposive sampling was used for this study. Purposive sampling techniques involve selecting of certain cases or units based on a specific purpose rather than randomly (Tashakkori and Teddlie, 2003). It involved the selection of sample based on the researcher’s knowledge of the population, its elements and nature of the research aims (Babbie, 2009). This means that the selection of respondents is done based on the researcher’s knowledge of which respondents are more appropriate for the study.

3.3.2.3 Sample Size

A sample size is the number of elements or people in the sample to be studied (Roxy, Olsen, and Devore, 2008). Mugenda and Mugenda (2003) stated that the sample size should be selected carefully to ensure that it is representative of the population. The sample size for the study was computed using the Yamane formula. Using the formula at 90% confidence levels and 10% error, the sample size for the population of 1087 is 92 (Yamane, 1967).
\[ n = \frac{N}{1 + Ne^2} \]

Where \( n \) = the sample size, \( N \) = Population size, \( e \) = the error of 10% points.

\[ n = \frac{1087}{1 + 1087(0.1)^2} \]

\[ n = 92 \]

The sample size of 92 respondents was distributed based on the same percentages of the population. The distribution of the sample size is shown in table 3.2 below.

**Table 3.2: Sample Size Distribution**

<table>
<thead>
<tr>
<th>Department</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employee Numbers</td>
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<tr>
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<tr>
<td>Finance</td>
<td>71</td>
</tr>
<tr>
<td>Human Resource</td>
<td>32</td>
</tr>
<tr>
<td>Corporate Affairs</td>
<td>34</td>
</tr>
<tr>
<td>Customer Care</td>
<td>831</td>
</tr>
<tr>
<td>Risk</td>
<td>47</td>
</tr>
<tr>
<td>Investors Relation</td>
<td>8</td>
</tr>
<tr>
<td>Market Communication</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1087</strong></td>
</tr>
</tbody>
</table>

**3.4 Data Collection Methods**

The study will use both primary data and secondary data. Primary data was collected through the use of standardized questionnaires administered to the respondents. The
questionnaire contained both open and close ended questions. The questionnaires were standardized to ensure validity and reliability. The questionnaires were administered to individuals selected from the target population. The purpose of the study was clearly explained to the respondents. The respondents were given ample time to complete the questionnaire. The responses received from the questionnaires were treated in confidence and were strictly used for the purpose of this study.

Secondary data was collected from Safaricom’s annual reports to its shareholders, journals, and publications from research institutions. These include statements of financial position statements of comprehensive income and annual reports to stakeholders. The study covered the company’s five years financial reports from the year 2011 to 2015.

3.5 Research Procedure

The questionnaires were pilot tested before going to the field. For the pre-test the questionnaires were given to three Safaricom employees and two MBA students. These were selected because they have the knowledge on the questions asked in the questionnaire. The main aim of the pilot test was to assert the suitability of the questionnaire.

The researcher personally administered the questionnaire to the respondents. This is was based on the study by Bryman and Bell (2003), which stated that in research the only way to evoke self-report on people’s opinions, beliefs, values, and attitude is through a self-administered questionnaire. A drop and pick method was used; the researcher gave the respondent ample time to complete the questionnaire and pick it later at an agreed time or date. To improve the response rate the researcher administered the questionnaires with a cover letter explaining the purpose of the study, and why the respondents were selected. The cover letter also assured the respondents of confidentiality and anonymity of their feedback.

3.6 Data Analysis Methods

According to Cooper and Schindler, (2006) data analysis involves reduction of accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. Data analysis comes after data collection to make sense of
the study and the data collected (Field, 2009). The data collected in this study was
analyzed using the statistical package for social science (SPSS). Both inferential and
descriptive statistics were used to analyze the data collected. Measures such as the median
mean, standard deviation, and skewness were used for descriptive statistics. In inferential
statistics analysis measures such as the correlation, the coefficient of determination, and
the regression analysis were used.

3.7 Chapter Summary

This chapter describes the methodology and procedures to be used in the research. It
began with a brief introduction to highlight the general structure of the chapter. The
chapter also highlighted the research design of the study. The Population was defined and
the sample techniques and the sample size were described. The study looked at the data
collection methods, research procedures, and data analysis method to be used in the study.
Chapter four focuses on the research results and analysis.
CHAPTER FOUR

4.0 RESULTS AND ANALYSIS

4.1 Introduction

The previous chapters gave an introduction, literature review and the research methodology of the study. This chapter focuses on the results and analysis of the study on the relationship between corporate social responsibility and the financial performance of Safaricom limited.

4.1.1 Response Rate

The study had a sample size of 92 respondents, all employees from Safaricom Limited Company. From the study 86 of the 92 sampled respondents filled in and returned the questionnaire, giving a response rate of 93% as shown in table 4.1 below.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>86</td>
<td>93%</td>
</tr>
<tr>
<td>Not Responded</td>
<td>6</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>92</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 General Information

4.2.1 Gender of the Respondents

The results of this study indicated that the majority of the respondents were female (56%) while 44% were male. More than half of the respondents of the study were female. These results are clearly shown in figure 4.1 below.
4.2.2 Age of the Respondents

The results of the study indicated that the majority of the respondents 47% were between the age of 26 years and 35 years. Whereas 29% of the respondents were between the age of 36 years and 45 years, 21% indicated they were between 18 years and 25 years, while the remaining 3% indicated they were above 46 years. The results are indicated below:
4.2.3 Highest Level of Educational

The results in table 4.2 indicate that the highest education level for the majority of the respondents (89.5%) was University education, 9.3% indicated college as their highest level of education while 1.2% said their highest level of education was secondary education. This indicates that majority the respondents have at least a degree or a diploma.

Table 4.2: Highest Level of Education

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>College</td>
<td>8</td>
<td>9.3</td>
<td>9.3</td>
</tr>
<tr>
<td>University</td>
<td>77</td>
<td>89.5</td>
<td>89.5</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.4 Working experience

The working experience of the majority of the respondents (36.1%) was between 3 years and 5 years while 34.9% indicated they have a working experience of 6 to 10 years; while 17.6% had working experience of less than 2 years and 11.6% more than 10 years working experience. These results are shown in figure 4.3 below.

