

**THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND  
FINANCIAL PERFORMANCE OF BRITAM HOLDINGS LIMITED KENYA**

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FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF BACHELOR  
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## DECLARATION

I declare that this research project is my original work and has not been presented in any other higher institution for an award. I have acknowledged books by different authors and cited articles where necessary.

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## **DEDICATION**

I dedicate this work to my parents and all those who gave me moral and financial assistance support to undertake the research project with ease.

## **ACKNOWLEDGMENT**

I would like to express my deepest gratitude to the Almighty God for giving me good health and an opportunity to pursue this course. Also, to my supervisor for his patient guidance, availability for consultation, encouragement and useful tips on research work.

Finally, I wish to thank my classmates for their support and encouragement in our studies.

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## **ABBREVIATIONS.**

CSR- Corporate Social Responsibility

NSE- Nairobi Stock Exchange

ROA- Return on Assets

ROE-Return on Equity

SPSS- Statistical Package for Social Science

ENV- Environment.

COMM- Community relations.

EMP- Employee relations.

KEBS-Kenya Bureau of Standards

CBK- Central Bank of Kenya

GII-Global Innovation Index

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## **ABSTRACT**

In a very competitive market, insurance companies must strive to depict an image of themselves as exceptionally socially capable organizations. Dynamic association in socially gainful projects gives additional points of interest to the organization. This study sought to establish the relationship between Corporate Social Responsibility and financial Performance of insurance firms listed in the Nairobi Securities Exchange. Due to the availability of data, one of the six companies listed in the sector were studied. Secondary data from the year 2015 to 2019 was used for analysis. The data was obtained from primary sources through administering questionnaires and secondary sources that included insurances, websites, annual reports and audited financial statements,. Financial performance was measured by use of earnings per share values obtained from income statements. Corporate Social Responsibility score was acquired using questionnaires and report analysis on many components of Corporate Social Responsibility as reported in the audited financial reports. Using descriptive research design, the study tested for linear relationship between Financial Performance and Corporate Social Responsibility by use of linear regression analysis and the five years secondary data. A regression model was established to determine the relationship between Corporate Social Responsibility and financial performance. From the research it was established that CSR involvement has a very minimal positive relationship with financial performance of insurance companies listed in NSE.





## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

Globally, the history of CSR dates back a long time ago and was first used by Dutch East India Company which began complaining about management secrecy and self-enrichment. This then translated to conversations about the sociable duties hence the emergence of modern CSR movement followed by publications of Bowen's social responsibility of businessmen (2010). Since then CSR has stemmed down to other parts of the world as CSR had improved beyond code of carrying out and reporting. Due to its rapid growth over the past few years, based on western model, an approach to CSR established transpired to existence of two kinds of CSR in Africa – a western inspired form globally regulated by the ISO 2600 standard and an African form founded on the primarily social function of any business.

Recent developments in strategic thinking support the need to add activities that expand out from the company into the society (Baumgartner & Rauter, 2017). This has led to CSR becoming more diversified in third world countries, Kenya being one of them. Organizations are being called upon to take responsibility for the ways their operations impact societies and the environment (Sodhi, 2015). Corporate social responsibility is taken as an active policy when companies voluntarily integrate social and environmental matters into their business and combine them with economic interests and the relationship with all stakeholders.

Cultural context is an important factor in defining CSR in Kenya. It is captured in the indigenous concept of "Harambee" which embodies and reflects the strong ancient value of mutual assistance, social responsibility, joint efforts and community self-reliance (Winston, 2016). Kenya Bureau of Standards has been involved in issuing guidelines on CSR. This has necessitated the adoption of CSR activities and procedures by organizations including the insurance sector in Kenya since CSR can improve the financial performance levels of a company or organizations. (Carroll, 2015) Financial performance is a composite of an organization's financial wellbeing, its capacity and ability to meet its drawn out financial commitments and its duties to offer types of assistance within a reasonable time-frame.

Some of the insurance companies listed in the Nairobi Security Exchange include; Britam Holdings, CIC insurance Group, Jubilee Holdings, Kenya Re-Corporation, Liberty Kenya

Holdings and Sanlam Kenya Insurance. Their CSR activities revolve around: environmental conservation, caring for the community, education, company donations to charity, waste management and engaging in fair trade practices amongst others, all aimed at changing the lives of people.

