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Strategies Influencing Corporate Social Responsibility Programs for Climate Change in Commercial Banks in Kenya

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Abstract:
High cost in pursuit of the strategies that influence Corporate Social Responsibility (CSR) is increasingly compatible with improving environment for climate change. The benefits of adopting CSR can have significant advantages for both shareholders and the environment, particularly when undertaken voluntarily. But another factor in favor of CSR is the oblique pressures brought to bear from a sense of moral obligation, a more ethical approach, sweeping into boardrooms. The study examined the strategies that influence Corporate Social Responsibility programs in Commercial Banks in Kenya. Specific focus was placed on physical environment and stakeholder's participation as dimensions of strategies that influence CSR programs for climate change. The study adopted descriptive and cross-sectional survey design as it is suitable for obtaining systematically factual information for decision making, identify the current practices, conditions and opinions at a specified point in time. The target population was 43 Commercial Banks and the total sample size of 36 target respondents comprising of 18 corporate affairs managers and 18 CSR officers. The research made use of self-administered structured questionnaire for data collection. The data collected was edited, coded, classified, and tabulated to make it amenable to analysis. The response rate in this study was eighty three percent which was considered sufficient for making inferences and drawing conclusions. Quantitative data was analyzed using descriptive and inferential statistics. Descriptive statistics encompassed percentages, frequencies, means, and standard deviations. However, multiple regression analysis was used for making inferences and drawing conclusion. The study established that physical environment and stakeholder's participation have positive influence on corporate social responsibility for climate change. Corporate affairs managers and CSR officers should formulate policies on physical environment and stakeholder's participation that would enable Commercial Bank to enhance competitive advantage through CSR programs.

Keywords: *Strategy, corporate social responsibility and climate change*

1. Introduction

1.1. Background of the Study

Different authors have defined corporate social responsibility (CSR) differently. According to European Commission Green Paper (2007) CSR is company's voluntary contribution to society and enviroment. Kibas (2004) viewed CSR as company involvement in socially responsible practices of separating and balancing the social economic and enviromental components of the business while building the stakeholder's value. This defination calls for a delicate balancing act between economic, legal, ethical and discretionary responsibilities of organizations. It encompasses practices that seek to meet within reasonable means the expectations of all stakeholders and to enhance the public image of a firm in respect of social and physical enviroment (Logan.*et.al*., 2003).

As noted by Pearce (2000), feminist theory is key in business operation because it defines CSR as a focus on ethics of care. This theory of the philanthropic corporate citizenship assume that a corporate has a conscience and concern for needy individuals and groups within the enviroment in which it operates. It focuses on trails of close relationships such as sympathy, compassion and friendship. This theory explains why most businesses engage in charitable programmes and activities. Halima, (2005) highlighted that CSR is a way of doing business by which managers internalize external factors. Moreover, in case CSR is appropriately managed, it becomes a source of profits in the short-term through innovation, in the medium term through reputation, and in the long-term by creating new markets and anticipating new regulations and more so enhancing climate change.

CSR activities are company's commitment to minimizing damage or eliminating harmful effects and maximizing its long-term impact like climate change on the society (Moses & Benham, 2004). These activities encompass such actions as behaving ethically treating employees fairly and minimizing damages on the physical environment. Therefore, a socially responsible company is required to consider the effects of its action on anyone and anything whether directly or indirectly. Furthermore, organizations have responsibilities to the society that goes well beyond the production of goods and services with a profit motive. Corporations have a social responsibility to commit significant amount of resources to solving pressing social problems as changes in the climate and promoting the general welfare of the society.

While Corporate Social Responsibility (CSR) programmes may appear to be relatively new to the corporate world, literature reveals that the evolution of this concept has taken place over several decades. The concept of CSR has expanded from an initial focus on a few stakeholders, close at hand, to be more far reaching and inclusive, eventually becoming global in scope, demonstrating that the CSR practices will continue to evolve in tune with business, political and social development. It has been noted by (Windsor, 2001) that business leaders since 1920s have widely embraced some form of responsibility and responsiveness practices and it's apparent today that CSR in many firms is moving towards full integration with strategic management and corporate governance. CSR has placed a social obligation on organization to pursue those policies, decisions and action which are desirable in terms of objective and climatical values of our society (Bowen 2004).