Figure 4.3: Respondents Working Experience
4.2.5 Department
The sample size was drawn from 8 departments at Safaricom limited company. According to the findings majority of the respondents were from the customer care department 75.6% while 7% from Finance department, 4.7% from the Safaricom Foundation and 3.5 % from the corporate affairs departments as shown in table 4.6.

Table 4.3: Department

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Affairs</td>
<td>3</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Customer Care</td>
<td>65</td>
<td>75.6</td>
<td>75.6</td>
</tr>
<tr>
<td>Finance</td>
<td>6</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Human Resource</td>
<td>3</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Valid</strong></td>
<td><strong>86</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.3 Corporate Social Responsibility Practices of the Company

To establish the level of Safaricom’s involvement in different corporate social responsibility programs, the respondents were asked to rank some of the company’s major corporate social responsibility initiatives in order of priority to their company.

According to the results in table 4.4, 75.6% of the respondents said that Education programs were very important to Safaricom, and 16.3% said that education programs were important to the company, while 7% said education programs were moderately important to the company’s corporate social responsibility plan. On the other hand 1.2%felt the programs were not important to the company. Cumulatively this shows that all the respondents agreed that education programs were a priority to their company.
Table 4.4: Education Programs

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td>65</td>
<td>75.6</td>
<td>75.6</td>
</tr>
<tr>
<td>Important</td>
<td>14</td>
<td>16.3</td>
<td>16.3</td>
</tr>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderately Important</td>
<td>6</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Not Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

On sports programs 69.8% of the respondents ranked sports programs as very important to the company, whereas 23% ranked sports program as important to the organization, 2.3% felt they were moderately important while 1.2% felt they were not important to the organization. This indicates that the company’s corporate social responsibility does involve sports programs.

Table 4.5: Sports Programs

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td>60</td>
<td>69.8</td>
<td>69.8</td>
</tr>
<tr>
<td>Important</td>
<td>23</td>
<td>26.7</td>
<td>26.7</td>
</tr>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderately Important</td>
<td>2</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Not Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

On whether healthcare programs are of priority to Safaricom’s corporate social responsibility initiative 88.4% of the respondents said they were very important to the organization, whereas 10.5% stated that healthcare programs were important to Safaricom. On the other hand 1.2% ranked healthcare programs as not important.

Table 4.6: Healthcare Programs

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td>76</td>
<td>88.4</td>
<td>88.4</td>
</tr>
<tr>
<td>Important</td>
<td>8</td>
<td>10.5</td>
<td>10.5</td>
</tr>
<tr>
<td>Not Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
As shown in table 4.7 below 84.9% of the respondents ranked uplifting programs for orphans and homeless children as very important to Safaricom, 12.8% said it was important to the organization, while 1.2% felt they were moderately important and another 1.2% felt they were not important at all.

**Table 4.7: Children’s Homes**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td>73</td>
<td>84.9</td>
<td>84.9</td>
</tr>
<tr>
<td>Important</td>
<td>11</td>
<td>12.8</td>
<td>12.8</td>
</tr>
<tr>
<td>Slightly Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Not Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

On how important HIV/AIDS awareness and alleviations campaigns were to the organization, 54.7% of the respondents thought they were very important to Safaricom Limited Company; on the other hand 43% thought HIV/AIDS awareness and alleviation campaigns were important to the organization.

**Table 4.8: HIV/AIDS Awareness and Campaigns**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td>47</td>
<td>54.7</td>
<td>54.7</td>
</tr>
<tr>
<td>Important</td>
<td>37</td>
<td>43.0</td>
<td>43.0</td>
</tr>
<tr>
<td>Moderately Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Not Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The respondents were further asked to rank how important art, music and cultural programs were to the company, 55.8% of the respondents said the programs were very important to the organization, 32.6% stated they were important while 9.3% said art, music and culture were moderately important to the organization, 1.2% felt they were slightly important and another 1.2% felt art music and culture programs were not important to their organization.
Table 4.9: Art, Music and Culture

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td>48</td>
<td>55.8</td>
<td>55.8</td>
</tr>
<tr>
<td>Important</td>
<td>28</td>
<td>32.6</td>
<td>32.6</td>
</tr>
<tr>
<td>Moderately Important</td>
<td>8</td>
<td>9.3</td>
<td>9.3</td>
</tr>
<tr>
<td>Slightly Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Not Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

On how important community development activities were to Safaricom 89.5% of the respondents ranked the community development projects as very important to the organization while 9.3% thought they were just important to the company. On the other hand 1.2% of the respondents felt they were not important.

Table 4.10: Community Development Activities

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td>77</td>
<td>89.5</td>
<td>89.5</td>
</tr>
<tr>
<td>Important</td>
<td>8</td>
<td>9.3</td>
<td>9.3</td>
</tr>
<tr>
<td>Not Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Respondents were asked to rank how important is the company’s involvement in disaster relief programs, 51.2% of the respondents ranked disaster relief programs as very important to the organization, 29.1% thought they were important and 17.4% said they were moderately important to the organization. On the other hand 1.2% felt disaster relief programs were slightly important to the organization, and other 1.2% felt they were not important to the organization. These results are shown in table 4.11.

Table 4.11: Disaster Relief Programs

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td>44</td>
<td>51.2</td>
<td>51.2</td>
</tr>
<tr>
<td>Important</td>
<td>25</td>
<td>29.1</td>
<td>29.1</td>
</tr>
<tr>
<td>Moderately Important</td>
<td>15</td>
<td>17.4</td>
<td>17.4</td>
</tr>
<tr>
<td>Slightly Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Not Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
When asked to rank how important agricultural programs were to Safaricom, 38.4% of the respondents said the programs were very important to the organization, 31.4% ranked the programs as important to the organization while the other 29.1% thought they were moderately important to the company.