## **1.2 Statement of the Problem**

Corporate social responsibility is an integral part of what a company is all about. It is a way of partnering with the community and is beneficial to the environment and it's a way of enhancing the value of a business (Ismail 2009). CSR has mutual benefits to both organization and society as well. Consumers gain confidence in the firms and the firms gain access to the resources within the community. CSR improves the living conditions of the people by providing them with the necessities and helping the society address some of its social problem (Jamali, 2015).

Insurance companies in Kenya have not been aggressive in carrying out CSR. They have failed to give back to the society in a meaningful manner in the eye of the public as compared to the banking sector whose CSR activities are widely known to the public. An example is their engagement in educational programs, the most prominent being the 'Wings to Fly' scholarship by Equity bank. Their participation in environmental management activities is also minimal and not in the public domain. This is also evidenced by the little amounts of money they allocate to CSR as shown in their CSR reports.

Due to their failure to actively engage in CSR, insurance companies have failed to capture a wider market thus making their financial performance to be slightly above average. Thus, there was a need for deep study into the quality, CSR disclosure extent and identification of areas for improvement in the future.

## **1.3 Purpose of the study**

This study analyzes the correlation between CSR performance and financial performance of one the insurance firm measured by corporate value, profitability and growth potential. It also aims at enhancing better understanding of how CSR performance affects ROA, the variable for general profitability.

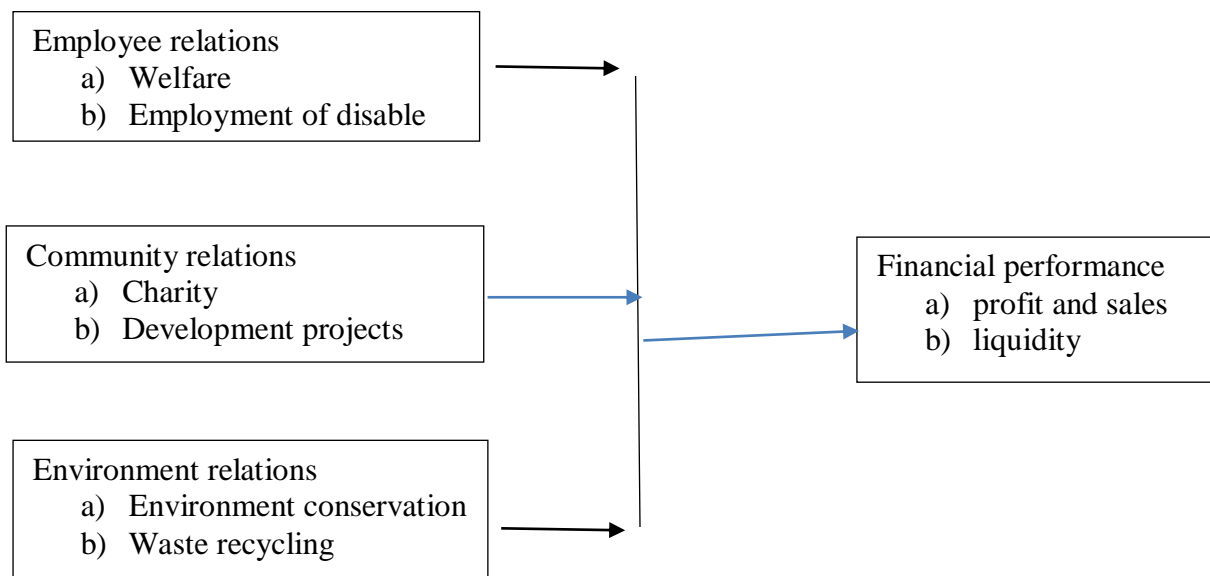
## 1.4 Conceptual framework

The conceptual framework highlights the relationship between the dependent and independent variable. CSR is the independent variable while financial performance is the dependent variable. This is illustrated diagrammatically as shown below:

### Independent variable

### Dependent variable

### Corporate social responsibility



## 1.5 Research questions

Below are the research questions that guided this study:

- I. To what extent does employee relations affect the financial performance of insurance company?
- II. What effect the environment has on financial performance of insurance company?
- III. What influence does community relations have on the financial performance of insurance company?

## **1.6 Objective of the study**

### **1.6.1 General objective**

To determine the relationship between corporate social responsibility and performance of BRITAM HOLDINGS.

### **1.6.2 Specific objectives.**

- I. To assess the link between employee relations and financial performance of BRITAM HOLDINGS
- II. To establish the influence of environment on financial performance of BRITAM HOLDINGS
- III. To determine the relationship between community relations and financial performance of BRITAM HOLDINGS

## **1.7 Significance of the study**

### **1.7.1. To insurance companies**

The study enables insurance companies in Kenya; relate how best corporate social responsibility contributes to their financial performance and its effectiveness to the society.

