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The Corporate Social Responsibility Strategies and Activities Employed By the Equity Bank in Kenya to Improve Its Performance

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Abstract: *Corporate social responsibility (CSR) playa an increasingly important role in business success today, and economic, political, and social factors are shaping CSR strategies around the world. Approached strategically, CSR has the potential to generate opportunity, innovation and competitive advantage for organizations while solving pressing social problems. The study explored the effectiveness of CSR strategies on organizational performance by ascertaining whether responsibility towards primary stakeholders influences the financial and non-financial performance of commercial banks. The author focused on the Equity Bank in Kenya. Content analysis of the Bank's financial reports between the years 2006 and 2012 was done to ascertain the relationship between CSR and performance of the Bank. The establishment of EGF, a fully fledged subsidiary of Equity Bank, to handle all aspects of social responsibility for the Bank is a clear attestation of how important and serious the institution considers CSR in their day-to-day operations. The categorization of the CSR strategies into thematic areas showed that, to the Eank, social responsibility is not just a philanthropic deed to society but a strategic tool for furtherance of business objectives, including stakeholder relationships. The study recommended the need for organizations to be more inclusive and participatory among all the stakeholders at all levels of implementation as well as further research to determine the level at which CSR impacts on performance and the influence of prior organizational performance on social responsibility.*
Keywords: *Corporate Social Responsibility Strategies, Activities, Equity Bankin Kenya Performance.*

I. Introduction

Kotler (2005) posits that CSR strategies or corporate social initiatives are major activities undertaken by a firm to support social causes and to fulfil commitments to Corporate Social Responsibility. Causes most often supported through these initiatives are those that contribute to community health, safety, education, employment, the environment, community and economic development and other basic human needs and desires.

Hopolang (2010), on the impact of CSR on the corporate financial performance of companies listed on Johannesburg securities exchange asserts that through three different mechanisms, finance is shown to drive CSR. During the early financing, business culture and strategy can be influenced by the choice of projects banks finances. An example is the green project finance in the Netherlands which offers credit for investment projects that improve the environment. The second mechanism involves community investing. In this strategy, minority groups such as women, low and middle income earners that are likely to be marginalized by financial institutions are provided access to capital and basic banking products. The third mechanism is project finance. As stated earlier, banks are sometimes criticized for the actions of their clients; hence it becomes important to rationalize the projects they finance.

Babalola (2012), in a study of the impact of corporate social responsibility on firms profitability in Nigeria posits that organizations have developed a variety of strategies for dealing with the intersection of societal needs, the natural environment and corresponding business imperatives with respect to how deeply and how well they are integrating social responsibility approaches into both strategy and daily operations world wide.

The impact of CSR strategies on performance

Socially responsible corporate performance can be associated with a series of bottom line benefits. But in many cases, it seems that the time frame of the costs and benefits can be out of alignment – the costs are immediate, and the benefits are not often realized quarterly (Margarita, 2004). Nevertheless many benefits can be identified; firstly, socially responsible companies have enhanced brand image and reputation. Consumers are often drawn to brands and companies with good reputations in CSR related issues Margarita argues.

A company regarded as socially responsible can also benefit from its reputation within the business community by having increased ability to attract capital and trading partners. Socially responsible companies also have less risk of negative rare events. The risks related to CSR could be grouped into three categories: corporate governance, environmental aspects, and social aspects. Companies that adopt the CSR principles are more transparent and have less risk of bribery and corruption. In addition, they may implement stickers and thus more costly quality and environmental controls but they run the less risk of having to recall defective product lines and pay heavy fines for excessive polluting (Margarita, 2004).

According to McEthaney (2009), the most researched and proven financial benefits of effective strategic CSR can be found in areas of human resources and talent management, reputation and branding and operational cost savings. To McEthaney (ibid.), it is evident that employees are significantly interested in, more highly satisfied with, and more loyal to companies that have a proven commitment to corporate social responsibility. As a result, CSR can be used as an effective strategy to recruit and retain top talent which has obvious positive implications for the bottom line. It can be used as talent attraction and retention strategy if it is communicated clearly to potential and current employees and can engage in it.