According to Carroll (1999) Bowen is the 'modern' father of CSR and whose work marked the beginning of modern period of fit on CSR. Bowen took a broad approach to CSR integrating such constructs as responsiveness, stewardship, social audit, corporate citizen and rudimentary stakeholder's theory (Windsor 2001). The construct of CSR originated in 1980s, a period that was marked with growing awareness that nations had to find a way of safeguarding the interests of future generations. CSR has since become a buzzword for an array of social and environment causes. In the 1990s CSR had increasingly become embraced in the whole of the world (Carroll, 1999) and the emphases then was the need to respect the interdependence of the living being and organizations. In the 2000s CSR programs were used by companies as the only way to work with them for mutual benefit (Windsor, 2004). According to Ufadhili Kenya (2010), CSR is an imperative for survival and success of organizations.

Corporations are increasingly being held responsible not only for their own activities but for those of their suppliers, the community where they are located and the people who use their product. As a result, there has been a growing pressure for business organizations to respond to social, economic and environmental changes in the world around them. CSR can be considered relatively as an emerging issue in Kenya especial triggered by the realization that the government alone is cannot be able to provide solutions to the myriad problems affecting the society and guarantee sustainable development. United Nations (UN) is credited with the fundamental initiative's intent on entrenching CSR practices among businesses organizations. These efforts were replicated by other organizations globally such as United Nations Development Programs (UNDP), United Nations Industrial Development Organization (UNIDO) among others. Locally, the East Africa Breweries Limited is best known for having established foundations which funds orphans, marginalized groups and vulnerable children in developing country, digging boreholes in arid and semi-arid areas.

The banking industry is recognized for its significant contribution to the economic activity, employment, innovation and wealth creation of a country. Ongore and Kusa, (2013) point out that Commercial Banks play a significant role in economic growth of countries through their intermediation function which facilitates efficient allocation of resources through mobilizing resources for productive activities. However, Commercial Banks have also been known to engage in different CSR programs such as tree planting and clean-ups, promoting talents like music and sports, advocacy campaigns (against HIV/AIDS, cancer, tuberculosis and malaria), education support, staff training and development, gender and equality, attending to the community with special needs like disability and sponsoring the orphans (Kweyu, 1993).

1.2. Statement of the Problem

In view of the background of the study, it is clear that organizations have social obligations above and beyond making profit. Most of the companies are starting to realize that the path to lasting economic success cannot be achieved by profit maximization in short-term and therefore they are looking for ways which will enable them gain long-term profit. CSR has become a central factor in ensuring company's long-term success (Weikert, 2006). Commercial Banks are faced by stiff competition and therefore they are looking for solutions which will make them attain competitive advantage. From the background of study banks are actively engaging in CSR programmes this raise some questions like what is in CSR for banks. Previous studies in CSR have come up with different findings. Rariega (2001) in a survey of social responsiveness of pharmaceutical firms to HIV/AIDS pandemic found that managers were aware of CSR; however, the pursuance of high profit remained the most important. Although there many societal problems attributed to degradation of the physical environment with inherent changes in climate not much attention has been given to address these emerging issues. Therefore, the focus of this study is to investigate the influence of stakeholder's participation and physical environment on corporate social responsibility for climate change.

2. Theoretical Literature Review

Stakeholder theory was originally detailed by Ian Mitroff in his book 'Stakeholders of the Organizational Mind, published in 1983 in San Francisco although numerous articles and books written on stakeholder theory generally credit R. Edward Freeman as the 'father of stakeholder theory (Freeman & Reed, 1983) Edward Freeman defined stakeholders as any group or individual who is affected by or can affect the achievement of an organization's objectives. He further argued that other than shareholders who are the owners of a firm, there are other parties involved, including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations, and trade unions and competitors who have the capacity to affect the firm and its stakeholders (Freeman, Harrison, Wicks, Parmar & De Colle, 2010).