### **1.7.2. To stakeholders**

The study helps the stakeholders contribute resourceful ideas for growth and expansion of their firms. Social activities help companies to be known as responsible corporate citizens with sensitivity towards environmental issues.

Stakeholders can evaluate how much or less the companies are contributing to the society and how the insurance companies are benefiting financially even as they stretch beyond their bottom line to give back to the society.

### **1.7.3. To Analysts**

Analysts find this study helpful when trying to understand how corporate social responsibility relates to the financial performance of insurance companies listed in the NSE.

#### **1.7.4. To Academicians**

This study assists academicians by providing more insight on the relationship between corporate social responsibility and financial performance hence it will help in the development of knowledge in this line of study.

#### **1.7.5. To Industry**

Finally, this study challenges firms with no CSR or those who participate less in CSR activities with the importance of engaging in CSR and the impact it gives to the organization.

### **1.8 Scope of the study**

This study focused on the relationship between CSR and financial performance of one of insurance companies listed in NSE. The respondents of our survey were the employees of the firm.

This study relied on questionnaires that was issued to employees of the insurance firms and managers and secondary data in form of audited financial statements and corporate social responsibility circulars. The following theories helped me in analyzing data: Instrumental Stakeholder theory, integrated theory and ethical theories.

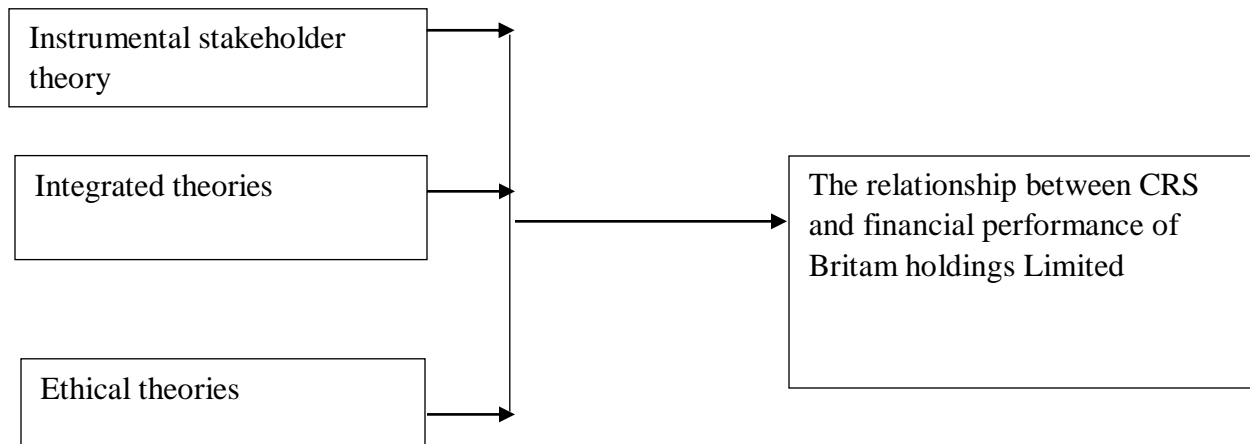
## CHAPTER TWO:LITERATURE REVIEW

### 2.0 Introduction

This chapter highlights the various theories on corporate social responsibility, the empirical studies and a conclusion from the literature review.

### 2.1 Theoretical Framework

The Corporate Social Responsibility field presents theories with creation of approaches which are controversial, complex and unclear. There are three main theories and related approaches. They include; instrumental stakeholder theory, political theory and integrative theory.



**Figure 2.1: Theoretical Framework**

#### 2.1.1 Instrumental Stakeholder Theory

The corporation is seen as only an instrument of wealth creation and its social activities are only but a means to achieve its economic goals.

The stakeholder model is instrumental, in that managing stakeholders should result in the achievement of business goals: increased profitability, growth, sustainability. The stakeholder model also allows for the testing of the connections between managing stakeholders and reaching business targets.

The only responsibility of business towards the society is the maximization of profits to the shareholders within the legal framework and ethical custom of the country. (Fanti & Buccella 2017).

