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Effect of CSR on the Financial Performance of Financial Institutions in Kenya

Martin Kamau Muchiri [1], Szilvia Erdei-Gally [2,*] and Mária Fekete-Farkas [3,*]

[1] Doctoral School of Economics and Regional Sciences, Hungarian University of Agriculture and Life Sciences, Páter Károly u. 1., 2100 Gödöllo, Hungary; muchiri.martin.kamau@phd.uni-mate.hu
[2] Institute of Technology, Hungarian University of Agriculture and Life Sciences, Páter Károly u. 1., 2100 Gödöllo, Hungary
[3] Institute of Agricultural and Food Economics, Hungarian University of Agriculture and Life Sciences, Páter Károly u. 1., 2100 Gödöllo, Hungary
* Correspondence: erdeine.kesmarki-gally.szilvia@uni-mate.hu (S.E.-G.); farkasne.fekete.maria@uni-mate.hu (M.F.-F.); Tel.: +36-703137482 (S.E.-G.)

Abstract: Corporate social responsibility (CSR) is an integral path towards realizing vision 2030 and the sustainable goals of the UN, as well as the sustainable development of individual countries. However, in recent years it has become increasingly clear that these goals cannot be achieved without sustainable corporate practices. Previous research seeking determine the effect of CSR on the financial performance of various institutions have yielded different results, leaving geographical, sectorial, and scholarly gaps. This study aimed to discover the effect of CSR on the financial performance of financial institutions in Kenya, as this country lacks a direct association between CSR and corporate financial performance (CFP). We focused on examining the effect of ethical, charitable, and gender-mainstreaming CSR activities on the financial performance of financial institutions in Kirinyaga County. A study population of 300 employees working in the financial institutions in Kirinyaga County was included, and a sample of 171 participants was selected using stratified and systematic sampling techniques. A causal research design was adopted, and data were analyzed using SPSS software. Questionnaires were administered in person to gather primary data. The study found a strong positive relationship between CSR practices and the financial performance of financial institutions and recommends that firms invest more in ethical, charitable, and gender-mainstreaming CSR activities, as such activities positively influence their financial performance.

Keywords: corporate; social; responsibility; ethical; charitable; gender mainstreaming; activities; financial performance

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1. Introduction

CSR is the obligation of corporations to make decisions, formulate policies, and adopt actions that are consistent with the values and desires of society. Globally, compliance and commitment to sustainability goals has gained popularity and is becoming a priority worldwide (Tsalis et al. 2020). According to Carroll and Buchholtz (2003), there are four types of obligation associated with CSR: legal, economic, philanthropic, and ethical. Carroll and Shabana (2010) identified five common CSR dimensions, including the voluntary, economic, social, and interest dimensions. CSR as a concept entails corporate practices whereby entities voluntarily integrate both social and environmental uplift in their business operations and philosophy. Al-Ali Mubarak et al. (2020) note that CSR can be implemented in diverse ways to meet the overall environmental, social, and economic needs.

Companies can achieve social justice and promote environmental uplift by engaging in different aspects of CSR, including charity, gender mainstreaming, and embracing ethical responsibility. Freeman and Velamuri (2021) define ethical CSR as the responsibility of organizations to treat all stakeholders, including employees, investors, leaders, customers, and suppliers, fairly. Wymer (2021) defines charitable CSR as the part of the corporate philanthropic investment that involves donating financial resources to charities. Elomäki and Ylöstalo (2021) define gender mainstreaming as paying attention to gender disparity and perspectives with the aim of achieving social justice and equity. The implementation of gender-mainstreaming activities resonates with the vision 2030 goals and the 17 United Nations Sustainable Development Goals of 2015 (SDGs) (Mio et al. 2020).

There is no doubt that CSR has been an integral initiative in the attempt to realize vision 2030 and the UN global goals. Bexell and Jönsson (2017) note that firms embracing CSR strive to satisfy environmental, social, and economic needs. Chai et al. (2019) argue that the reason why some managers fail to invest in CSR is that they do not understand how it affects business performance. According to Jarmuševiča et al. (2019), there is an international demand for countries to train their citizens in CSR strategies to achieve regional and worldwide sustainability goals. According to Neszmélyi (2020), there are problems and challenges facing Africa, especially in regard to balancing between economic, political, and social needs. A study by Wang et al. (2016) indicated that the CSR–CFP relationship is more important in developed economies than in developing economies because of their different priorities. During the last decade, the examination of the relationship between CSR and the performance of companies has been the focus of researchers' and corporate managers' interest, but the topic has been less extensively researched in the banking sector, especially in developing countries. Although there is sufficient CSR literature pertaining to Western economies, there is a deficiency in the CSR literature from developing economies, implying that CSR is still a new phenomenon in the majority of developing economies (Kabir and Chowdhury 2022). Oyewumi et al. (2018) observed that CSR initiatives are concentrated in multi-national firms, and there is less CSR activity within the Nigerian banking sector.

Branco and Rodrigues (2006) note that the contribution of CSR activities is analyzed as a source of competitive advantage. Theodoulidis et al. (2017) add that moral considerations are highly important regarding social issues, and managers of financial institutions need to be mindful as to the impact of their corporate activities on other stakeholders, regardless of the possible pressures from shareholders. Szegedi et al. (2020) found that CSR disclosure improved accounting-based financial performance among the Pakistan banking sector, as indicated by return on assets (ROA) and return on equity (ROE) values.

A good business reputation is highly valuable to a firm, as it plays a big role in building customer loyalty, which indirectly increases business returns in the long run. Cochran (2007) argued that CSR can be used as a tool to promote a company's reputation, as the firm could be perceived as a good corporate citizen who considers the impact of its actions towards society. Suttipun et al. (2021) argue that the benefits of CSR–CPF can be explained by the legitimacy theory, which stipulates that firms will always strive to operate within societal norms and boundaries. CSR practices also help in the management of stakeholder relationships, which motivate the investors to provide more capital to the business (Weber 2008). The findings of Falck and Heblich (2007) indicated that firms with a positive reputation attract highly qualified professionals. Al-Ali Mubarak et al. (2020) established that perceived CSR practices by SMEs have a significant positive relationship with organizational performance. Bihari and Pradhan (2011) noted that there was an upsurge in CSR activities by Indian banks because such initiatives improved not only their images and customer goodwill but also their long-term financial performance.

According to Awaysheh et al. (2020), various governments across the world and different communities such as Los Angeles, New York City, San Diego, and Boston are also pressuring and requiring financial institutions to improve their services in neighbourhoods characterized by poverty and to regularly submit plans for community reinvestment to facilitate business opportunities. As of 31 October 2020, the Kenyan sector included 43 registered commercial banks, 9 microfinance institutions, 1 mortgage finance organization, 7 foreign bank representative offices, 105 foreign currency bureaus, and 2 credit reference agencies.