Some CSR initiatives can dramatically reduce operating costs. For example, reducing packaging material or planning the optimum route for delivery trucks not only reduces the environmental impact of a company's operation, but it also reduces the cost. Companies perceived to have a strong CSR commitment often have an increased ability to attract and retain employees which leads to reduced turnover, recruitment and training costs. Additionally companies that improved working conditions and labour practices also experienced increased productivity and reduced error rates. The increased productivity of the workers and improved quality of the products/services generate positive cash flows that cover the associated costs (Margarita, 2004).

Patricia (2004) posits that CSR can be both a risk mitigation strategy and an opportunity –seeking strategy and leaders should look for the intersection between business and social environmental returns. CSR can be used to grab market share from competitors if communicated effectively to customers who care about environment-friendly product lines. Branding a firm's CSR content, once it is truly developed, executed and integrated into the organization, can be an innovative and valuable business strategy to reach critical constituencies inside and outside the corporation. To him consumers today are looking for a relationship not just a transaction. CSR can be an effective way to build relationships that products themselves cannot. It is hard to build relationship just around the cost of buying a product or enjoying a service.

Although it is rather straightforward to identify the above benefits as being socially responsible for businesses, it is an arduous task to quantify and measure them. Since CSR is integrated into the business practices, it is by definition complicated to try to measure its effects separately. Ideally, it should be possible to keep all other factors constant and measure a company's financial performance and volatility of cash flows before and after adopting CSR strategies. As this is not possible, however empirical methods are used to identify the relationship between a company's CSR strategies and its financial performance.

II. Materials And Methods

The study was conducted through exploratory research design and as a case study of Equity Bank-Kenya. The design generally entails the discovery of ideas and insights about the problem under study. The main objective of exploratory research is to fine-tune the broad problem into specific problem statement and generate possible hypothesis. The design was used due to its flexibility and ease of use which enhances judgmental and intuitive inference drawing on the basis of collected data.

The population of interest in the study consisted of the 208 branches of Equity Bank Ltd (Equity Bank, 2012) spread throughout the country and their agencies for the period under study. Because the nature of the research design was secondary data, the study used the Bank's financial years as sample population from which data were drawn and used for comparison. The sampling procedure took the form of non-probability sampling – a purposive sampling. Purposive sampling was used because the selective choices of CSR strategies with financial implications to the Bank were considered while ignoring those that had no financial costs.

Since secondary data involves collection of the data collected or collated internally and proprietary from the organization/firm, the study mainly entailed document examination and analysis of private or public recorded information related to the firms CSR strategies in correlation to the performance of the bank (content analysis). Data was collected from the published financial reports of the Bank as well as the internal records. Once the data was collected it was thoroughly examined and checked for completeness and validity after which it was summarized and tabulated before analysis was done.

III. Results

Equity Bank's main CSR Strategies

Equity Bank's CRS strategies are run and facilitated by Equity Group Foundation (EGF) which was established in 2006. The Foundation's aim is to catalyze the socio-economic prosperity of the people of Africa by giving opportunity to the millions at the bottom of the pyramid to be incorporated into the modern economy. While the Foundation champions the socio-economic transformation of the people of Africa and seeks partnerships along six cluster thematic areas, Equity Bank provides the infrastructure of delivery. The Foundation sought to influence the social economic prosperity of 50 million people during its first five years after launch (2009-2013). The six thematic areas through which CSR is carried out by the Bank are as shown in Table 1 below.