There are several groups of theories found in this theory, they include; Maximizing shareholder value and strategies for achieving competitive advantages

According to (Wicks & Harrison 2017), the stakeholder concept provides a new way of thinking about strategic management. By paying attention to strategic management, executives can begin to put the corporation back on the road of success. However, it is also a normative theory in that, it requires the management to have a moral duty in order to protect the interests of the corporation. Newbert & Craig, (2017) stated that management especially the top management, must look after the health of the corporation, which involves balancing the multiple claims of conflicting stakeholders.

Stakeholder generalize the notion of stockholder, as the only group to whom the management needed to be responsible, (Harrison, Freeman & Abreu 2015). 'Stakeholder' can be taken in two senses. In the narrow sense, the term stockholder only includes all those groups who are vital to the survival of the corporation. In the wide sense it includes any group or individual who can affect or is affected by the activities of the corporation. Therefore, stakeholders are identified by their interests in the affairs of the corporation and it is assumed that the interests of all stakeholders have intrinsic value (Kaptein & Van ,2017). The base legitimacy of the stakeholder theory is on two ethical principles; principle of corporate rights and principle of corporate effects. There is a problem of solving conflicting interests between stakeholders with several authors accepting that the basic stakeholder framework has used different ethical theories to elaborate different approaches to this theory.

There are three approaches that can be undertaken to achieve competitive advantage. The first one is Social investments in competitive context. It has been argued that investing in charitable activities may be a way to improve the context of the competitive advantage of a firm and usually creates a large or rather greater social value than individual donors.

Secondly there is Natural resource-based view of the firm and dynamic capabilities. This approach maintains that the ability of the firm to perform better than its competitors depends on the unique interplay of human, organizational and physical resources over time and on the organizational and strategic routines by which managers acquire, modify, integrate and recombine those resources to create new value-added strategies.



A specific means for tracking the issue is disruptive innovative products or services that do not have same capabilities and qualities as those being used by customers in the mainstream market and thus can be introduced only for new or less demanding applications among non-traditional customers, with low-cost productions and an adaptation of the local needs.

### **2.1.2 Integrated Theories**

These are theories in which the corporation is focused on the satisfaction of social demands. This involves detecting, scanning for and responding to the social demands in a way that generates social legitimacy, a greater social acceptance and prestige. According to the pure profit orientation view, the more the corporation is involved in the society, the better is the outcome.

Due to the fact that if the corporation would make itself responsible towards its society to the degree that the corporation would affect the regime of that society, then the corporation could use this for maximization of profits for example affecting the infrastructure of that society, (Porter & Kramer 2019). In this pure profit oriented view, the cost of taking responsibility should be lower than the profits obtained from it, especially without breaking the legal framework within the society.

This was also tested by Badulescu, Saveanu & Hatos (2018).the correlation between more responsibilities from the corporation towards the society that is active in higher profits is positive. This means that the corporation would increase its profits by taking social responsibility. The corporation no more can make profit for its shareholders without concentrating on making long-term profits by taking social responsibility towards stakeholders.

### **2.1.3 Ethical Theories**

Based on ethical responsibilities of corporations in society. They are based on principles that express the right thing to do or the necessity to achieve a good society.

Normative stakeholder theory considers fiduciary duties towards all stakeholders of the firm-suppliers, customers, employees, stockholders and the local community. Its application requires reference to some moral theory (Kantian, Utilitarianism, theories of justice etc.)

Universal rights, based on human rights, labor rights and respect for environment. Suitable development, aimed at achieving human development while taking into account both present and future generations. To evaluate its own stability, the business should adopt a 'triple bottom line', which would include not only economic but also social and environmental aspects of performance.

The common good approach, which maintains that business must contribute to the common good because it is a part of society. The corporation has many means to achieve this; by creating wealth and providing goods and services efficiently and fairly, while at the same time respecting the dignity and inalienable and fundamental rights of individuals. It may also contribute to social well-being and a harmonious way of living together in just, peaceful and friendly conditions, now and in the future.

Following this theory, a social responsible firm requires simultaneous attention to the legitimate interests of all appropriate stakeholders and has to balance such a multiplicity of interests and not only the interests of the firm's stakeholders.

## **2.3 Literature review on variables**

### **2.3.1 Employee relations.**

Having a strong employer and employee relationship can be the key to the success of an organization. If there are good employee relations, they will be more productive, loyal and more productive. It entails providing employee and family welfare activities, providing training and development opportunities for employees, having equal opportunities for employees and avoiding discrimination, having health insurance for employees, allowing them to be part of a trade union as well as employing disabled people. Companies that invest in employee relations have experienced increases in productivity and this leads to increases in profits.