Financial companies across the globe are engaged in not only meeting the minimum regulatory requirements but also investing in social activities (Stonkutė et al. 2018). Long et al. (2020) observe that pressure emanating from social activists and NGOs plays an important role in accelerating CSR practices among financial enterprises across the globe. Today, consumers are interested in dealing with companies that show keenness to consider their needs (Mahrani and Soewarno 2018). Pakurár et al. (2019) argue that the emergence of social media platforms has also escalated pressure for corporate citizenship globally. Through social media platforms, customers can now demand explanations from companies if they are unsatisfied with their activities.

Kirinyaga County houses 16 financial institutions, including banks, SACCOs, and the Agriculture Finance Corporation (AFC). These institutions engage in diverse CSR activities, including agriculture, education for the needy, and environmental sustainability projects. In Kenya, many researchers have carried out studies seeking to examine the effect of CSR on economic and financial performance and have obtained mixed findings. Many studies have viewed CSR as the interaction of the organization with its social and physical environment, community involvement, customer/product safety, natural environment, and disclosures relating to human resources. A study carried out in Kenya by Chepkemoi and Moronge (2015) seeking to determine the relationship between CSR and return on equity found no relationship between CSR and ROE. A similar study was carried out by Kipruto (2013) seeking to examine the effect of CSR on the performance of commercial banks in Kenya. The findings revealed a positive relationship between CSR and the financial performance of firms. The study carried out by Kipruto indicated a U-shaped curve for environmental performance. The findings implied that there is an optimal level of environmental performance.

Various studies have looked into the impact of various components of CSR on firms' financial performance, with varying outcomes. In their study, Orlitzky et al. (2003) discovered a strong link between CSR and CFP. Ngwakwe (2009) and Hasan et al. (2018) found a positive association between CSR and CFP in their research. Ady et al. (2022) found that social and environmental responsibilities, CEO incentives, and other factors exhibit a positive relationship with ASEAN banks.

When Nelling and Webb (2009) examined the relationship between CSR and return on assets (ROA), they found no indication that CSR is linked to a company's financial performance. Another study carried out in Kenya by Chepkemoi and Moronge (2015) found no link between CSR and ROE. Studies by Barnett and Salomon (2003) noted that companies with low or high CSR investments tend to have high corporate financial performance, while those that invest moderately in CSR experience low financial performance. Margolis and Walsh (2003) noted that 53% of the studies carried out on the CSR–CFP relationship detected a positive relationship. According to Kipruto (2013), CSR investments among commercial banks in Kenya have been rising over time.

Activist groups, government agencies, and NGOs have placed a lot of pressure on companies to be accountable for their actions. Citizens are also becoming more conscious of the impact that companies' activities have on the environment, social welfare, and society at large. The Kenyan government recently banned the use of plastic bags to protect the environment, and the initiative was a success, which reflects the society's growing interest in sustainable practices (Muchiri and Muigai 2019).

Studies seeking to examine the CSR–CFP relationship have yielded diverse results. Some have found a positive relationship, some a negative relationship, some a mixed relationship, and others a neutral relationship. It is clear that there is no decisive directional association between CSR and CFP, leaving a significant dilemma for corporate managers who are confronted with the need to maximize shareholders' wealth while making sustainable and viable business decisions regarding social investments. Siueia et al. (2019) note that companies have increased their participation in CSR, especially in sub-Saharan Africa. However, the contribution of the banking industry is in doubt, since the sector consumes a high volume of paper and energy and produces a lot of waste. Furthermore, a literature survey revealed that such a study has not been carried out on small and medium-sized firms, nor has one been conducted in Kirinyaga County. The empirical findings of similar studies indicate a confusing relationship between CSR and the financial performance of firms. Therefore, in this study, we sought to bridge the sectorial, geographical, and empirical gaps identified by testing three research hypotheses using an SPSS regression model. The paper will be organized into the following sections: introduction, literature review, research methodology, results and discussion, summary and conclusion, limitations, and study recommendations. The research hypotheses are presented below:

Hypothesis 1 (H1). *There is a positive relationship between ethical CSR activities and financial performance*.

Hypothesis 2 (H2). *There is a positive relationship between charitable CSR activities and financial performance*.

Hypothesis 3 (H3). *There is a positive relationship between gender-mainstreaming CSR activities and financial performance*.

2. Literature Review

2.1. Theoretical Framework

In this section, we discuss three main theories relating to CSR and financial performance, namely the slack resource theory, agency theory, and relational theory.

2.1.1. Slack Resource Theory (CSR Gender-Mainstreaming Activities)

Slack resources are the spare capabilities that are underutilized and are free for deployment by a firm (Cyert and March 1963). This theory argues that firms with slack resources are open to the opportunity of investing highly in CSR and thus improving their social performance. The authors argue that firms with good financial performance are in a position to perform CSR activities due to the availability of slack resources. McGuire et al. (1988) argue that this theory implies that social investments are extra costs and firms can only engage in such activities if they have extra cash flows or extra resources. Asamoah (2019) examined the relationship between CSR investments and firms' financial performance under slack resource theory and established that a positive relationship existed between CSR and return on assets. Agusti-Perez et al. (2020) added that firms with slack resources are better placed to invest in social activities that are aimed at enhancing their employees' capacities and skills, such as employee training, gender mainstreaming, and sponsorship for employee education. By doing so, the employees increase their efficiency, and the firms gain a competitive advantage and financial returns in the long run. We can therefore confidently claim that the slack resource theory informs the hypothesis that 'there is a positive relationship between gender-mainstreaming CSR activities and financial performance'.

2.1.2. Agency Theory (Ethical CSR Activities)

This theory is associated with the shareholder-value-oriented theory, which has dominated in many business schools in recent decades (Ross 1973). The theory is based on the owner–manager relationship, with the owners being the principals and the managers being the agents. The fiduciary duty of the managers to the owners is to create strong incentives by maximizing their shareholder value. In the recent past, it became of paramount importance that companies engage in CSR activities while also considering the interests of those who have a stake in the firm. The 'enlightened value maximization' concept incorporates long-term value maximization strategies that permit some trade-offs with other relevant constituencies of the firm (Jensen 2000). This theory is based on the premise that managers occupy a fiduciary position and are expected to pursue shareholders' interests by behaving ethically. Ethical behavior in the workplace builds up employee motivation, as it prevents cases of corruption, fraud, nepotism, or any form of discrimination (Park and Lee 2021).

Employees are motivated by the fact that their career growth is based on merit. A motivated workforce is more efficient and likely to commit fewer mistakes. This motivation effect will count towards the long-term financial performance of the firm. Additionally, firms that behave ethically are more likely to attract highly skilled and talented professionals, who add to an organization's competitive advantage, resulting in increased financial performance in the long run (Girdwichai and Sriviboon 2020). Furthermore, an ethical culture means that an institution will not lose financial resources through fraudulent means. Therefore, this theory strongly informs the hypothesis that 'there is a positive relationship between ethical CSR activities and financial performance'.