Table 1: Equity Banks Main CSR Strategies

CRS STRATEGIES	DESCRIPTION	EXAMPLES
Education and leadership	Offers scholarships to bright and needy students who have lost either or both parents or whose parents cannot afford to pay at all. Two major programs continue to be implemented. -'Wings to fly' which sponsors needy but bright students in secondary education drawn from all the 47 countries. -University sponsorship program which sponsors one boy and girl who perform best in their districts where the bank has operation for university education and leadership mentoring.	-Wings to fly -University sponsorship -Leadership & mentoring program
Agriculture	Supporting agriculture reaching out to Kenyan farmers to transform them from peasant formers to small scale commercial farmers.	-Livestock insurance -Mifugo biashara -Kilimo biashara -Uvuvi biashara -Value chain financing for maize & sorghum
Innovation and creativity	-Provides low cost credits to small and medium enterprises and jua kali artisans. -Also sponsors drama and music festivals every year.	Sponsoring cultural groups -sponsoring drama & music festivals
Entrepreneurship and financial literacy	-Provides low cost credits to small and medium enterprises and "jua kali" artisans. -Also sponsors drama and music festivals every year.	FIKA -Fanikisha -Agency banking
Health	In partnership with other stake holders the bank has sponsored free medical camps & treatment to various communities & individuals.	'Operations eardrop' in Garissa
Environmental initiatives	-Supports environmental programs through financing and employee partner potion. -Also promotes and sponsors rehabilitation efforts of the environment.	-Restoring the Mau forest -Planting trees -Street lighting -Supports the green revolution

Source: Secondary data

CSR Strategies employed by the Bank (2006-2012)

It was evident from the research that Equity Bank CSR strategies are financed by the Bank and other financial partners through EGF. Among these partners are: UK Agency for International Development (UKAID), United States Agency for International Development (USAID), German Development Bank (KFW), Government of Kenya (GOK), World Food Programme (WFP) and United Nations Development Programme (UNDP). The strategies are aimed at various stakeholder groups with specific target objectives and timelines as Table 2 below indicates.

Table 2: Equity Bank CSR Strategies employed over the Last Seven Years

Strategy	Target stakeholder group	No. of beneficiaries by 2012	Target
Secondary Education sponsorship	Community	3,484 Scholarship	10,000 By 2015
University Education sponsorship	Community	1,290 Scholarship	Best performing girl and boy in every district where the bank operates.
Financial literacy education and training	Women and Youth (Community)	619,500 Women and Youth	1 million women and youth
Talent attraction retention and development within the workforce.	Employees	7,060 Employees	-
Culture and Arts	Community	-Not quantified	Promotion and preservation of community culture and heritage
Clean up	Community	Not quantified	The environment especially the slum area.
Donations e.g. to -Children's homes -IDPs -Physically disabled	Community	-IDPs &children`s homes	-Children's homes -IDPs -Physically challenged -Marginalized communities
Poverty eradication Start up campaign	Community	-Not quantified	The economically challenged or disadvantaged.
Financial access and infusion	Customers	7.8 million	All potential customers including those at the bottom of the pyramid.
Sponsoring open forums for industry captains (CEOS)	-Customers -Partners -Competitors	-Not quantified	Businesses operating in the East African region.

IV. Discussion

CSR Strategies

The establishment of EGF, a fully fledged subsidiary of Equity Bank, to handle all aspects of social responsibility for the Bank is a clear attestation of how important and serious the institution considers CSR in their day-to-day operations. The categorization of the CSR strategies into thematic areas as in Table 1 indicates that, to the Bank, social responsibility is not just a philanthropic deed to society but a strategic tool for furtherance of business objectives, including stakeholder relationships.

From a critical analysis of the Bank's and EGF's mission and operations one clearly understands why CSR is at the heart of the Bank. For example, according to the Bank's 2012 annual report, their business model has been based on three (3) focal areas: market research and innovation with the objective of moving financial access further down the income pyramid; customer service as a key differentiator, and robust risk management practices. The focus on market research and innovation has incorporated the low-end market segment into the banking sector. According to the Bank, "...the Agency banking platform would complement the conventional banking in reaching the low- end market segment. This platform is one example of innovative services aimed at broadening financial access and deepening financial inclusion" (Equity News, 2011 September, p. 11). On customer service, the Bank has not only established point of sale terminals through collaborations with major retail outlets and mobile phone service providers but have also established agencies in the villages and residential areas.