### **2.3.2 Community relations.**

Community relations to the various methods firms use to maintain a mutually beneficial relationship with the communities in which they operate. When a firm takes an active interest in the well-being of its community, it gains a lot of benefits like: community support, loyalty and goodwill. It can be undertaken effectively by having a community liaison committee and

carrying out infrastructure development projects for local communities, community education, supporting local charity drives, purchasing materials from the locals and taking part in civic activities.

### **2.3.3 Environment.**

Enterprises perform both proactive and reactive environmental practices towards the elimination of environmental pollutants, (Argan, 2013). Entails conducting environmental audits, obtaining environmental compliance certification for all operations, recycling wastes, taking energy saving measures. Recycling is referred to as the reuse of materials from returned products without converting the product identity. A firm which therefore engages in environmental practices can be able to gain the trust of the public thus improving its image and this may impact on its financial performance.

## **2.4 Empirical Review**

Previous research has yielded mixed results regarding the relationships between corporate social responsibility and measures of firm's financial performance.

Lorwood & King, (2012) did a study whose objective was to establish the relationship between corporate social responsibility and financial performance of mobile telephone providers in Kenya, found out that the issues that had a lot of influence on CSR were employee health and safety issues, the need to control hazardous wastes and the safety of products, but relation with workers union, retirement benefits issues, non-representation of interest groups in management , and controversy in marketing were not issues in the CSR policies of the mobile telephone companies in Kenya. The employee related factor that was identified as contributing greatly to CSR was the investment in employee health and safety while least contributing factor was profit sharing payment programs. Environmental issues contributed greatly to CSR because all the identified factors, namely green production processes, pollution control programs and use of recycling in production process considered important contributors towards the CSR. The regression analysis in the study found a negative relationship between ROA and CSR. The study recommends that companies should include of non-monetary activities in their corporate social responsibility maintaining the health and safety, control of hazardous wastes, ensuring green production programs, pollution control, and recycling of recyclable production materials.

A research was carried out by Njeri (2012), whose main objective was to evaluate the challenges to align CSR to corporate strategy in Safaricom Foundation. The study employed a case study approach to evaluate the challenges. An interview guide was constructed and interviews conducted with strategies and foundation personnel who have utilized CSR and Corporate strategy initiative in Safaricom Foundation in order to elicit responses for an in-depth understanding and analysis of key aspects of the research and the data analyzed using content analysis. Findings of the study established that corporate social responsibility was a fundamental part of corporate strategy. Globalization has not affected implementation of CSR strategy as it reflects the company's focus on its strategy and the stakeholders rather than global benchmarks. Political and regulatory environment is key to ensuring successful completion of CSR projects. Safaricom foundation CSR policies are aligned with the Vodafone policies which are the parent company and are not impediment in the planning and execution of the CSR strategy. As recommendations, the management and the cross-functional teams of Safaricom Foundation were encouraged to also benchmark the CSR program against Global standards without necessarily losing the focus on its corporate strategy. This will facilitate adoption of best practices where applicable.

Oyenje, (2012) carried out a study whose objective was to establish the relationship between CSR practices and financial performance of firms in the manufacturing, construction and allied sector companies listed at the Nairobi Security Exchange. The study noted that CSR practice is important and fundamental to the sustainable operations of firm, likewise, good financial performance is also important for sustainability of any firm. The research covered 10 out of the 14 companies in the sector due to the non-availability of complete data for some of the companies.

The score for CSR practice was obtained using content analysis of reports of the companies on various components of CSR as reported in their audited financial reports. Control variables and capital intensity were also introduced in the regression model so as to establish whether these variables had an effect on the relationship between CSR and financial performance. The data collected was analyzed using descriptive statistics and regression analysis. The result indicated the existence of relationship between the independent variable (CSR score, manufacturing efficiency and capital intensity) that were used in the model and the dependent variable (return

on assets) with a correlation coefficient of 0.870. The results of the study also showed that there was an insignificant positive relationship between CSR and financial performance.

Ongolo, (2012) investigated the relationship between CSR and market share of supermarkets in Kisumu City for the period 2006 to 2010. He sought to determine the factors that motivated the practice of CSR amongst supermarkets in Kisumu City. The population of study was all the supermarkets in Kisumu Town, the sample frame being provided by the registration office of the Kisumu County Council. All five supermarkets were selected for the survey. A questionnaire was used to collect data, with respondents were top level managers. The data was analyzed using descriptive statistics and regression models. The findings revealed that there was a strong relationship between CSR and market share. Institutions that had invested more on CSR had high sales revenue. The researcher also realized that there was a positive correlation coefficient between markets share index and CSR. Larger supermarkets preferred education, water and sanitation while the other supermarkets preferred to support to the less fortunate in society as their CSR activities.