Table 4.12: Agriculture

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td>33</td>
<td>38.4</td>
<td>38.4</td>
</tr>
<tr>
<td>Important</td>
<td>27</td>
<td>31.4</td>
<td>31.4</td>
</tr>
<tr>
<td>Moderately Important</td>
<td>25</td>
<td>29.1</td>
<td>29.1</td>
</tr>
<tr>
<td>Slightly Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

When asked how important environmental conservation programs such as energy usage, recyclability, and pollution to the company, 77.9% of the respondents ranked environmental conservation programs as very important while 18.6% of the respondents ranked environmental conservation programs as important to the company, 2.3% and 1.2% felt environmental programs we moderately important and slightly important to the company.

Table 4.13: Environmental Conservation

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td>67</td>
<td>77.9</td>
<td>77.9</td>
</tr>
<tr>
<td>Important</td>
<td>16</td>
<td>18.6</td>
<td>18.6</td>
</tr>
<tr>
<td>Moderately Important</td>
<td>2</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Slightly Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Respondents were also asked if the Safaricom Foundation by Safaricom Limited was formed as an act of corporate social responsibility, as shown in table 4.14, 87.2% strongly agreed that the Safaricom foundation was formed as an act of corporate social responsibility, while 8.1% agreed, 3.5% remained neutral and 1.2% disagreed.
Table 4.1: Safaricom Foundation is an Act of CSR

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>75</td>
<td>87.2</td>
<td>87.2</td>
</tr>
<tr>
<td>Agree</td>
<td>7</td>
<td>8.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

On whether is it important for Safaricom limited to participate in corporate social responsibility 86% of the respondents said it was very important for their company to participate in corporate social responsibility, while 12.8% of the respondents said it was important for Safaricom to engage in corporate social responsibility and 1.2% said it was not important for the company to participate in CSR.

Table 4.15: Is It Important For the Company to Participate In CSR

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Important</td>
<td>74</td>
<td>86.0</td>
<td>86.0</td>
</tr>
<tr>
<td>Important</td>
<td>11</td>
<td>12.8</td>
<td>12.8</td>
</tr>
<tr>
<td>Not Important</td>
<td>1</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Respondents were also asked to give reasons for the company’s expenditure on corporate social responsibility. The reasons given for Safaricom’s corporate social responsibility expenditure included; to attract skillful and talented workforce, to better the company’s public image, to maximize the company’s profit, to attract customers, to build long-term partnership with community, to provide solutions to problems facing the community and positively transform the community.

4.3.2 Descriptive Statistics

Table 4.16 gives a combined statistics on the company’s level of engagement in corporate social responsibility. The majority of the respondents either ranked the company’s corporate social responsibility programs as important or very important to the organization. This is shown by the cumulative mean score of 14.2. A small standard deviation of 2.8 also indicates that the responses were close to the mean there was not
much deviation from the mean. The negative skew of -.0.011 indicate that the mean is less than the median because few low scores shifted the mean to the left and more values were concentrated on the right with low values to the left.

Table 4.16: Descriptive Statistics

<table>
<thead>
<tr>
<th>Statistic</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR Participation</td>
<td>86</td>
<td>14.2326</td>
<td>2.81859</td>
<td>-0.011</td>
<td>.254</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>86</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.3.3 Corporate Social Responsibility Spending

From the analysis of the Safaricom foundation’s annual reports, the company’s annual spending of corporate social responsibility for the last five financial years has increased year by year. As shown in figure 4.4 Safaricom Limited’s spent Kshs170.94 million in 2011 on corporate social responsibility activities, in 2012 the company spent Kshs210.00 million, Kshs257.99 million in 2013, Kshs337.26 million in 2014 and Kshs419.89 million in 2015.

Figure 4.4: Corporate Social Responsibility Spending
4.4 Measures of Financial Performance of the Company
In this section, the study sought to establish the financial performance of the Safaricom Limited Company for the last five financial years (2011-1015). Different measures of financial performance were used in the study.

4.4.1 Company’s Growth
4.4.1.1 Total Revenue
The analysis of the company’s total revenue for the five financial years (2011-2015) indicated that the company has had a solid growth in its total revenue. As shown in figure 4.5 below Safaricom had total revenue of Kshs94.83 billion in 2011 which grew to Kshs107.00 billion in 2012 to Kshs124.29 billion in 2013, Kshs144.67 billion in 2014 and Kshs163.36 billion in the financial year 2015.

![Figure 4.5: Total Revenue](image)

4.4.1.2 Number of Customers
The number of Safaricom’s customers has increased significantly in the last five years. As shown in figure 4.6 in 2011 the company recorded a total of 17.18 million customers, in 2012 the number increased to 19.07 million, to 19.42 million in 2013, in 2014 the number of customers increased by a significant 2.15 million to reach a total of 21.57 million customers. In 2015 the number of customer increased by 1.78 million to reach 23.35 million customers.
4.4.1.3 Net Profit

There has been a significant increase in the net profit of the company on the last five years as shown in figure 4.7 below. In 2011 the company recorded a net profit of Kshs13.16 billion in 2012 the net profit dropped to Kshs12.63 billion. In 2013 the company recorded an increase in the net profit by Kshs4.91 billion to a reach a total of 17.54 billion, in 2014 the company’s net profit increased to Kshs23.02 billion and to Kshs31.87 billion in 2015.

4.4.2 Key Ratios Analysis

4.4.2.1 Profitability Ratios

Return on asset has increased for the last five years as shown in table 4.17. In 2011 the company recorded a return on asset of 12.21%, in 2012 the ratio went down to 10.81%
and increase to 13.99%, 17.74% and 21.86% in the years 2013, 2014 and 2015 respectively. This means that for every Kshs1 Safaricom invested in assets during the years 2015, 2014, 2013, 2012 and 2011, net income increased by 21.86%, 17.47%, 13.99%, 10.81% and 12.21% respectively.

Based on the return on equity the company has been performing well for the last five years. The return on asset for 2015 was 32.60% while in 2014 and 2013 was 26.84% and 22.95% respectively. In 2012 the ratio dropped to 18.14% from 20.42% in 2011.