2.1.3. Relational Theory (Charitable Activities)

The relational theory of CSR is based on the inter-relations between corporations and society (Zhu and Lai 2019). Corporations develop their relationships with their stakeholders through engagement and commitment to the stakeholders' interests. Businesses need to reflect their social power in their business processes when carrying out their CSR activities. The relational theory implies that business is carried out in society, with the CSR activities being the interacting factor. The approach comprises both interactive and ethical perspectives, with the interactive perspective emphasizing the integration of social demands by businesses, and the ethical perspective providing the basis for behaving in the right way to promote a good society (Garriga and Melé 2004). The stakeholder approach implies that the purpose of a firm is to create wealth and value for its stakeholders by turning their 'stakes' into goods and services (Clarkson 1995), or 'to carry stakeholders' interests'. To improve the management of the firm, corporations have used the stakeholder approach in order to manage their socially responsible behavior by going beyond the minimum requirements. According to Javed et al. (2020), firms that engage in charitable and philanthropic investments build a long-lasting relationship with the members of the society in which they operate. In return, the members of this society become loyal customers of the firm. Lyon and Maxwell (2020) add that charitable investments enhance a firm's reputation, which benefits the firm in the long run. Therefore, the relational theory provides a strong basis for the hypothesis that '*there is a positive relationship between charitable CSR activities and financial performance*'.

2.2. Review of Previous Literature

2.2.1. Charitable/Philanthropic Activities

Philanthropic activities in an organization may include and are not limited to donations, which may be in the form of cash, products, or sales; sponsoring charity events; employee volunteerism; and participation in the promotion of public service announcements. The practice of corporate giving has increased rapidly over the years, and numerous measures of CSR have also been introduced as a result (Guo et al. 2020). Firms with strong social values are associated with high financial performance (Verschoor and Murphy 2002; Radu and Smaili 2021).

Pearson (2000) adds that institutions perceived as trustworthy tend to enjoy long-term success, while those considered untrustworthy tend to have short-term success. The author concludes that the companies which engage in philanthropy in various aspects of their business activities exhibit transparency between the stakeholders and the management, and such firms achieve long-term successful financial performance. Pearson's results were supported by Chwistecka-Dudek and Korenkiewicz (2021), who observed that the shareholders' value and the stakeholders' management are directly correlated. An empirical study by Yunis et al. (2017) indicated that Pakistan firms engaging in philanthropic activities recorded positive financial performance. According to Yook and Lee (2020), firms that engage in philanthropic donations gain value in the capital market.

Godfrey (2005) carried out research to determine the relationship between shareholders' wealth and corporate philanthropy. The author justified why he chose to use corporate philanthropy as one of the variables in his research by arguing that professors, social indices, and other researchers consider corporate philanthropy as one of the most important measures of CSR. He recommended that corporate managers should engage in philanthropic activities since they increase the wealth of the shareholders, and suggested that firms need to be guided by three main principles: responsiveness, stability, and transparency. Additionally, he insisted that firms should be transparent with their philanthropic portfolio and suggested that firms should also be consistent with their philanthropic activities. Firms that consistently engage in philanthropic activities indicate that they do not do so purely for opportunistic reasons. Godfrey also argued that charitable giving by a firm is perceived as a manifestation of the firm's social responsibility, thus maximizing its value. Brown et al. (2006) carried out a study on corporate philanthropy, considering information such as governance, giving priorities, and the involvement of management in giving programs. The authors argued that empirical evidence shows that the agency cost also matters in corporate giving. Firms with a high number of board members are perceived as more focused on establishing a corporate foundation, and as a result such firms are highly involved in corporate giving. According to Ho et al. (2019), commercial banks in Mongolia that engage in corporate philanthropy have fewer non-performing loans. Neville et al. (2005) considered corporate philanthropy as entailing ethical benefits, such as a good social status, and extrinsic value that arises from supporting others who are in need. According to Siw (2017), philanthropical responsibility is discretionarily left to a firm, which chooses how it voluntarily allocates its resources to social and charitable activities in order to achieve its marketing objectives as well as its overall business-related objectives. There are no defined expectations as to how firms are supposed to perform.

2.2.2. Ethical Activities

The relationship between CSR and ethical leadership is underpinned by the stakeholder theory, which focuses on the values and morals that ought to guide the management of an organization (Guan and Noronha 2013). Brown et al. (2005) defined ethical leadership as the demonstration of appropriate behavior through suitable interpersonal interactions, personal actions, two-way communication, decision making, and reinforcement. Based on Carroll and Shabana (2010)'s definition of CSR, there are four categories of responsibilities involved: ethical, legal, economic, and philanthropic. Radu and Smaili (2021) add that society and corporate stakeholders expect corporate bodies to pursue these responsibilities. Toussaint et al. (2021) emphasized that corporations have responsibilities beyond their legal and economic obligations. Haji and Ghazali (2012) argued that the inclusion of ethical and discretionary responsibilities is a reflection of the broader modern social contract that exists between society and businesses.

Owiti (2013) provided examples of ethical responsibilities, such as refusing to conduct business with oppressive countries and paying fair wages to employees. Ethical organizations exhibit moral traits including honesty, fairness, trustworthiness, appropriate punishments and rewards, and accountability (Akben-Selcuk 2019). Ethical leaders not only behave in an ethical manner but also communicate the need to be ethical to the other employees. According to Long et al. (2020), from the perspective of shareholders, ethical leaders possess the art of sustaining and building good relationships with the other stakeholders in order to achieve the main goal of the business. Auliyah and Basuki (2021) observed that the inclusion of ethical values in the Indonesian banking sector resulted in improved financial performance in the long run. Maqbool and Zamir (2020) noted that the requirement for firms to conduct credible reporting on their social activities puts moral pressure on corporations. Kitchen and Burgmann (2010) explained that this is why some firms expand their market share following the successful marketing of their CSR activities.

CSR shares value congruence with ethical behavior (Carroll and Buchholtz 2003). The authors define CSR as the sum of the expectations that society has from an economic, legal, and ethical perspective. This definition expresses a non-written expectation for firms to undertake ethical and philanthropic responsibilities and to comply with the laws of the land so that they can secure social acceptance and economic viability. Bird et al.

(2007) concluded that there exists a positive relationship between CSR and the reputation of a firm. The authors also noted that a firm's reputation is its most significant intangible asset and greatly affects its financial performance. This view is supported by many other empirical studies, including that of Rindova et al. (2005) and Walsh et al. (2009). Esteban-Sanchez et al. (2017), however, established a negative relationship between ethical activities and financial performance but found a positive relationship between employee dimensions and CFP.

2.2.3. Gender Mainstreaming

There has been a lengthy debate on how institutions can ensure that both men and women have their voices heard in the structures of governance and are able to participate in the development and evaluation of policy making (Grosser and Moon 2005). The main aim of gender mainstreaming is to promote an involving, procedural, and technical mainstreaming process that promotes equity between different genders (Grosser 2016). The inclusion of women defines gender equality in the political context. It involves a systematic transformation process whereby organizations go beyond equal treatment in terms of taking positive actions to address group disadvantages and individual rights to identify the discriminatory organizational structures and systems and alter them as appropriate. Finland, for instance, has been using a gender-based budget for the last decade (Elomäki and Ylöstalo 2021).