Mutuku, (2013) sought to establish whether there was any relationship between corporate social responsibility and financial performance of the companies listed in NSE. 32 companies listed at the Nairobi stock exchange were examined. Both primary and secondary data was used for the purpose of this study. The primary data was collected using a questionnaire and personal interview methods. The secondary data comprised of published annual reports and reports. He concluded that the firms that were interviewed indicated that they use corporate social responsibility either as a competitive strategy or a marketing tool and none admitted as engaging in corporate social responsibility due to their healthy cash flows and using correlation analysis to determine whether there is any linkage between corporate social responsibility and firm performance, the results indicated that there was no relationship between corporate responsibility and financial performance.

Okwoma, (2012) sought to determine the impact of CSR on financial performance of commercial banks in Kenya. In his study, longitudinal research design was used. CSR activities and financial performance of 28 commercial banks was studied between the year 2007 and 2008. CSR was measured by the amount spent on CSR activities while financial performance was

measured using ROA, ROE and GII. Regression model was used to analyze data. CSR was the independent variable while the dependent variables comprised ROA, ROE and GII. The study found that CSR has a positive significant effect on the financial performance of all commercial banks studied. However, on classification based on size based on CBK criteria, the study found that CSR has a positive and significant effect on financial performance of large and medium size banks but no significant effect on financial performance of small banks. The study concluded that CSR is good for the financial health of large and medium size banks but not small banks.

## **2.5 Summary of the Literature Review**

Some of these studies show a positive, negative or no correlation at all. These studies reveals variations on data sources, measures used on both dependent and independent variables and control variables. There is no conclusion as to what is the relationship between corporate social responsibility and financial performance.

## CHAPTER THREE:RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter outlines the overall research methodology that was used in the study which includes; research design, target population, sampling frame, sample and sampling techniques, instruments for data collection, data collection procedure and data processing analysis.

### 3.2 Research Design

The study used descriptive design with the application of both quantitative and qualitative approaches. The qualitative approach entailed collecting information by interviewing or administering a questionnaire. Quantitative approach on the other hand focused on gathering numerical data.

### 3.3 Population and Sampling

#### 3.3.1 Target Population

The target population consisted of approximately 60 employees of Britam from various departments. The total population distribution is indicated in Tables 3.3.2

**Table 3.3.2 Population Distribution**

Population Category	Population
Human resource department	18
Corporate affairs	25
Finance and accounting	7
Investors	20
Total	60

### 3.4 Sampling Design

Involves the selection of the subset of individuals from the targeted population.

### 3.5 Sampling Frame

The sampling frame is a list of the population units or elements from which to select units or elements to be sampled, (Blume & Stombaugh, 2012). It represents a complete and current list of

population of members of interest obtained from a population. The study used a sample frame comprising of employees from the following four departments: human resource, corporate affairs, finance and investors relation.

### 3.6 Sampling Technique

Refers to methods used to select sample from the population by reducing the population to a more manageable size, (Taherdoost, 2016). Purposive sampling was used for our study since it involves selecting of certain units based on specific purpose rather than randomly.

### 3.7 Sample Size

The sample size for the study was computed using the Taro Yamane’s formula

$$n = N/(1+Ne^2)$$

$$n=100/(1+100(0.1)^2)$$

$$n= 50$$

- i. N is the population size,
- ii. n is the sample size
- iii. e is the margin error based on 90% confidence level.

Population category	Population	calculation	Sample size
Human resource	18	= 18 1+18(0.1) <sup>2</sup>	15
Corporate affairs	25	= 25 1+25(0.1) <sup>2</sup>	20
Finance and accounting	7	= 7 1+7 (0.1) <sup>2</sup>	7
Investors	20	= 20 1+20 (0.1) <sup>2</sup>	17
Total	60		59



### **3.8 Data Collection**

Data collection procedure involved the use of questionnaires, interviews and secondary data for analysis from companies' annual reports. The study covered a period of five years from 2015 to 2019.

### **3.9 Data Analysis**

Statistical Package for Social Sciences (SPSS) software version 20 was used to analyze the data collected.