Return on sales of the company in 2011 was 37.67% in 2012 the ratio dropped to 35.04% and increase to 39.62%, 42.13% and 43.58% in the financial year 2013, 2014 and 2015 respectively as shown in table 4.28 below.

Table 4.17: Profitability Ratios

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Asset</td>
<td>21.86%</td>
<td>17.47%</td>
<td>13.99%</td>
<td>10.81%</td>
<td>12.21%</td>
</tr>
<tr>
<td>Return on equity</td>
<td>32.60%</td>
<td>26.84%</td>
<td>22.95%</td>
<td>18.14%</td>
<td>20.42%</td>
</tr>
<tr>
<td>Return on Sales</td>
<td>43.58%</td>
<td>42.13%</td>
<td>39.62%</td>
<td>35.04%</td>
<td>37.67%</td>
</tr>
</tbody>
</table>

4.4.2.2 Market Ratios

Earnings per share for 2011 (0.33) was better compared to 0.32 in 2012 from 2013 the ratio has improved to 0.80 in 2015 as shown in table 4.18 below. This means that if quality distributed the income every shareholder would have received Kshs.0.33 in 2011 and Kshs.0.80 in 2015.

Table 4.18: Market Ratio

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per Share</td>
<td>0.80</td>
<td>0.57</td>
<td>0.44</td>
<td>0.32</td>
<td>0.33</td>
</tr>
</tbody>
</table>
4.4.2.3 Liquidity Ratios

Current ratio as shown in table 4.19 below, in 2011 Safaricom’s current ratio was 0.64, in 2012 the ratio dropped to 0.56, in 2013 the company performed better and the ratio increased to 0.69 and 0.74 in 2014 however it dropped again to 0.62 in 2015. This shows that the company’s liquidity position is risky as usually a ratio of 1 or 2 is preferred to cover the current liabilities.

The companies quick ratio also indicate that the company may not be able to cover its current liabilities as they become due, these results are shown in table 4.30 below wherein 2011 the company had a quick ratio of 0.43 and 0.47 in 2015 which is below 1.

Table 4.19: Liquidity Ratios

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>0.62</td>
<td>0.74</td>
<td>0.69</td>
<td>0.56</td>
<td>0.64</td>
</tr>
<tr>
<td>Quick Ratio</td>
<td>0.47</td>
<td>0.66</td>
<td>0.63</td>
<td>0.45</td>
<td>0.43</td>
</tr>
</tbody>
</table>

Source: Safaricom Limited (2015)

4.4.2.4 Efficiency Ratios

Inventory turnover ratio for Safaricom Limited Company for the last five years indicated that inventory was sold and replaced 10.44 times in 2011, 12.69 times in 2012, 23.14 in 2013, 20.02 in 2014 and 10.11 in 2015.

Receivable turnover ratio indicated that the accounts receivable of the company were converted to cash 10.36 times in 2011, 12.14 in 2012, 15.24 in 2013, 18.23 in 2014 and 18.10 in 2015.

On the asset turnover ratio, the company generated 0.87 in 2011, Kshs.0.91 in 2012, Kshs.0.99 in 2013, KSHS.0.10 in 2013 and Kshs.0.12 in 2015 for every Kshs.1 in assets. These results are shown in table 4.20 below.
Table 4.20: Efficiency Ratios

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory Turnover</td>
<td>10.11</td>
<td>20.02</td>
<td>23.14</td>
<td>12.69</td>
<td>10.44</td>
</tr>
<tr>
<td>Receivable Turnover</td>
<td>18.10</td>
<td>18.23</td>
<td>15.24</td>
<td>12.14</td>
<td>10.36</td>
</tr>
<tr>
<td>Asset Turnover</td>
<td>1.12</td>
<td>1.10</td>
<td>0.99</td>
<td>0.91</td>
<td>0.87</td>
</tr>
</tbody>
</table>

**Source:** Safaricom Limited (2015)

4.5. **Relationship between Corporate Social Responsibility and Financial Performance**

4.5.1 **Descriptive Statistic**

Table 4.21 gives a combined statistics on the relationship between corporate social responsibility and financial performance. The mean score of 33.2 and the standard deviation of 2.58 indicated that the responses were close to the mean. The negative skew of -0.588 indicating that the mean is less than the median because few low scores shifted the mean to the left and more values were concentrated on the right with low values to the left, indicating that the majority of the respondents agreed that there was a relationship between CSR and financial performance.

Table 4.21: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
</tr>
<tr>
<td>Relationship Total</td>
<td>86</td>
<td>33.2442</td>
<td>2.58018</td>
<td>-.588</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>86</td>
<td>33.2442</td>
<td>2.58018</td>
<td>-.588</td>
</tr>
</tbody>
</table>
4.5.2 Correlation

4.5.2.1 Correlation between CSR and Return on Assets

The correlation results between corporate social responsibility spending and return on asset show a strong positive correlation of 0.966 and a P-value 0.007, this means that at 95% confidence level, the P-value of 0.007 less than 0.05, therefore, there is strong positive correlation between corporate social responsibility and the return on assets of the company.

Table 4.22: Correlation between CSR and Return on Asset

<table>
<thead>
<tr>
<th>CSR Spending</th>
<th>ROA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>5</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.966</td>
</tr>
<tr>
<td>ROA</td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
<td>5</td>
</tr>
</tbody>
</table>

4.5.2.2 Correlation between CSR and Return on Equity

The correlation results between corporate social responsibility and return on equity in table 4.23 show a perfectly strong positive correlation of 0.959 between the company’s CSR spending and return on equity, the results showed a P-value of 0.010, this means that at 95% confidence level, the P-value of is less than 0.05. Therefore there is significant positive correlation between corporate social responsibility and return on equity of the company.

Table 4.23: Correlations between CSR and Return on Equity

<table>
<thead>
<tr>
<th>CSR Spending</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>5</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.959</td>
</tr>
<tr>
<td>ROE</td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
<td>5</td>
</tr>
</tbody>
</table>
4.5.2.3 Correlation between CSR and Return on Sales

The correlation results obtained indicated a positive correlation of 0.899 as shown in table 4.24. The P-value of 0.038 which is less than 0.05, indicating that there is significant positive correlation between corporate social responsibility and return on sales of the company.