The theory states that the purpose of a business is to create value for stakeholders not just shareholders (Harrison & Wicks, 2013). Stakeholder theory submits that each one of the above groups is important to the success of a business or a project and figuring out where their interests go in the same direction is what the managerial task and the entrepreneurial task is all about. However, Palmer (2015) pointed the weakness of this theory by explaining that for managers to fulfil their fiduciary responsibility and consider stakeholder interests then managers would have to put the needs of shareholders above other stakeholders and at the same time place other stakeholders' interests above shareholder interests, which is logically impossible.

This theory is relevant for this study because it emphasizes the significance of the relationship between the top management staff with the stakeholders. Specifically, managers are expected to understand that the success of the projects can be influenced greatly by the participation of various stakeholders. These stakeholders will participate depending on the relationship they foster with the top management and not junior workers acting on their behalf.

2.1. Empirical Literature Review

2.1.1. Stakeholder's Participation and Corporate Social Responsibility

Manetti (2011) examined the quality of stakeholder engagement (SE) in sustainability reporting (SR). The analysis showed that what is really applied in a wide majority of the cases is a stakeholder management approach rather than an SE approach. He recommended that SE need to move from being a simple way to consult and influence stakeholders to an effective instrument for involving them in the decision making, through a mutual commitment and hence it encourages CSR. The study used descriptive analysis only while us the current study will use both descriptive and regression analysis.

OLOO (2016) carried out a research to determine the influence of stakeholders' participation in performance of road projects in KeNHA. The study further sought to determine the influence of user involvement, technology, top management support and resources on stakeholders' participation in performance of road projects in KeNHA. The study used descriptive research design. The study used both qualitative and quantitative methods. The study found that stakeholder's participation had a great positive influence in accomplishment of goals and objects set.

Doloi (2011) conducted a study in Australia whose aim was to identify the underlying issues associated mainly with the perceptions of the board stakeholders involved over entire lifecycle of environmental conservation projects. The findings from the study revealed that at the project inception stage, political and legislative factors play significant roles in the business case development. Statutory compliance and environmental issues are perceived to be critical in influencing cost performance in projects. The study further revealed that identification and integration of common stakeholder interests had a significant effect on the conservation of environment for climate change. The above findings were confirmed by Yang, Shen, Ho, Drew & Xue (2011) who found that integration of common stakeholder interests was critical in a successful stakeholder participation framework.

2.1.2. Physical Environment and Corporate Social Responsibility

Operations of business enterprises is contingent upon natural resources and other corporate resources such as human, physical and financial resources. Along with delivery of profit to the owners, the business must operate in an ethical manner with customers, employees, suppliers, communities and the physical and natural environment (Caroll & Buchholtz, 2003). The business activities conceived in any organization must be performed and managed in such a way that seeks to protect the natural environment.

Matriano (2017) conducted a study on environmental stewardship towards enhanced corporate social responsibility among selected small and medium enterprises in Olongapo City in Philippines. In this study, descriptive survey research design was adopted with primary data gathered using mixed method. The respondents comprised of sixty-five entrepreneurs that were purposively selected from small enterprises and medium enterprises. Analysis of variance showed that different types of businesses have different environmental stewardship practices. In particular, small businesses were found to have fewer mechanisms in protecting the environment compared to medium enterprises. The findings of this study cannot be conclusive considering that the respondents were selected on the basis of a non-probability technique and therefore the sample analyzed could not be representative of the population of study.

3. Research Methodology

3.1. Research Design

This study made use of explanatory and cross-sectional survey design. According to Saunders, Lewis and Thornhill (2009) and Njoroge, Muathe and Bula (2015) explanatory research design is useful for establishing causal relationship between study variables whereas a cross-sectional study helps to measure the relationship of variables at a given point in time. The research design adopted would enable investigation of the influence of stakeholder's participation and physical environment on corporate social responsibility of commercial banks for climate change.

3.2. Target Population

The target population was the 43 commercial banks in Kenya as per the Central Bank list of 2015 where all the bank corporate affairs managers (43) and the officers in charge of the CSR programmes implementation (43) were targeted. According to Coopers (2003) target population is the list of the entire element from which a sample is drawn.

