EFFECT OF CORPORATE COMMUNITY DONATIONS ON THE PROFITABILITY OF COMMERCIAL BANKS IN KENYA

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ABSTRACT

Every business takes birth, survives and grows with the consent and co-operation of the society. It is the society which provides inputs to the business and accepts its output. Naturally the business owes everything to the society. It has a broad spectrum of obligations towards the society. Therefore in order to be a good citizen every business has to accept and fulfill its proportionate responsibilities towards the society. The business being the creator of wealth has to help to alleviate the problem of poverty and unemployment. It should develop more economic opportunities and also help the government in bringing down economic disparities. The business has to play an important role in bringing greater stability of economic activity. CSR denotes organizations' willingness to take responsibility and be accountable for the effects of their activities and decisions. It is concerned with how companies manage the business processes to produce an overall positive impact on society. This study aims to investigate the relationship between corporate community donations and the profitability of commercial banks in Kenya. The objectives of this study were to establish the effect of; financial contribution, employee volunteering in community activities, improving community health and supporting education to the community on the profitability of listed Commercial Banks in Kenya. This study engaged a descriptive research design rich in survey. The target population was composed of commercial banks in Kenya. The study used proportionate stratified sampling method with a sample size of 14 commercial banks that are categorized in three strata: local private, local public and foreign commercial banks. The respondents comprised of employees working in the corporate affairs department of the commercial banks. Primary data was collected using questionnaires and secondary data was obtained from the bank's annual financial reports. Data was analyzed using descriptive statistics and involved the use measures of central tendency that include mode, mean, median standard deviation and variance and regression analysis. The study established that employee volunteering in community activities had a positive influence on the profitability of Commercial Banks in Kenya. The study revealed that contribution to community health has a positive influence on the profitability of Commercial Banks in Kenya. The research also revealed that supporting education had a positive impact on the profitability of Commercial Banks in Kenya. The research revealed that financial contribution to the community had a positive impact on the profitability of Commercial Banks in Kenya. The study recommends that the organization can influence its corporate financial performance by engaging in various Corporate Social responsibility activities as this will help it build it reputation and also gain competitive advantage and thus higher productivity. There is need for the organization to provide their employees with training as this will enhance their creativity and thus increase in the innovativeness in the organization thus enhancing financial performance in the organization.

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