Table 4.24: Correlations between CSR and Return on Sales

<table>
<thead>
<tr>
<th></th>
<th>CSR Spending</th>
<th>ROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR Spending</td>
<td>Pearson Correlation 1</td>
<td>.899</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.038</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>5</td>
</tr>
<tr>
<td>ROS</td>
<td>Pearson Correlation .899</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.038</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>5</td>
</tr>
</tbody>
</table>

4.5.2.4 Correlation between CSR and Financial Performance

The correlation results showed a strong positive correlation of 0.954 and a P-value of 0.012, which at 95% confidence level; the P-value is less than 0.05, therefore, there is a strong positive correlation between corporate social responsibility and financial performance of the company.

Table 4.25 Correlations between CSR and Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>CSR Spending</th>
<th>Financial Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR Spending</td>
<td>Pearson Correlation 1</td>
<td>.954</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.012</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>5</td>
</tr>
<tr>
<td>Financial</td>
<td>Pearson Correlation .954</td>
<td>1</td>
</tr>
<tr>
<td>Performance</td>
<td>Sig. (2-tailed)</td>
<td>.012</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>5</td>
</tr>
</tbody>
</table>
4.5.3 Coefficient of Determination

The coefficient of determination results between CSR spending and financial performance showed that the R Square value is 0.910. This means 91% of the variation in financial performance can be explained by the variation in the company’s corporate social responsibility spending.

Table 4.26: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.954a</td>
<td>.910</td>
<td>.879</td>
<td>.04675</td>
</tr>
</tbody>
</table>

*a. Predictors: (Constant), CSR Spending*

4.5.4 Regression Analysis

The regression model was used to establish the relationship between the dependent variable in this and the independent variables.

4.5.4.1 Regression Analysis between CSR and Return on Assets

The regression analysis performed for testing the effect of CSR spending on return on return on assets is shown in table 4.27 below. The value of β is 0.966 which is positive, the T-Value as shown is 6.490 compared to the standard 2.00 the T-value is greater than the standard, and P-value or significance level is 0.007 which at 95% confidence level is less than 0.05. The results illustrate that there is a strong positive relationship between CSR and return on assets.

Table 4.27: Coefficients CSR and Return on Assets

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.033</td>
<td>.019</td>
<td>1.694</td>
</tr>
<tr>
<td></td>
<td>CSR Spending</td>
<td>4.292E-010</td>
<td>.966</td>
<td>6.490</td>
</tr>
</tbody>
</table>

*Dependent Variable: ROA*

4.5.4.2 Regression Analysis between CSR and Return on Equity

The regression analysis testing the effect of CSR spending on return on return on equity showed a β value of positive 0.959, T-Value is 5.830 and P-value of 0.010 which is less
than 0.05. The results therefore illustrate that there is a positive relationship between CSR and return on equity.

**Table 4.28: Coefficients CSR and Return on Equity**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.089</td>
<td>.027</td>
<td>3.259</td>
<td>.047</td>
</tr>
<tr>
<td>CSR Spending</td>
<td>5.459E-010</td>
<td>.000</td>
<td>.959</td>
<td>5.830</td>
</tr>
</tbody>
</table>

Dependent Variable: ROE

**4.5.4.3 Regression Analysis between CSR and Return on Sales**

The regression analysis testing the effect of CSR spending on return on return on sales showed a β value of 0.899 suggesting a strong positive correlation, T-Value is 3.548 and P-value of 0.038 which is less than 0.05 at 95% confidence level. The results therefore indicate that there is a strong positive relationship between CSR and return on sales.

**Table 3.29: Coefficients CSR and Return on Sales**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.310</td>
<td>.025</td>
<td>12.244</td>
<td>.001</td>
</tr>
<tr>
<td>CSR Spending</td>
<td>3.068E-010</td>
<td>.000</td>
<td>.899</td>
<td>3.548</td>
</tr>
</tbody>
</table>

Dependent Variable: ROS

**4.5.4.4 Regression Analysis between CSR and Financial Performance**

The regression results on the relationship between corporate social responsibility and financial in table 4.38 showed a β of 0.954, T-Value of 5.492 which is less than the standard 2.00 and P-value or significance level is 0.012. Results illustrate that there is a strong positive relationship between CSR spending and the financial performance.
### 4.6 Chapter Summary

In this chapter, a presentation and analysis of the findings and results was done. The chapter represented the results on the relationship between corporate social responsibility and the financial performance in the form of tables and figures. The analysis was based on the primary data collected from the respondents in form of questionnaires and the secondary data from Safaricom Foundation and Safaricom Limited Company annual reports. The results were arranged based on the research objectives of the study aiming at establishing whether there is a relationship between corporate social responsibility and the financial performance of Safaricom Limited Company. The next chapter will present the discussion of the findings, conclusion, and recommendation for each objective.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.433</td>
<td>.068</td>
<td>6.323</td>
</tr>
<tr>
<td></td>
<td>CSR Spending</td>
<td>1.282E-09</td>
<td>.000</td>
<td>.954</td>
</tr>
</tbody>
</table>

*Dependent Variable: Financial Performance*
CHAPTER FIVE

5.0 DISCUSSION CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This concluding chapter consists of four sections, namely summary, discussion, conclusions, and recommendations. The first section provides a summary of the research objectives, methodology and major findings of the study. The next section provides a discussion of the major findings of the study. The third section gives the conclusion drawn from the discussion. The chapter concludes with overall recommendations to the company and recommendations for further studies.

5.2 Summary

The general objective of this study was to determine the relationship between corporate social responsibility and the financial performance of Safaricom Limited Company. The study was guided by three specific objectives of the study were: to assess the different corporate social responsibility practices of the company; to evaluate the different measures of the firm’s financial performance, and to determine the relationship between corporate social responsibility and financial performance.