3.3. Sampling Procedure and Sample Size

The researcher purposively sampled 7 Commercial Banks with 35 or more branches the respondent were 7 corporate affairs managers and 7 CSR officers. The branch network was the measure of size. Out of the remaining 36 commercial banks with less than 35 branches, the researcher randomly sampled to ensure each and every element in the population had an equal chance of being included in the sample (Kothari, 2010). The sample was done according to Sekaran and Bougie (2010) who suggest that 30% of the target population is representative enough to generalize characteristic being investigated. The sampling gave 11 commercial banks and the respondents were 11 corporate affairs managers and 11 CSR officers which yielded a total sample size of 36 target respondents comprising of 18 corporate affairs managers and 18 CSR officers.

3.4. Research Instrument

Primary data was collected through structured questionnaire with closed ended questions. The closed ended questions with a 5-points Likert scale collected quantitative data that was consistent with the choice of the research design adopted for this study. The questionnaire had three main subsections the sought to collect information regarding stakeholders' participation, physical environment and corporate social responsibility.

3.5. Data Collection Procedure

The research permit was obtained from NACOSTI whereas consent from the target Commercial Banks was processed through the human resource managers. The research instrument was delivered to the target respondent by hand and a follow-up was made to enhance the response rate. Completed questionnaires were collected after a period of two weeks.

3.6. Data Analysis and Presentation

The quantitative data collected was analyzed using both descriptive and inferential statistics. The analysis was carried out with the aid of the Statistical Package for Social Sciences (SPSS). Descriptive statistics comprised mainly of means and standard deviation and was presented in form of tables. However, inferential analysis was conducted using multiple regression analysis as shown in model 3.1.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$ ……………………………………..4.1

Where;

Y = Corporate Social Responsibility

X_1 = Stakeholders Participation

X_2 = Physical Environment

β_i = Beta Coefficients

A threshold of $p < 0.05$ was adopted for establishing statistical significance of both the model and beta coefficients.

4. Data Analysis and Interpretation

4.1. Introduction

The researcher hand –delivered 36 questionnaires to the target respondents in the sample 18 commercial banks. After the agreed period of two weeks, 32 dully filled questionnaires were collected translating to a response rate of 86 percent. This response rate was considered adequate for drawing conclusions from the research data as recommended by Mugenda and Mugenda (2003).

4.2. Descriptive Statistics

The characteristics of the sample were analyzed on the basis of the sample mean and sample standard deviation as shown in Table 1.

Research Variable	N	Aggregate Sample Mean	Aggregate Sample Std Dev
Stakeholders Participation	31	3.65	0.34
Physical environment	31	3.84	0.28
Corporate Social Responsibility	31	3.85	0.44

Table 1: Descriptive Measures
Source: Field Data (2016)

The results of descriptive analysis revealed that responses regarding stakeholder's participation had an aggregate sample mean and sample standard deviation of 3.65 and 0.34 respectively. In this case, the aggregate mean response for stakeholder's participation approximated to 4 on the Likert scale implying that the respondents agreed that stakeholder's participation was a crucial dimension for corporate social responsibility. Furthermore, there was a narrow variability of responses as demonstrated by the small standard deviation of 0.34. This low variability confirms that the sample mean response is a stable and reliable estimator of the population mean response.

Physical environment had an aggregate sample mean and sample standard deviation of 3.84 and 0.28 respectively. The aggregate mean response for physical environment therefore implied that the respondents were in agreement that physical environment was a critical aspect of corporate social responsibility. Moreover, there was small range of responses regarding physical environment as demonstrated by the small standard deviation of 0.28 confirming that the sample mean response is a reliable estimator of the true mean response.

The dimensions of corporate social responsibility studied had an aggregate sample mean and sample standard deviation of 3.85 and 0.44 respectively. These summary measures demonstrate that the respondents were in agreement with the activities regarding corporate social responsibility for climate change. The resulting small standard deviation demonstrated that the responses were close together and therefore aggregate sample mean response is a good estimator of the true mean response.

4.3. Inferential Statistics

Multiple regression analysis was adopted as a basis for conducting inferential analysis. The statistical significance of results of regression analysis was tested at 95% level of confidence so as to facilitate drawing conclusions. Stakeholder's participation and physical environment were regressed on corporate social responsibility.