Walby (2005) notes that this transformation has developed internationally, nationally, and regionally. The author argues that firms have seen significant results by including women in decision making. The author substantiates this by noting that the number of women working in private institutions has increased significantly. Shpak et al. (2018) and Lee and Yang (2021) argue that the concept of CSR has expanded beyond corporate philanthropy to include the people directly or indirectly involved in the production process. Li et al. (2021) noted that CSR directly influences the innovative behavior of employees in the workplace.

The findings of previous catalyst research indicate that firms that include more women in leadership positions outperform companies with the lowest female representation. According to Zulfiqar et al. (2019), CSR influences an organizational culture positively and encourages employee work engagement. Gutiérrez and Castaño (2021) note that gender mainstreaming not only has the potential to improve business culture but also plays a big role in helping a firm achieve its development goals. Studies also indicate that companies that have maintained gender diversity for about four to five years also significantly outperform those without female representation. Kirui and Onyuma (2019) note that the benefits of gender inclusivity extend beyond financial returns. The findings of Etiang (2020) suggest that there is a link between CSR and gender-inclusive leadership. Institutions with gender diversity tend to be successful. Moneva et al. (2020) observed that institutions with a high number of women in leadership positions contributed significantly towards charitable funds.

Several studies seeking to understand the relationship between gender diversity and financial performance have been conducted. A study by Mohammad et al. (2018) attempted to determine the relationship between the number of women in management and financial performance. The study did not find any statistically significant relationship between the financial performance of the firms under study and the number of women in managerial positions. Another study by Smith et al. (2006) examined the link between financial performance and management diversity. The study involved 2500 Danish firms, including both public and private firms. The study found a positive and a significant correlation between the number of female CEOs and the financial performance of the firms. Another study conducted by Christiansen et al. (2016) found similar results. The authors investigated the correlation between firm performance and gender diversity in senior executive positions. Similarly, the study involved both private and public companies and found a positive relationship between the number of women in senior positions and the firms' performance. Galletta et al. (2022) analyzed the influence of female directors on the sustainability performance of banks and found that female directors were more dedicated to environmental and social dimensions. A good combination of female and male directors improves the long-term environmental and financial performance of banks.

3. Research Methodology

A causal research design was used to establish the relationship between gender-mainstreaming, ethical, and philanthropic activities on the financial performance of the financial institutions under study. Descriptive statistics in the form of mean and standard deviation were used to explain the results. The target population for the study included all employees of financial institutions in Kirinyaga County. A sample of 171 employees was calculated using the Yomane formulae at a confidence level of 95%. Both systematic and Strata sampling techniques were used, as the employees came from different kinds of financial institutions, including SACCOs, commercial banks, and microfinances. The researchers conducted a pilot study by issuing a 15-point questionnaire.

Questionnaires were administered in person to the selected employees to collect primary data used for the analysis of the three variables. The financial performance (dependent variable) of the selected financial institutions was measured in the form of net profit after tax. Information on the financial performance was categorized according to ranges to estimate the financial performance of the selected institutions.

We used SPSS software version 20.0 for analysis. The main aim was to synthesize the data so as to identify the relationship patterns among the variables.

The variables were operationalized as shown in Table 1.

Table 1. Operational definitions of variables and related literature sources.

Variable	Indicators	Sources
Ethical CSR activities	• Existence of ethical policy • Creditor payment period • Budgetary allocations for ethical training programs • Number of unethical cases	Akben-Selcuk (2019); Auliyah and Basuki (2021); Bird et al. (2007); Brown et al. (2005); Carroll and Buchholtz (2003); Carroll and Shabana (2010); Guan and Noronha (2013); Haji and Ghazali (2012); Kitchen and Burgmann (2010); Long et al. (2020); Maqbool and Zamir (2020); Owiti (2013); Radu and Smaili (2021); Rindova et al. (2005); Shpak et al. (2018); Sroka and Szántó (2018); Walsh et al. (2009).
Charitable CSR activities	• Existence of charitable policy • Budgetary allocations for donations • Participation in education for needy students • Number of employee volunteering programs	Al-Ali Mubarak et al. (2020); Brown et al. (2006); Chwistecka-Dudek and Korenkiewicz (2021); Godfrey (2005); Gonda et al. (2020); Guo et al. (2020); Ho et al. (2019); Neville et al. (2005); Pearson (2000); Radu and Smaili (2021); Siw (2017); Verschoor and Murphy (2002); Yook and Lee (2020); Yunis et al. (2017).
Gender-mainstreaming activities	• Existence of gender-mainstreaming policy • Number of youth and people with disabilities • Proportions of female and male employees • Allocations for gender empowerment	Christiansen et al. (2016); Elomäki and Ylöstalo (2021); Etiang (2020); Grosser (2016); Grosser and Moon (2005); Gutiérrez and Castaño (2021); Kirui and Onyuma (2019); Lee and Yang (2021); Li et al. (2021); Mohammad et al. (2018); Moneva et al. (2020); Smith et al. (2006); Walby (2005).
Corporate financial performance	• Net profit after tax	

Source: authors' own.

Descriptive and correlational analyses were carried out to assign meaning to the data and present the study findings. The findings were presented in the form of APA tables. We used the Person coefficient for determining the nature of the relationship between ethical, gender-mainstreaming, and philanthropic/charitable activities. A linear regression model was used to determine the influence of the selected CSR independent factors on the financial performance. The regression equation below was adopted:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \quad (1)$$

where:

α = constant
Y = financial performance of financial institutions
X_1 = ethical activities
X_2 = philanthropic/charitable activities
X_3 = gender-mainstreaming activities
β_i = coefficient of various elements
ε = stochastic disturbance error term

4. Results and Discussion

The general purpose of this study was to determine the relationship between CSR and the financial performance of financial institutions in Kirinyaga County. This section presents the response rate; the data on the demographic characteristics of the respondents under study; the descriptive, regressional, and correlational results of the analysis; and the key findings in relation to the influence of gender-mainstreaming, charitable, and philanthropic activities on financial performance.

4.1. Descriptive Results (Response Rate)

The analysis was based on the data gathered from the 157 questionnaires that were successfully filled out by the respondents. We issued 171 questionnaires in total, translating to a response rate of 91.8%, which was considered excellent for our study. A response rate of 50% is considered adequate for an analysis, 60% is considered good, and a 70% response rate is considered excellent (Baruch 2000). The response rate of 90.1% was therefore considered excellent and appropriate for further analysis.

4.2. Demographic Analysis of the Respondents

4.2.1. Gender of the Respondents

The number of men who participated in answering the questionnaire was 83 out of 157, while the number of women who filled in the questionnaire was 74, translating to 48.5% male and 43.35% female respondents, as indicated in Table 2 below. This implies that the majority of the questionnaires were filled in by male respondents; however, there was a good number of female respondents who also participated in the study.

Table 2. Analysis of the gender of the respondents.

Gender		Frequency	Percent	Cumulative Percent
Valid	Male	83	48.5	52.9
	Female	74	43.3	100.0
	Total	157	91.8	
Missing	System	14	8.2	
Total		171	100.0	

Source: authors' own.