Regression analysis was used in the study. CSR was the independent variable(x) while financial performance was the dependent variable (y). The relationship was explained by the following regression model;

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + e$$

Where

Y= Financial performance

B<sub>0</sub>= Intercept

B<sub>1</sub>, B<sub>2</sub>, B<sub>3</sub>= Coefficients

e = error term

X<sub>1</sub>= Environment

X<sub>2</sub>= Employee relations

X<sub>3</sub>= Community relations

## CHAPTER FOUR: FINDINGS AND DISCUSSION

### 4.1 Introduction

According to the information gathered from the 1 out of 6 insurance companies listed in the NSE, the data retrieved for the study was gathered by obtaining their financial statements and CSR activities. Data from the study was statistically analyzed using regression analysis.

Study questionnaire was also dispatched to 20 employees of Britam with follow ups done on calls. The research questionnaire contained a section on bio data which included the gender and years worked in the organisation. Also, it included section on corporate social responsibility engagement and impact of corporate social responsibility.

### 4.2. Response Rate

From the study, 8 out of 20 sampled respondents filled in and returned the questionnaire contributing to a 40 % response rate.

<b>Response</b>	<b>Rate</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Response</b>			
<b>Responded</b>		8	40
<b>Not responded</b>		12	60
<b>Total</b>		<b>20</b>	<b>100</b>

### 4.3 CSR Scores and Financial Performances

The CSR activities undertaken by BRITAM focused on environment conservation, community welfare then followed by staff welfare.

**TABLE 4.3.1: Total CSR activities per component (2015-2019)**

<b>Insurance Company</b>		<b>Environment</b>	<b>Employee relations</b>	<b>Community relations</b>
Britam		9	3	8

### 4.4 CSR (SCORE)

Content analysis was used to determine the score for CSR based on the number of activities in each component of CSR in the company's annual report. Table 4.4.1 below is a summary of these scores for the Britam insurance firm.

**Table 4.4.1: CSR ACTIVITIES OF THE FIRM (2015-2019)**

<b>YEAR</b>	<b>Britam</b>		
	<b>ENV</b>	<b>EMP</b>	<b>COM</b>
2015	2	0	2
2016	1	1	2
2017	2	0	0
2018	3	0	1
2019	1	2	4

### 4.5 Earning per share

The Earnings per Share for the company was obtained from the financial statements and presented in Table 4.5.1 below.

Table 4.5.1: Earning per share (Ksh)

Company	2015	2016	2017	2018	2019
Britam	1.31	(0.5)	1.26	0.51	0.44

#### 4.6 Regression Analysis

Multiple regression was conducted to establish the relationship between the independent and dependent variables. The regression equation established was as follows:

$$Y = 0.561 + 0.043X_1 - 0.745X_2 + 0.229X_3 + 1.19192$$

The coefficients of correlation (R) and coefficients of determination ( $R^2$ ) were established as follows.

	Environment	Employee relations	Community relations
R	0.475	-0.542	-0.353

The correlation coefficient R of - 0.542 and -0.353 depicts a weak negative relationship between financial performance and employee relations and community relations respectively. On the other hand, environment with a correlation coefficient of 0.475 depicts a weak positive correlation.

**TABLE 4.7: BRITAM MODEL SUMMARY**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.452 <sup>a</sup>	.204	-1.603	1.19192	.204	.179	3	1	.369

The correlation coefficient (R) was used to measure the magnitude and the direction of the relationship between both the dependent and independent variables. The correlation coefficient R of 0.452 depicts not a very strong positive relationship between the dependent and independent variables. 20.40% of the changes in financial performance are explained by CSR spending environment, employee relations and community relations as depicted by  $R^2$ .

## **CHAPTER FIVE :SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction.**

This chapter presents the summary of findings, conclusion and gives out the recommendations. It also suggests areas for further research.

### **5.2 Summary of findings and conclusion**

The regression analysis was used in the study to establish the relationship between financial performance and CSR practice of Britam insurance company as it is listed in the NSE. The objective of the study was to determine the relationship between CSR and financial performance of the Britam. The study also sought to determine how, environment, employee relations and community relations influence financial performance.

In my findings, Correlation coefficients of employee relations of the Britam firm indicated a negative correlation of -0.542. Participation in community relations in Britam had negative correlations of -0.353. On the other hand, environmental Participation Britam had positive correlations.

The debate on the value of being socially responsible has been going on since time immemorial, 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 improve the financial performance of the company. Based on the findings of this study the researchers concluded that participation in CSR by insurance firms listed in NSE insignificantly affect the financial performance of the firms.