Evidence from the findings showed that the Bank's CSR strategies are not only aimed at catalyzing the social economic prosperity of the people at the bottom of the pyramid but also improving stakeholder relationships with the bank. Their partnerships with organizations such as UKAID, USAID, KFW, Safaricom, UNDP, WFP, ILRI, EABL and the government among others shows how important stakeholder relationships are to the bank. In responding to the interests of her stakeholders – owners, employees, customers, the environment, and the larger community – it was found that several mechanisms have been put in place. Among them are: the maintenance of proper accounting standards and procedures, provision of all relevant information about performance to investors all aimed at protecting the interests and rights of the owners.

As a prerequisite to meeting expectations of their employees and customers, the development of human capital through employee training in new skills and development of careers is given priority. For example, all employees undergo an annual performance appraisal, which includes identification of training and development needs. With staff capacity building, the Bank not only hires new staff with specialized skills and competencies but also a leadership development program which have seen a number of staff attend training at world class institutions like Harvard Business School, IESE Business School in Spain, Strathmore Business School and Boulder Microfinance Leadership Programme.

The customers' rights have also been catered for through provision of adequate and timely information, access to a variety of products and services at competitive prices (right to choose). For example, the Bank, through "Fika", offers financial literacy education to its customers, especially women and youth, as well as enabling access to affordable credit to her customers (Table 2). The Bank is also conscious of their natural environment. They have not only installed street lights in slum areas like Gikomba, but have also participated in the rehabilitation of water catchments areas like the Mau Forest as well as their employees participating in clean-up exercises, especially in the urban centres (Table 2).

As indicated in Table 2, the community within which the Bank operates is a major beneficiary of their CSR strategies for the period studied. The Bank has not only made donations to local and national charitable organizations like Red-cross, children`s homes, IDPs, among others but have significantly gone out of their way to improve access to education by providing scholarships to needy bright children ("wings to fly" and University scholarships), equipping educational institutions, sponsoring health care facilities, e.g. free medical camps, and improving and sponsoring social amenities like spots and games (e.g. annual school music and Drama festivals) among others. All these contributions are in line with the Bank's mission of inclusiveness, and socially and economically empowering their stakeholders.

V. Conclusion

In line with Olayinka and Temitope's (2012) proposition that satisfying the interests of stakeholders and being accountable to them have a positive impact on all firm's dimensions, particularly financial performance, the findings at Equity reveal that the Bank has enjoyed superior profit (up to Ksh 17.4 billion by 2012), new markets, reputation advantage, and superior brand position. These superior performances are associated with the Bank's CSR engagement with their stakeholders aiming to transform their social-economic wellbeing.

Based on the research findings, the Bank has not only enjoyed increased profits, but has also enjoyed a reduced cost of operations in relation to revenues generated (CIR) as well as a reduction in the non performing loans. Equity Bank has also gone against the grain of brain drain by attracting and retaining staff of high professional qualifications and international experience, who have made the bank their employer of choice. From the study results there is sufficient evidence that well planned CSR strategies once implemented would positively influence organizational performance.

VI. Recommendations

One of the greatest challenges facing Equity Bank CSR strategy implementation in the country is the high poverty levels which makes it hard to single out the most deserving cases out of the thousands who apply for consideration. In addition, those joining the “Wings to Fly” scholarship scheme are recruited after the KCSE results are released thus posing challenges of authenticity of the needs and time constraint. To address these challenges the bank needs to address the following. Be proactive in the recruitment by beginning the process early enough and involve the community in the process of indentifying those with greatest need. In the financial literacy programs there is need to incorporate entrepreneurial skills to enhance more investments especially in the rural areas hence reduce the influx to urban centers and towns. The bank should also consider increasing their investment in health education since as the adage goes “A healthy nation is a wealthy nation” the effects of alcoholism and drug abuse seem to inhibit entrepreneurship and are a threat to security. Finally, the bank should consider social investments in tangible projects that will help the wider community in line with current global trends.

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