4.2.2. Descriptive Statistics of Ethical CSR Activities

Ethical activities were measured in terms of budgetary allocations for ethical training, timely payment to creditors, non-involvement in unethical cases, non-involvement in nepotism or any other kind of corruption, and the existence of an ethical CSR policy. The results revealed that 52.6% of the respondents strongly agreed that their firms made budgetary allocations for ethical activities. Of the rest, 32.2% agreed, 4.7% were undecided, and 1.8% disagreed. On average, the majority of the respondents agreed that their financial institutions made budgetary allocations for ethical training, as indicated by the mean of 1.51. The standard deviation was low at 0.686, implying that there was no great variation in regard to how different financial institutions allocated resources for promoting ethical behavior. Of the respondents, 42.1% strongly agreed that their firms made timely payments to their creditors, 46.8% agreed, and 2.3% were undecided. Generally, the majority of the financial institutions made timely payments to their creditors, as indicated by the mean of 1.56 with a standard deviation of 0.547, showing that there was little difference in the time taken by the firms to pay their creditors.

In regard to involvement in unethical activities, 49.1% strongly agreed that their institutions had not been involved in any unethical cases, while 42.7% agreed. As indicated by the mean of 1.46, the majority of the financial institutions had not been involved in unethical cases. Similar results were also obtained with regard to the tolerance of nepotism or any other kind of corruption, with 54.4% strongly agreeing that their firms did not tolerate nepotism or any kind of corruption, and 37.4% agreeing. The results revealed low standard deviations in the ethical activities carried out by the firms, implying that there were no major variations in how different financial institutions undertook ethical activities. Of the respondents, 39.8% strongly agreed that their institutions had an existing ethical policy, 45% agreed, and 7% were undecided. Overall, there was little standard deviation in regard to ethical activities across all the financial institutions, implying that the institutions considered ethics to be integral to their operations, whether they were large-, medium-, or small-sized. The results are presented in Table 3 below.

Table 3. Descriptive statistics of ethical CSR activities.

Statement	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Mean	Standard Deviation
My firm makes budgetary allocations for ethical training programs.	52.6	32.2	4.7	1.8	0	1.51	0.686
My firm makes on-time payments to its creditors.	42.1	46.8	2.3	0	0	1.56	0.547
My firm has been involved in a number of unethical cases.	49.1	42.7	0	0	0	1.46	0.500
My firm does not tolerate nepotism or any kind of corruption.	54.4	37.4	0	0	0	1.41	0.493
My firm has an existing ethical policy.	39.8	45.0	7	0	0	1.64	0.620

Source: authors' own.

4.2.3. Descriptive Statistics of Charitable Activities

Charitable activities were measured in terms of the budgetary allocations made for donations, educational support for needy students, the involvement of employees in voluntary programs, support for disadvantaged members of society, and the existence of a charitable policy in the institutions. The descriptive statistics revealed that 46.8% of the respondents strongly agreed that their institutions made budgetary allocations for donations, while 45% agreed with the same statement. Cumulatively, the majority of the financial institutions allocated resources to support the needy in society, as indicated by the mean of 1.49 with a standard deviation of 0.502.

In regard to educational support for needy students, the descriptive statistics indicated that 33.9% strongly agreed that their financial institutions supported education for needy students, 21.1% agreed, 0.6% were undecided, 19.9% disagreed, and 16.4% strongly disagreed. On average, the mean was 2.61, with a high standard deviation of 1.580, implying that there was significant variation in the participation of financial institutions in supporting needy students. This was due to the heterogeneity of the financial institutions studied, as we included large commercial banks and SACCOs, mid-sized financial institutions, and small financial institutions such as microfinances. Support for education is associated with a high cost, and it is therefore not undertaken by financial institutions that are small or financially unstable. The high-performing financial institutions had invested highly in sponsoring education for students. This explains why the standard deviation was high, at 1.580.

In regard to employee volunteering programs, the descriptive statistics revealed that 26.3% strongly agreed that their institutions engaged in volunteering programs, while 65.5% agreed on the same. The mean of 1.71, as indicated in Table 4, meant that the majority of the financial institutions engaged in volunteering activities. Of the participants, 71.3% strongly agreed that their firms supported disadvantaged members of society, while 20.5% agreed on the same. On average, the majority of firms supported disadvantaged members of society, as indicated in Table 4, with a mean of 1.22 and a standard deviation of 0.418. Of the participants, 41.5% strongly agreed that their firms had an existing CSR policy, 43.3% agreed, 5.3% were undecided, and 1.8% disagreed. Generally, the majority of the firms had an existing CSR policy, as indicated by the mean of 1.66.

Table 4. Descriptive statistics of charitable activities.

Statement	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Mean	Standard Deviation
My firm makes budgetary allocations for donations to the needy.	46.8	45.0	0	0	0	1.49	0.502
My firm supports education programs for needy students.	33.9	21.1	0.6	19.9	16.4	2.61	1.580
My firm participates in employee volunteering programs.	26.3	65.5	0	0	0	1.71	0.454
My firm supports disadvantaged members of society.	71.3	20.5	0	0	0	1.22	0.418
My firm has an existing charitable policy.	41.5	43.3	5.3	1.8	0	1.66	0.692

Source: authors' own.

4.2.4. Descriptive Statistics of Gender-Mainstreaming Activities

Gender-mainstreaming activities were measured in terms of budgetary allocations for gender empowerment programs, the employment of youths and people with disabilities by the firms, the gender composition of the institutions, and the existence of gender equality policies in the financial institutions. The results revealed that the majority of the financial institutions did not make budgetary allocations for gender-mainstreaming activities, as indicated by the mean of 3.5 with a standard deviation of 1.090. Of the respondents, 24.6% agreed that their institutions made budgetary allocations for promoting gender-mainstreaming initiatives, 14.6% were undecided, 34.5% disagreed, and 18.1% strongly disagreed. Additionally, 57.3% strongly agreed that their financial institutions employed youths and people with disabilities, while 34.5% agreed. The majority strongly agreed on the employment of people with disabilities, as indicated by the mean of 1.38. Furthermore, 36.8% agreed that the gender composition of the employees working in the institution was good, 46.8% agreed, 1.2% were undecided, and 7% strongly disagreed.

In regard to the gender composition of the management of the financial institutions, the respondents agreed that their financial institutions had a good gender composition, as indicated by the mean of 1.51. Of the respondents, 52.6% strongly agreed, 32.7% agreed, 3.5% were undecided, and 2.3% disagreed that there was an equal gender composition among the management positions in their institutions. It was also revealed that 38% of the respondents strongly agreed that their institutions had an existing gender-mainstreaming policy, 40.9% agreed, 6.4% were undecided, and 1.2% strongly disagreed. Cumulatively, the results suggested agreement as to the existence of policies regarding gender mainstreaming, as indicated by the mean of 1.81. The results are illustrated in Table 5 below.

Table 5. Descriptive statistics of gender mainstreaming.

Statement	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Mean	Standard Deviation
My firm makes budgetary allocation for gender empowerment programs.	0	24.6	14.6	34.5	18.1	3.50	1.090
My firm employs youth and people with disabilities.	57.3	34.5	0	0	0	1.38	0.486
The gender composition of the employees in my institution is good.	36.8	46.8	1.2	7.0	0	1.76	0.818
The gender composition of the management positions is good.	52.6	32.7	3.5	2.3	0	1.51	0.695
My firm has an existing gender-mainstreaming policy.	38.0	40.9	6.4	5.3	1.2	1.81	0.893

Source: authors' own.