Involvement in CSR is also one way of meeting the requirement for a good citizenship where a company is expected to be socially responsible to the environment in which it operates in. A company is also supposed to meet statutory requirements that is part of the CSR requirements of a company. Even if an organization is not getting involved in CSR for financial gains, insurance companies should still be involved in CSR activities for its survival. In the short run organizations may not experience financial benefits but in the long run these activities may be very critical for organizations profitability and survival.

Considering the findings that CSR practice do not have a significant relationship with the firms'

financial performance, firms should not incur high costs on CSR with the hope of improving financial performance but rather for some other sustainability reasons.

The study further concluded that corporate social responsibility is an important component of firms' strategies. The corporate social responsibility activities are guided by the needs of the society in which it operates and the wider national objectives.

Insurance companies should therefore not engage in CSR activities with the main aim of improving their profitability but they should also be driven by other factors.

### **5.3 Recommendations**

In this study one of the insurance companies listed in the NSE was considered. It is recommended that a similar study may be undertaken in other sectors which have not been covered by earlier studies. The study will however need to identify the relevant control variables in sectors selected for further studies.

As for the top management since they make all the decisions and decide on what is done in most organizations, social responsibility should be of importance like any other marketing mix in consideration. Besides profit maximization, Participation in social responsibility should be taken into consideration as it is also significant towards the general performance of the firm.

Corporate social responsibility is recommended for all organizations whether profit or non-profit organization. From this research conducted an organization is able to improve its own reputation and the share prices improvement if quoted in stock exchange. It is ethical to be socially responsible because it improves the community at large, increase in market share and also customer satisfaction can be met. Organizations should identify what fully satisfy their customers and learn on how to retain the existing customers and also attract the potential customers.

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**APPENDIX 1: INSURANCE COMPANIES LISTED IN THE NAIROBI SECURITIES  
EXCHANGE**

Britam Holdings Limited

CIC Insurance Group Limited

Jubilee Holdings Limited

Kenya Re- Insurance Corporation Limited

Liberty Kenya Holdings Limited

Sanlam Kenya Insurance

## **APPENDIX I1: INTRODUCTION LETTER**

**To Whom It May Concern**

**REF: REQUEST FOR PARTICIOPATION IN DATA COLLECTIN EXERCISE**

Dear Respondent,

I am pleased to inform you that am a finalizing student at Grets University pursuing a degree in commerce, majoring with finance. As partial fulfilment of my bachelor's degree. I am conducting a research on the relationship between corporate social responsibility and financial performance of insurance company listed in Nairobi stock exchange.

I request your participation in answering the questionnaire to the best of your knowledge. Please note that any information you give will be treated with confidentiality and at no instance will it be used for any other purpose other than for this project.

Your assistance will be highly appreciated.

Yours Faithfully,

**VALENTINE JEBET**

**APPENDIX III: RESEARCH QUESTIONNAIRE**

*Kindly answer all the questions by ticking in the boxes provided after each question.*

**Section A: Bio Data**

1. Your gender:

Male [ ]

Female [ ]

2. How many years have you been working for Britam?

Below 3 years [ ]

7 to 13 years [ ]

3 to 7 years [ ]

above 13 years [ ]

profit maximization 3. Which of the following Corporate Social Responsibility Projects undertaken by Britam are you aware of?

National drama festival sponsoring [ ]

Toa Habari Kwa Polisi [ ]

President's Award Sponsorship [ ]

Nairobi County Clean-up [ ]

4. Which of the Corporate Social Responsibility activities would you rate most s successful?

\_\_\_\_\_

Why? \_\_\_\_\_

**Section B: Corporate Social Responsibility Engagement**

5. Britam actively engages in Corporate Social Responsibility

Yes [ ]

No [ ]

6. I am aware of Britam'S Corporate Social Reasonability engagements?

Yes [ ]

No [ ]

7. Have you been involved in Britam Corporate Social Reasonability activities?

Yes [ ]

No [ ]

If Yes, under what capacity? \_\_\_\_\_

\_\_\_\_\_

8. If you participated in more than one, which project did you like the most?

\_\_\_\_\_ Why?

\_\_\_\_\_

9. Do you think Corporate Social Responsibility should continue?

Yes [ ]

No [ ]

Why? \_\_\_\_\_

10. Please provide five challenges that you feel affect the implementation of the Corporate Social Responsibility initiatives. (Start with the most important)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

11. How can they be overcome?

\_\_\_\_\_

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**End of Questions**

**Thank You for your participation.**