Model	R		R Square	Adjusted R Square	Std. Error of the Estimate
1	.703[a]		0.495	.464	.24616

Table 2: Model Summary

a. Predictors: (constant), Stakeholder's Participation, Physical Environment

Source: Field Data (2016)

The results in Table 2 show that the adjusted coefficient of multiple determinition is 0.464. This demonstrates that stakeholder's participation and physical environment have an explanatory power of 46.4 % of variations in corporate social responsibility.

Model	Sum of Squares	Df		Mean Square	F	Sig.
1 Regression	1.959	2		.979	16.165	.000[a]
Residual	2.000	30		.061		
Total	3.959	32				

Table 3: Analysis of Variance

a. Predictors: (constant), Stakeholder's Participation, Physical Environment

b. Dependent Variable: Corporate Social Responsibility

Source: Field Data (2016)

The results of analysis of variance revealed that the proposed empirical model provide a good fit for the research data as it was statistically significant at F (2, 30) = 16.165 and a calculated probability = 0.000 less than the adopted threshold of 0.05. Therefore, the ANOVA statics demonstrate that the research data was suitable for making conclusion on the population's parameters.

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	Beta	Std. Error	Beta		
(Constant)	1.328	.567		2.340	.026
Stakeholder's Participation	1.017	.179	.857	5.673	.000
Physical Environment	.411	.115	.538	3.565	.001

Table 4: Coefficients of Regression

a. Dependent Variable: Corporate Social Responsibility

Source: Field Data (2016)

The empirical model that was estimated through regression analysis is presented below.

Corporate Social Responsibility = 1.328 + 1.017 Stakeholder's Participation +
0.411 Physical Environment ……………5.1

The estimated regression model indicates that that holding stakeholder's participation and physical environment to constant zero, corporate social responsibility would be at 1.328. In addition, stakeholder's participation is statistically significant at β=1.017; t = 5.673; p = 0.000. In this case, stakeholder's participation has a positive contribution to corporate social responsibility at 95% level of confidence. These results also illustrate that a unit increase in stakeholder's participation is associated with an increase of 1.017 in corporate social responsibility. This study concludes that there is a relationship between stakeholder's participation and corporate social responsibility for climate change in commercial banks.

Furthermore, physical environment has also been found to be statistically significant at β=0.411; t = 3.565; p = 0.001. This demonstrates that physical environment has a positive influence on corporate social responsibility at 95% level of confidence. The results reveal that a unit increase in physical environment leads to an increase of 0.411 in corporate social responsibility. Thus, this study concludes that there is a relationship between physical environment and corporate social responsibility for climate change in commercial banks.

5. Chapter Five Conclusion and Recommendation

5.1. Conclusion

Corporate performance is a key focus of management within organizations. This study investigated the effect of stakeholder's participation and physical environment on corporate social responsibility programs Commercial Banks in Kenya. On the basis of the findings, there are two critical conclusions that can be drawn. The two independent variables are statistically significant and both have positive influence on corporate social responsibility. However, it can be noted that stakeholder's participation has a greater contribution to corporate social responsibility programs as compared to physical environment.

5.2. Recommendation for Policy and Practice

Commercial Banks and other organizations should always engage the stakeholders in decision making as far as climate issues are concerned as this would have a bearing on the extent to which implementation of corporate social responsibility programs would be successful. Engaging stakeholders in dialogue should be considered to be a healthy practice for unearthing social and environmental issues that are most crucial to organizations and for ensuring accountability.

Policy makers should make Initiatives to promote such activities as planting tree, advocacy and support for use of green energy and supporting programs for management of solid waste that would to mitigate the adverse effect of environmental degradation. Moreover, commercial banks should put in place a distinct department to carry out corporate social responsibility programs. Adequate corporate resource should be committed for execution of the CSR activities in order to promote environmental protection and the general welfare of the society.

5.3. Recommendations for Further Study

The findings and conclusions of this study are delimited to stakeholders' participation, physical environment and corporate social responsibility in in Commercial Banks in Kenya. Future researchers should focus on undertaking replicative studies in other industries so as to provide necessary information for validating the findings of this study. Moreover, there is a need to conduct an empirical investigation of other variables that were not considered in the conceptualization of this study particularly deriving from the empirical implication of the coefficient of determination revealed by the output of the model summary.

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