4.2.5. Descriptive Statistics of Financial Performance

Financial performance was measured using net profit after tax. To conduct the analysis, the net profit was coded on a scale of 1 to 5, where the highest performance was coded as 1, cascading downwards to 5, which was coded as the lowest performance. The financial data were categorized into ranges as follows: 5 (below zero), 4 (0–1,500,000), 3 (1,500,001–3,000,000), 2 (3,000,001–5,000,000), and 1 (above 5,000,000).

The descriptive statistics, as shown in Table 6 below, indicated that 38.6% of the financial institutions under study generated an annual revenue of above KSH 5,000,000; 26.3% generated a net profit between KSH 3,000,001 and 5,000,000; 21.6% generated an average net profit between KSH 1,500,001 and 3,000,000; and 9% generated an average net profit between KSH 0 and 1,500,000. Out of the sample of 171 financial institutions, 157 responded to the questionnaire. The results are presented in Table 6 below.

Table 6. Financial performance of the financial institutions.

Net Profit		Frequency	Percent	Cumulative Percent
Valid	Above 5,000,000	66	38.6	42.0
	3,000,001–5,000,000	45	26.3	70.7
	1,500,001–3,000,000	37	21.6	94.3
	0–1,500,000	9	5.3	100.0
	Total	157	91.8	
Missing	System	14	8.2	
Total		171	100.0	

Source: authors' own.

4.3. Correlational Analysis

According to Cohen et al. (2014), correlation analysis helps reveal the predictive characteristics of examined variables. This study used Pearson coefficients to test for correlation (r) between the variables. The coefficients range from −1 to +1, where a coefficient of −1 represents a negative relationship, a coefficient of +1 represents a positive relationship, and zero indicates no linear association between the variables. The results generally revealed a positive relationship between CSR activities and financial performance. Specifically, the results of the study indicated that there was a weak positive relationship between financial performance and environmental CSR activities, as indicated in Table 7 (r = 0.373). Similarly, the results revealed a positive relationship between financial performance and ethical CSR activities (r = 0.443). There was a strong positive relationship between financial performance and charitable CSR activities (r = 0.743). The results also revealed a weak positive relationship between financial performance and gender-mainstreaming activities (r = 0.337).

Table 7. Correlation findings.

Variables	Correlation	Financial Performance of the Financial Institutions	Ethical Activities	CSR Charitable Activities	Gender-Mainstreaming CSR Activities
Financial performance of the financial institutions	Pearson correlation Sig. (2-tailed) N	1 157	0.443 0.000 157	0.743 0.000 157	0.337 0.000 157
Ethical CSR activities	Pearson correlation Sig. (2-tailed) N	0.443 0.000 157	1 157	0.373 0.000 157	0.073 0.365 157
Charitable CSR activities	Pearson correlation Sig. (2-tailed) N	0.743 0.000 157	0.373 0.000 157	1 157	0.239 0.003 157
Gender-mainstreaming CSR activities	Pearson correlation Sig. (2-tailed) N	0.337 0.000 157	0.073 0.365 157	0.239 0.003 157	1 157

Source: authors' own.

4.4. Regression Analysis

4.4.1. Test for Independence of Variables

Linear regression assumes that there is no interdependence among variables and hence the chances of autocorrelation occurring are minimal (Singh and Masuku 2014). A multiple regression analysis was used to determine the combined effect of ethical, gender-mainstreaming, and charitable activities on the dependent variables. To test the independence among variables, the Durbin–Watson test for autocorrelation was performed. The 'd' value was 1.839. Genest and Rémillard (2004) note that when the d value lies between 1.5 and 2.5, it implies that there is no autocorrelation among variables and hence the variables are independent. Our results indicated a strong positive relationship between the CSR factors under analysis and the financial performance of the firms, as indicated by R^2 = 0.626 (Table 8).

Table 8. Test of independence of variables.

Model	R	R Square	Adjusted R Square	RStd. Error of the Estimate	Durbin–Watson
1	0.791 [a]	0.626	0.616	0.583	1.839

Note: [a] Predictors: (constant) gender-mainstreaming CSR activities, ethical CSR activities, charitable CSR activities.
Source: authors' own.

4.4.2. Test for Multicollinearity

In this study, the data were tested for multicollinearity using the tolerance limit and variance inflation factor (VIF). According to Senaviratna and Cooray (2019), a VIF of less than 10 and a tolerance limit of at least 0.1 show that the variables are not collinear. As illustrated in Table 9, none of the VIF values were greater than 10, while the tolerance limits were all above 0.1. These results indicate that there was no collinearity among the independent variables, and therefore it was acceptable to fit ethical CSR activities, charitable

CSR activities, and gender-mainstreaming CSR activities jointly to examine their influence on the financial performance of the selected institutions.

Table 9. Multicollinearity test.

Coefficients [a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	CSR Ethical Activities	0.998	1.002
	CSR Charitable Activities	0.967	1.034
	CSR Gender-Mainstreaming Activities	0.968	1.033

Note: [a] Dependent variable: financial performance of the financial institutions. Source: authors' own.

4.4.3. Ethical Activities and Financial Performance

The first objective was to determine the effect of ethical CSR activities on the financial performance of the financial institutions in Kirinyaga County. The results revealed that CSR investments in ethical activities were positively related to the financial performance of the financial institutions, as indicated by R = 0.443 (Table 10). Ethical activities could only explain about 19.7% of the financial performance, as indicated by R^2 = 0.197, while 80.3% could be explained by factors other than the ethical activities.

Table 10. Effect of ethical CSR activities on the financial performance.

Model Summary [b]					
Model	R	R Square	Adjusted R Square	RStd. Error of the Estimate	Durbin–Watson
1	0.443 [a]	0.197	0.191	0.846	1.839

Note: [a] Predictors: (constant) ethical CSR activities, [b] Dependent variable: financial performance of the financial institutions. Source: authors' own.

To test the significance of the regression model, an F-test was conducted, as indicated in Table 11. The ANOVA results revealed that the model was significant (F (1, 155) = 37.932, p = 0.000 at a significance level of 5%).

Table 11. ANOVA analysis of ethical activities.

ANOVA [a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.177	1	27.177	37.932	0.000 [b]
	Residual	111.052	155	0.716		
	Total	138.229	156			

Note: [a] Dependent variable: financial performance of the financial institutions, [b] Predictors: (constant) ethical CSR activities. Source: authors' own.

4.4.4. Charitable Activities and Financial Performance

The second objective of the study was to determine the effect of charitable activities on the financial performance of the financial institutions in Kirinyaga County. The results revealed that charitable activities were positively related to financial performance (R = 0.743). This implied that an increase in charitable initiatives by financial institutions results in an increase in financial performance. Charitable activities could explain about 55.2% of the changes in the financial performance of the financial institutions in Kirinyaga County, as indicated by the coefficient (R^2 = 0.552). Of the firms' performance, 44.8% could be explained by factors other than charitable activities. The results are shown in Table 12.