With regard to the research methodology, the study adopted a descriptive and survey research designs. The target population for the study comprised of 1087 employees of Safaricom Limited Company’s Company. The study had a sample size of 92 respondents computed using the Yamane formula. A purposive sampling technique was used to select the respondents. The study collected both primary data and secondary data; primary data was collected in the form of standardized questionnaires while secondary data was obtained from Safaricom’s annual reports to its shareholders. The data collected in the field was edited, coded, transcribed, and cleaned and analyzed using the Statistical Package for Social Science (SPSS). Both inferential statistics measures and descriptive statistics measures were used in the analysis of data.

In the first research objective, the findings established that majority of the respondents were in agreement that it is important for Safaricom Limited to engage in corporate social responsibility. On the level of the company’s involvement in different corporate social responsibility practices most of the respondents ranked programs 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 programs as most important in the company’s corporate social responsibility plan.

On the second research objective the findings revealed that respondents agreed that Safaricom’s financial performance for the last five years was good. The analysis of the company’s growth also indicated that the company’s revenue, number of customers, net profit have increased tremendously in the last five years. The analysis of the company’s key ratios showed that the company’s profitability, market and efficiency ratios have improved for the past five years the with the exception of the financial year 2012 were the financial performance dropped and picked up in the financial year 2013. However, the Liquidity ratios indicated that the company’s ability to meet its current liabilities as they come due may be risky.

The last objective was to determine if there was a relationship between corporate social responsibility and financial performance of the company, the correlation results showed that there is a strong positive correlation between corporate social responsibility and financial performance. The correlation results also showed a strong positive correlation between corporate social responsibility and measures of financial performance such as return on assets, return on equity and return on sales.

The coefficient of determination showed that 91% of the variation in financial performance can be explained by the variation in the company’s corporate social responsibility spending. The findings of the regression analysis agreed with these results that there is a perfect positive relationship between corporate social responsibility and the financial performance of the company.

5.3 Discussion

5.3.1 Corporate Social Responsibility Practices of the Company

On whether the company engages in corporate social responsibility the analysis of the company’s annual CSR reports clearly showed that the company engages in corporate social responsibility activities. Some of the major CSR programs carried out by the company include; education programs, sporting programs, healthcare programs, HIV/AIDS campaigns, and programs that aimed at uplifting the orphans, sick and disabled.
To find out the level of the company’s involvement in these corporate social responsibility programs the respondents were asked to rank these programs according to how important they were to their organization. Majority of the respondents felt that programs such as education programs, disaster relief programs, sporting programs, healthcare programs, HIV/AIDS campaigns, were more important the company’s corporate social responsibility plan. These results can be supported by the company’s corporate social responsibility report published by the Safaricom Foundation. According to Safaricom corporate social responsibility report (2011) the company though it’s Safaricom Foundation invested Kshs.81 million in 2011 on education. The company through the Safaricom foundation invested mostly in infrastructural development and the provision of specialized learning equipment for schools for special children and schools that are extremely marginalized. The Safaricom Foundation also supports sports projects that provide opportunities for the integration of health, education and life skills into sport. The Foundation recognizes that sports play a key role in terms of promoting health and well-being, as well as supporting cohesion and development initiatives amongst communities (Safaricom Foundation Annual Report, 2011)

The annual CSR report also shows that the Foundation extends its partnership with organizations such as Alive and Kicking, an NGO that uses football and netball to create awareness on malaria, HIV&AIDS, and other key health issues among young people. The foundation usually rolls out sports leagues and educational road shows in secondary schools, primary schools and out of school youth clubs in the country.

The company also has been seen to support programs that aimed at providing access to affordable healthcare service. For example through the foundation the company has spent more than Kshs.38 million in health projects in regions such as South Turkana, Mogotio, Mt. Elgon and Sabatis. Most of these projects providing services such as; VCT and family planning, eye and dental care, pediatric care and diabetes services.

The respondents also agreed that Safaricom is also actively involved in community projects, considers its environmental impact, produces quality products and services at reasonable prices and operates under set laws and regulation. The company has been seen to support initiatives in environment and wildlife conservation by providing public education to schools and societies on sustainable preservation of natural resources.
According to Safaricom’s 2015 annual report, the company views environmental consideration as part of their core business, with much emphasis placed on energy consumption, E-waste collection and recycling and environmental audit of new and existing infrastructural development.

According to Porter & Kramer (2006) corporate social responsibility issues stem from the desire for corporations to become more competitive. Rather than merely concentrate on the aspects which enhance a corporation’s success, organizations tend towards being responsible to the members of the community. It is important for organizations to consider all the members of the community in which they do business because they rely on them (Porter & Kramer, 2006).

5.3.2 Measures of Financial Performance

5.3.2.1 Company’s Growth

The analysis of the company’s growth was done based on the company’s annual revenue, customer base and the company’s net profit for the last five financial years. The results indicated that the company has grown tremendously during the last five financial years. The company’s total revenue grew from Kshs94.83 billion in 2011 to a total of Kshs163.36 billion in 2015. The number of Safaricom’s customers grew from 17.18 million in 2011 to 23.35 million in 2015. The company’s net profit also grew from Kshs13.16 million in 2011 to Kshs31.87 million.

5.3.2.2 Key Ratios

A total of nine ratios were used to analyze the financial performance of the company in relation to the company’s engagement in corporate social responsibility. Under profitability ratios three ratios were computed, the return on asset, return on equity and return on Sales, under market ratios the earning per share was computed, under efficiency ratios Inventory turnover, receivable turnover and asset turnover ratios were computed and current and quick ratios were computed under liquidity ratios. These ratios were computed for the last five financial years.

The profitability ratios results presented in table 4.17. The return on asset ranged from 10.81%, in 2012 to 21.86% in 2014 with 21.86% in 2015 as the best performance, this meant that in the year 2015 for every Kshs.1 Safaricom invested in assets during the years
the company’s net income increased by 21.86%. Company’s return on equity ranged from the lowest of 18.14% in 2012 to the highest of 32.60% in 2015. The return on sales went from lowest of 35.04% in 2012 to the highest of 43.53% in 2015. Based on the profitability ratios the company seems to be performing well financially for the last five years even though the ratios dropped in 2012 they have improved year after year from 2013. When comparing the company’s return on asset, return on equity, and return on sales it can be observed that company have a mean ROA, ROE, and ROS greater than zero throughout the observed time period.

The earnings per share of the company has also improved from one year to another with the highest of 0.80 in 2015 this shows that if quality distributed the income every shareholder would have received Kshs.0.80 per share in 2015. The company efficiency ratios indicated that the company’s inventory were sold and replaced at least 10.11 times compared to 20.02 times in 2014 this indicating that the company may have large volumes of slow moving obsolete goods. The company efficiency ratios also indicated that the accounts receivable of the company were converted to cash quicker in 2014 (18.23 times).

The liquidity ratios on the other hand indicate that the company has not been well placed financially in terms of its liquidity. The current ratios and quick ratios for the five years in table 4.30 clearly shows that the company’s liquidity position is risky as usually a current ratio of 1 or 2 is preferred and a ratio of 1 for the quick ratio to cover the current liabilities.

5.3.3 Relationship between Corporate Social Responsibility and Firm’s Financial Performance

The last objective was to determine if there was a relationship between corporate social responsibility and financial performance, although the majority of the respondents agreed that corporate social responsibility has an impact on the financial performance of the company quite a number of the respondents though there was no association and that it was not important for the company to engage in corporate social responsibility and a few remained neutral on the issue. Chetty, Naidoo and Seetharam (2014), highlighted that possible reasons why respondents may remain neutral on this, these include the reliability of the accounting figure as companies may manipulate their financial statements to make it seem like the company is performing better financially.
5.3.1 Correlation
The correlation performed for testing the relationship between corporate social responsibility spending and financial performance showed that positive correlation of 0.954 which is close to 1 indicating a strong positive correlation between corporate social responsibility and financial performance of the company. The result of the correlation between corporate social responsibility and financial measures such as return on asset, return on equity and return of sales also indicated a positive association. This means that an increase in corporate social responsibility spending results in an increase in the company’s financial performance and return on assets, return on equity and return on sales. According to Palmer (2012) positive association can be explained with the fact that when the company becomes socially responsible it experiences bottom line financial benefits which may result in increased sales, improved public image, reduction in operating costs and business risk, and attraction of skilled workforce. Holmes (2012) also stated that corporate social responsibilities engagement can improve the relationship between firm and stakeholders and as a result improve the company’s returns.

5.3.2 Coefficient of Determination
The coefficient of determination results in table 4.26 also agreed that there was a positive association between corporate social responsibility and financial performance. The results showed R Square was equal to 91%. This means 91% of the variation in financial performance can be explained by the variation in the company’s corporate social responsibility engagement. Adjusted R² of 1 indicate that all the variations in the dependent variables can be explained by the variation in the independent variable. In this case the adjusted R² of 0.879 which is close to 1 indicate that a lot of the variation in the independent variable is explained by the independent variable.

5.3.3 Regression Analysis
The regression analysis was done to establish the relationship between the dependent variable in this and the independent variables. The regression analysis performed for testing the relationship between CSR and return on assets is shown in table 4.27. The beta of is 0.966, T-Value is -6.490 and P-value or significance level is 0.007 which is less than 0.5. Results illustrate that there is a positive relationship between CSR and return on assets.
The regression analysis testing the relationship between CSR and return on equity showed a beta of 0.959, T-Value is 5.830 which is less than the standard 2.00 and P-value or significance level is 0.010 which is less than 0.05, indicating that there is a positive relationship between CSR and return on equity. The regression analysis testing the relationship between CSR on return on sales showed beta of 0.899, T-Value is 3.548 which is less than the standard 2.00 and P-value or significance level is 0.001 which is less than 0.05, indicate that there is a positive relationship between CSR and return on sales.

The regression results for the relationship between corporate social responsibility and financial performance showed a beta of 0.954 T-Value is 5.492 and P-value or significance level is 0.012 which is less than 0.05. Results illustrate that there is a strong positive relationship between CSR and the financial performance. This means that if the company increases corporate social responsibility spending, the financial performance of the company also increases. Corporate social responsibility includes activities such as donations, company spending on education, community engagement and healthcare. In the case of a positive association the preferred and common shareholder’s return will increase by spending more on corporate social responsibility, according to Shoukat and Muhammad (2014) the positive relation between corporate social responsibility and financial performance may also motivate other companies to invest in CSR.

5.4 Conclusion

5.4.1 Corporate Social Responsibility Practices of the Company

The debate on the value of being socially responsible has been going on since time in memorial, debates have continued to emerge on who really benefit from corporate social responsibility or what values does corporate social responsibility add to the firm. Many studies have tried to identify the connection between corporate social responsibility and financial performance, still there are mixed results on whether corporate social responsibility practices improves the financial performance of the company. Based on the findings of this study the researcher concluded that Safaricom’s annual increase in corporate social responsibility programs such as education, sports and healthcare positively affect the financial performance of the company.
5.4.2 Measures of Financial Performance

From the analysis of the study, it can be concluded that the financial performance of Safaricom Limited Company for the last five years is good. The study established that there is a positive association between corporate social responsibility and the different measure of financial performance, corporate social responsibility has been seen to have a positive association with measures such as return on assets, return on equity and return on sales it can therefore be concluded that the association between corporate social responsibility and financial performance measure is positive.

5.4.3 Relationship between Corporate Social Responsibility and Firm’s Financial Performance

This research determined the effect of corporate social responsibility on the financial performance of Safaricom Limited Company. From the analysis of the study, it is concluded that there is a positive relation between corporate social responsibility and financial performance. The study also positive association between corporate social responsibility and measures of such as return on assets, return on equity and return on sales. The positive correlation results obtained indicate a strong positive correlation between the variables. The researcher hence conclude that the analysis of the results support the theoretical view of the relationship between corporate social responsibility and financial performance and thus this study join the large body of researchers in this area that observed a positive relationship between corporate social responsibility and financial performance.