Table 12. Regression findings for charitable activities.

Model Summary [b]					
Model	**R**	**R Square**	**Adjusted R Square**	**RStd. Error of the Estimate**	**Durbin–Watson**
1	0.743 [a]	0.552	0.549	0.632	1.782

Note: [a] Predictors: (constant) charitable CSR activities, [b] Dependent variable: financial performance of the financial institutions. Source: authors' own.

The regression model used to generate the results above was tested for significance using an F-test. The results in Table 13 revealed that the model was significant (F (1, 155) = 191.055, p = 0.000, at a significance level of 5%).

Table 13. ANOVA findings for charitable activities.

ANOVA [a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	76.316	1	76.316	191.055	0.000 [b]
	Residual	61.914	155	0.399		
	Total	138.229	156			

Note: [a] Dependent variable: financial performance of the financial institutions, [b] Predictors: (constant) charitable CSR activities. Source: authors' own.

4.4.5. Gender-Mainstreaming Activities and Financial Performance

The third objective was to determine the effect of gender-mainstreaming activities on the financial performance of the financial institutions in Kirinyaga County. In Table 14, the results revealed a positive relationship between gender-mainstreaming activities and financial performance (R = 0.337). As indicated by the coefficient of determination (R^2 = 0.113), gender-mainstreaming activities explained about 11.3% of the changes in the financial performance, and 88.7% could be explained by factors other than gender-mainstreaming activities.

Table 14. Gender-mainstreaming activities and financial performance.

Model Summary [b]					
Model	**R**	**R Square**	**Adjusted R Square**	**RStd. Error of the Estimate**	**Durbin–Watson**
1	0.337 [a]	0.113	0.108	0.889	1.733

Note: [a] Predictors: (constant) gender-mainstreaming CSR activities, [b] Dependent variable: financial performance of the financial institutions. Source: authors' own.

To test the significance of the model, an F-test was carried out, and the results revealed that the model was significant (F (1, 155) = 19.800, p = 0.000 at significance level of 5% (Table 15)).

Table 15. ANOVA findings for gender-mainstreaming activities.

ANOVA [a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	15.657	1	15.657	19.800	0.000 [b]
	Residual	122.572	155	0.791		
	Total	138.229	156			

Note: [a] Dependent variable: financial performance of the financial institutions, [b] Predictors: (constant) CSR for gender-mainstreaming activities. Source: authors' own.

4.5. Summary and Discussion

The results revealed that CSR initiatives by financial institutions in Kirinyaga County were positively related to the financial performance of the institutions. Environmental, ethical, charitable, and gender-mainstreaming activities were found to have a significant positive effect on the firms' financial performance. The findings were consistent with those of Anyona (2005), who determined a positive relationship between portfolio performance and CSR. He also attributed the improved performance to the good corporate image created by the company through engaging in responsible environmental and ethical activities, noting that investors prefer companies that present a good corporate image. Financial institutions, like other businesses, strive to maintain their customers. Modern customers are more conscious of the activities carried out by firms. Firms that demonstrate their willingness and commitment to participate in solving the social problems that result from environmental degradation are able to retain their customers and attract investors, who prefer firms with a well-established corporate image. This study was unique in that its focus was placed on the individual staff perspective, since many previous studies have used secondary data and content analysis methods to gather and quantify firms' engagement in CSR activities. This approach was fruitful in highlighting new perspectives based on how staff perceive firms' commitment to engaging in ethical, charitable, and gender-mainstreaming activities.

4.5.1. Ethical Activities and Financial Performance

The descriptive findings indicated that the majority of the financial institutions embraced ethical activities, with the lowest standard deviation regardless of data heterogeneity. This implied that ethical behavior was considered critical by the majority of the financial institutions regardless of their size. The correlational findings also revealed that ethical activities were positively related to the financial performance, as indicated by $R = 0.443$. The results also revealed that ethical activities contributed 19.7% to the financial performance, and the relationship was significant ($p = 0.000$).

The findings were consistent with the stakeholder theory, which proposes that managers ought to be guided by moral values while making their decisions (Guan and Noronha 2013). Cho et al. (2019) add that society expects firms to pursue their ethical responsibilities. Atmeh et al. (2020) revealed that ethical behavior, which is an intrinsic motive, has a great influence on the financial performance of a firm. Owiti (2013) suggested that ethical organizations exhibit moral traits including honesty, fairness, trustworthiness, appropriate punishments and rewards, and accountability, and this is integral to sustaining and building good relationships with other stakeholders in order to achieve the main goal of the business. Tulcanaza-Prieto et al. (2020) found that philanthropic and ethical initiatives were positively related with non-financial indicators in the Ecuadorian banking sector.

The relationship between CSR and ethical leadership is underpinned by the stakeholder theory, which focuses on the values and morals that ought to guide the management of an organization (Guan and Noronha 2013). Brown et al. (2005) define ethical leadership as the demonstration of appropriate behavior through suitable interpersonal interactions, personal actions, two-way communication, decision making, and reinforcement. Based on Carroll and Shabana (2010)'s definition of CSR, there are four categories of responsibility involved: ethical, legal, economic, and philanthropic. Society and corporate stakeholders expect corporate bodies to pursue these responsibilities. Birch (2017) emphasizes that corporations have responsibilities beyond their legal and economic obligations. The author adds that discretionary and ethical responsibilities are included as obligations beyond the legal and economic responsibilities. Haji and Ghazali (2012) argued that the inclusion of ethical and discretionary responsibilities is a reflection of the broader modern social contract that exists between society and businesses.

Owiti (2013) provided examples of ethical responsibilities, such as refusing to conduct business with oppressive countries and paying fair wages to employees. Ethical organizations exhibit moral traits including honesty, fairness, trustworthiness, appropriate punishments and rewards, and accountability. Ethical leaders not only behave in an ethical manner but also communicate the need to be ethical to the other employees. From the perspective of the shareholders, ethical leaders possess the art of sustaining and building good relationships with other stakeholders in order to achieve the main goal of the business. Our findings also agreed with many other empirical findings, including those of Rindova et al. (2005) and Walsh et al. (2009), who determined that ethical activities are positively related to the financial performance of firms. It can be very hard for customers and investors to trust financial institutions that do not focus on ethics, and this not only decreases the returns of the firms but also makes their survival precarious.

4.5.2. Charitable Activities and Financial Performance

The correlational findings indicated that charitable activities had the strongest positive relationship with the financial performance of the financial institutions, as indicated by R = 0.743. The relationship was significant ($p = 0.000$). Charitable activities, which included budgetary allocations for donations, educational support for needy students, volunteering programs for employees, and support for disadvantaged members of society contributed 55.2% to the financial performance of the financial institutions in Kirinyaga County, as indicated by $R^2 = 0.552$. The findings also revealed that the majority of the respondents agreed that their firms had an existing ethical policy, as indicated by the mean of 1.66.