5.5 Recommendations

5.5.1 Recommendations for improvement

5.5.1.1 Corporate Social Responsibility Practices of the Company

Based on the discussion shown and the literature reviewed it can be said that every company has social responsibilities which usually result in improvement in environment conditions and the economic conditions of the country which helps in creating a positive image of the company and all stakeholder’s regarding the organization. Therefore the researcher recommends that Safaricom Limited Companies should increase their allocations for investments in corporate social responsibility. This is because the company does not exist in a vacuum and has impact on the community in which they operate in.
5.5.1.2 Measures of Financial Performance

The main aim of this study is to determine the relationship between corporate social responsibility and financial performance of Safaricom Limited Company. The study used different measures of financial performance to evaluate the company’s financial performance. From the analysis the study gathered that most companies prefer to evaluate their performance based on accounting-based measure whereas a combination of measures could be used to give a more realistic financial performance evaluation.

5.5.1.3 Relationship between Corporate Social Responsibility and Firm’s Financial Performance

The analysis of the study has evidence of a positive relationship between corporate social responsibility and financial performance. The results also showed a strong positive association between corporate social responsibility and return on asset, return on equity and return on sales. In line with the argument by Holmes (2012) that firms do have social responsibilities which yield economic benefits and contribute to company’s wealth maximization, better relations with stakeholders and improve returns. The researcher recommends that Safaricom should hence continue to engage in corporate social responsibility to further improve its financial performance. The organization should therefore view corporate social responsibility as an avenue for profit maximization.

5.5.2 Recommendations for Further Studies

The study has explored relationship between corporate social responsibility and Safaricom’s financial performance; however there are many other telecommunication companies which differ in their approaches to corporate social responsibility. This warrants the need for a study that will allow for generalization of the findings of the study for all telecommunication companies. Similar studies can also be extended to other industries which have not been covered by earlier studies such as the micro-finance institutions, Small and Medium Enterprises among others.
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APPENDICES

APPENDIX I: COVER LETTER

LINDA MSUA MNYAMPI,

P.O. BOX 14634 – 00800,

NAIROBI,

April 7, 2016.

Dear Respondent,

RE: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH PROJECT.

I am a final year Master of Business Administration (MBA) student at the United States International University. I am currently undertaking a research project in partial fulfillment of the requirements for the award of the degree. The research seeks to establish the possible effects of corporate social responsibility on the financial performance of Safaricom Limited Company.

I will be grateful if you could spare some time from your busy schedule and fill in the questionnaire. All the information provided in the questionnaire will be purely used for academic purposes and your identity will be treated with utmost confidentiality.

Thank you for your cooperation.

Kindly do not write your name anywhere on the questionnaire.

Yours faithfully,

LINDA MNYAMPI
APPENDIX II: QUESTIONNAIRE

Tick( √ ) where appropriate in the spaces provided and provides descriptive answers where requested.

Section A: General Information

1. Gender:
   (   ) Male     (   ) Female

2. Age bracket
   (   ) 20-30 years   (   ) 31-40 years   (   ) 41-50 years   (   ) Above 51 years

3. What is your highest level of education?
   (   ) Primary     (   ) Secondary     (   ) College      (   ) University

4. Working experience in years
   (   ) Less than 2 years   (   ) 3-5 years   (   ) 6-10 years   (   ) Above 10 years

5. Name your current position at Safaricom __________________________________________________________________________

SECTION B: Corporate Social Responsibility Practices

In the table below are some of the major corporate social responsibility initiatives that Safaricom practices. Kindly rank these initiatives in order of priority to your company.


<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
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<td>6. Education</td>
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<td>7. Sports</td>
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<td>8. Healthcare</td>
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<td>9. Children’s Homes</td>
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<td>10. HIV/AIDS Awareness and Campaign</td>
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<td>11. Arts Music and Culture</td>
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<td>12. Community Development Activities</td>
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13. Disaster relief

14. Agriculture

15. Environmental Conservation

16. The Safaricom foundation is an act of CSR

( ) Yes ( ) No

17. Do you think it is important for Safaricom to participate in CSR?

( ) Very Important ( ) Important ( ) Moderately Important

( ) Slightly Important ( ) Not Important

18. What are the reasons for Safaricom’s expenditure on corporate social responsibility?

_____________________________________________________________________

_____________________________________________________________________

SECTION C: Measures of Financial Performance

How do you rate the following measures of financial performance of Safaricom after the introduction of corporate social responsibility?

Where: 1= Very Poor, 2= Below Average, 3= Average, 4=Above Average 5= Excellent


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<td>19. Return on Asset</td>
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<td>20. Return on Equity</td>
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<td>21. Return on Sales</td>
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22. How would you rate the overall financial performance of Safaricom Limited for the last five years?

( ) Very Poor ( ) Below Average ( ) Average ( ) Above Average

( ) Excellent
SECTION C: Relationship between CSR and firm’s Financial Performance

Using a scale of 1 – 5 tick the appropriate answer from the alternatives provided


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<tr>
<td>23. Corporate Social Responsibility has no significant impact on the profitability of Safaricom Limited Company</td>
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<td>24. Effective CSR initiative enhances the chances of customers preference for your organization as the number one choice</td>
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<td>25. CSR has enabled Safaricom to acquire large market share among other competitors</td>
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<td>26. CSR initiatives such as the Safaricom foundation have influenced the promotion of a good reputation of your company</td>
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<td>27. CSR has helped to boost Safaricom employees morale</td>
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<td>28. Safaricom uses CSR as a business strategy to improve market growth</td>
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<td>29. CSR helps in the implementation of Safaricom’s core business activities.</td>
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<td>30. Do you agree that there is any association between your company’s CSR engagements and the company’s financial performance?</td>
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31. How do you rate the financial performance of your bank after the introduction of corporate social responsibility?

( ) Very Poor  ( ) Below Average  ( ) Average  ( ) Above Average  ( ) Excellent

THANK YOU FOR YOUR TIME