The findings were consistent with the results of Chwistecka-Dudek and Korenkiewicz (2021), who observed that stakeholder management is directly related to shareholder value. The findings also agreed with the results of Godfrey (2005), who recommended that corporate managers should engage in charitable activities, since they increase the wealth of shareholders. Charitable giving by a firm is perceived as evidence that the firm is socially responsible, thus maximizing its value. Neville et al. (2005) and Sroka and Szántó (2018) considered corporate philanthropy as entailing ethical benefits, such as a good social status, and extrinsic value that arises from supporting others who are in need. Tsai and Mutuc (2020) added that CSR and intellectual capital provide an important link between stakeholders and their enterprises. The descriptive statistics indicated that education support had the largest standard deviation, 1.580. This implied that while some financial institutions participated in sponsoring needy students, other did not. This could be attributed to the fact that education support attracts a high cost, which small and medium-sized financial institutions could not meet sustainably. Firms that participate in philanthropic activities gain loyalty from customers, as they serve the needs of society, and this contributes to a high financial performance in the long run. This is consistent with the findings of Gonda et al. (2020).

4.5.3. Gender-Mainstreaming Activities and Financial Performance

The correlational findings revealed a positive relationship between gender-mainstreaming activities and financial performance (R = 0.337). As indicated by the coefficient of determination ($R^2 = 0.113$), gender-mainstreaming activities, which included budgetary allocations for gender mainstreaming, the employment of youths and people with disabilities, a good gender composition among employees and in management positions, and the existence of gender-mainstreaming policy, explained about 11.3% of the changes in financial performance. The findings were consistent with the results of Walby (2005), who indicated that firms that included more women in leadership positions outperformed companies with the lowest female representation, and companies that maintained gender diversity for about four to five years significantly outperformed those without female representation.

Similar results were revealed by the study of Smith et al. (2006), who found a positive and significant correlation between the number of female CEOs and the financial performance of Danish firms. The results were also supported by Christiansen et al. (2016). However, our findings disagreed with those of Mohammad et al. (2018), who did not determine a positive relationship between the financial performance of the firms under study and the number of women in managerial positions.

The inclusion of people with disabilities in a firm's workforce is a clear indication that the financial institution believes in the rule of equality and gender mainstreaming. This demonstrates to society that the financial institutions are committed to promoting justice and equality, which are important virtues in society. As a result, the members of society reward the firms by becoming their stakeholders. The employment of youth has also been associated with high performance. Young people are highly energetic and well-versed in technology. As a result, firms that employ young people become highly competitive in the industry. Recent studies have also indicated that female leaders are associated with the high performance of financial institutions due to their unique managerial skills. Several of the leading companies across the globe and in Kenya are led by women. Therefore, this study concludes that gender-mainstreaming activities are positively related to the financial performance of financial institutions.

4.6. Hypothesis Testing

To test the hypotheses, we ran a multiple regression analysis using SPSS software. All three independent variables were included in the regression model and run against the dependent variable. The main aim was to test the significance of the beta factors of the CSR factors under study to elucidate the contributions of each variable towards the dependent variable and guide us on whether to accept or reject the null hypothesis. The study results revealed that the beta factors for ethical, charitable, and gender-mainstreaming CSR activities were significant, as indicated by the sig values of 0.461, sig = 0.000; 0.721, sig = 0.000; and 0.254, sig = 0.001, respectively. Interestingly, the constant in the regression model was found to be insignificant ($p = 0.123$), implying that the other omitted variables in this study were not important CSR influencers of firms' financial performance. Based on this finding, it makes sense to claim that in the context of developing countries, a firm's choice to invest in certain CSR activities is an important decision. A firm that focuses on environmental CSR activities, for instance, may experience different long-term benefits compared to a firm that supports education for poor and needy children, focuses on gender-mainstreaming programs, behaves ethically, or perhaps engages in philanthropic or charitable activities. This also explains why some studies exploring different aspects of CSR found a negative CSR–CFP relationship, while other similar studies found U-shaped CSR–CFP relationships. Based on the results of the three hypotheses, the alternative hypotheses (H1, H2, and H3) were accepted, confirming that ethical, charitable, and gender-mainstreaming CSR activities affect the financial performance of firms. The results of the hypothesis testing are summarized in Table 16.

Table 16. Hypothesis testing results.

Coefficients [a]						
Model		**Unstandardized B**	**Coefficient Std. Error**	**Standardized Coefficient Beta**	**t**	**Sig.**
1	(Constant)	−0.441	0.284		−1.552	0.123
	Ethical CSR activities	0.461	0.125	0.197	3.677	0.000
	Charitable CSR activities	0.721	0.063	0.628	11.437	0.000
	Gender-mainstreaming activities	0.254	0.074	0.175	3.428	0.001

Note: [a] Dependent variable: financial performance of the financial institutions. Source: authors' own.

5. Conclusions and Recommendations

5.1. Conclusions

The general purpose of this study was to determine the effect of CSR on the financial performance of financial institutions in Kirinyaga County. The CSR practices included in this study were found to be significant determinants of financial performance. The findings of the study agreed with the results of many other scholars, as indicated in the analysis above, but also differed from several other CSR–CFP studies. Our study revealed that ethical activities, charitable activities, and gender-mainstreaming activities uniquely and positively affect the financial performance of financial institutions.

5.2. Recommendations

We offer the following recommendations based on the research findings. First, the results revealed a weak positive relationship between ethical activities and financial performance. We therefore recommend that financial institutions should embrace activities that are based on strong positive morals and values, as such positive actions can influence the financial performance of the institutions. Secondly, the results revealed that charitable activities had the largest effect on the financial performance of the financial institutions in Kirinyaga County. We therefore recommend that firms should invest highly in charitable activities and should be deliberate in promoting the welfare of the society in which they operate, as such actions can earn customer loyalty, which can translate to better financial performance. The results also revealed that gender-mainstreaming activities are positively related to financial performance. Lastly, it is important to note that the constant in the regression model was found to be insignificant, so the other variables were eliminated. Based on these findings, we recommend that financial institutions should promote gender-mainstreaming activities such as the inclusion of both genders in management positions and the employment of the youths and people with disabilities in the workplace, as such initiatives positively influence the performance of firms.

5.3. Limitations and Scope for Future Research

The main limitation of this study was the lack of access to data on budgetary allocations for the various CSR activities among the selected institutions, especially among the small and medium-sized financial institutions. The study suggests that future CSR research should be conducted from a perceptional questions perspective, especially when examining entities without a well-established CSR reporting mechanism. Further, the researchers recommend that similar studies be conducted on other sectors such as insurance companies, private hospitals, the communication sector, non-financial institutions, SMEs, and the manufacturing sector to establish if the relationship holds. The researchers also recommend that research be carried out to determine whether the benefits of the CSR activities carried out in a given year are realized in the same year or in subsequent years. Additionally, future studies focusing on CSR may examine aspects of CSR from the perspective of individual staff members, since many previous studies have used secondary data and content analysis methods to gather and quantify firms' engagement in CSR activities. Using such data and exploring them under behavioral theories may be fruitful in illuminating new perspectives based on how staff perceive firms' commitment to conducting ethical, charitable, and gender-mainstreaming CSR activities.

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