Influence of Corporate Social Responsibility Interventions (Csri’s) on Financial Performance of Sugar Companies in Kenya

Akoko Abonyo.Akoko¹ Gordon Odongo Olala²
¹,²Lecturer,School of Business and Economics.Kisii University Kenya.

Abstract: This study on Influence of Corporate Social Responsibility Interventions (CSRI’s) On Financial Performance of Sugar Western Kenya was a survey of sugar companies in Western Kenya. The study was guided by the following research question: - i) What is the influence of Corporate Social Responsibility Interventions (CSRI) on financial performance of Sugar companies in Kenya. Cross sectional survey design was adopted to investigate a sample of 156 senior staff of Mumias, Chemelil and Sony Sugar companies. Data were collected using questionnaires and interview guide that were self administered. Non probability sampling was used while descriptive statistics applied in analyzing data. The study revealed that investing in CSRI’s by Sugar Companies has a positive statistical significance on their financial performance. This study recommended the sugar companies should have rational expenditure on CSRI’s to avoid over sacrificing of profits and capital since the use of CSRI’s should be complemented with other marketing strategies to impact meaningful improvement on profitability. This study recommends further research on ‘Corporate Social Responsibility Interventions (CSRI) and its influence on sustainability of Sugar Companies in Kenya’.

Keywords: Corporate, Social responsibility, Interventions, Performance, Western Kenya

I. Introduction

Corporate Social Responsibility Interventions (CSRI) is a concept whereby corporate sectors need not only consider their profitability and growth but also the interest of the society and its environment due to the impact of their activities on it (Noyer, 2008). The history of CSRI could be traced back in Egypt among the ancient Mesopotamia to about 1700 BC, during which time King Hammurabi introduced legal code which condemned entrepreneurs for negligence that caused death to people. Visser (2010) similarly traces modern CSRI from mid to late 1800’s (ninetieth century) when industrialists like John Patterson registered seeding industrial welfare Movement and John D. Rockefeller initiated philanthropic initiatives that have been witnessed today over 100 years after being practices by personalities like Bill Gates (Caroll,2008). In the aftermath of industrialization between late 18th century and early 20th century the impact of business on society and environment became enormous and assumed new dimensions as organizations began using their wealth to support philanthropic initiatives. This led to the birth of modern CSRI practices in 1920’s with the advent of environmental movement following Rachel Carson’s challenge of the Chemicals Industries in ‘Silence Spring’ (Carson, 1962). In Africa of late, the re-emergence of CSR culture could be tracked back to 1999-2000, linked to Koffi Anan’s launch of the United Nation (UN) Global Compact Voluntary Initiative whose headquarter is in Pretoria. The practice re-emerged with a new dimension amongst African Multinational Companies between 2003-2004 when it was reported that reproductive health was forgotten by companies as CSRI yet the HIV/AIDS scourge was decimating the sub Saharan population. In 2004 the CSRI was funded by Harvard University with the support of consortium of Multinational Companies comprising of Chevron Corporation, Chaveistain, The Coca Cola Company and General Motors (McPherson, 2005). The founders expressed that for African governments to continue with economic growth, through private and corporate sectors despite donor fatigue they have to partake of the CSRI for sustainability. CSRI at times may be very costly for a company and may not really pay its worth if it’s not to some minimal extent. A case in point in 1980 of Ben and Jerry producers of super premium ice cream, exercised CSRI by charitable donation of 7.5% pre-tax profits to marginalised people, realized increased number of clients and turn over by 1993 which according to William (2000) was exceptional.

In European sugar industry, CSRI practices were considered a vehicle of sharing experiences and also a source of inspiration for continued improvement and sustainability. In the nineteenth century after the industrial revolution, Businesses embraced CSRI by building factory towns to house workers and provided social amenities (Smith, 2006). However, many other organizations such as sugar companies have resorted to the CSRI practices under different circumstances. The Corporate Social Responsibility Interventions (CSRI) has of late become a concern to various scholars with some of them as Garriga (2004) as cited by Smith (2006) referring to it in terms of economic perspective believing that it is a strategic organizational tool for achieving objectives of increased profit, wealth and maximizing shareholders value. Smith (2006) also cites Windsor (2006) as emphasizing on economic objective that ‘no firm would undertake costly endeavor voluntarily void of
Influence of Corporate Social Responsibility Interventions (CSRI’s) on Financial Performance of Sugar Companies in Kenya.

II. Literature Review

1.3: Research Questions

What is the influence of investing in CSRI’s on financial performance of Sugar companies in Kenya?

1.2: Research Objectives.

To determine the Influence of Investing in CSRI on Financial performance of Sugar companies in Kenya.

1.1: Background to the Problem

Corporate Social Responsibility Interventions (CSRI) is a concept that has made corporate sectors to not only consider their profitability and growth but also interest of the society and its environment due to the impact of their activities on all the stakeholders; hence must embrace responsibilities that go beyond a simple policy of paternalism, Noyer (2008, October 27th). Sugar companies have invested heavily on Corporate Social Responsibility Interventions (CSRI) or practices with a view to improving their financial performances which nevertheless continued to deteriorate making some of them to go into receivership and others listed for privatization, (Daily Nation, 2009, August, 22nd). While Busia Sugar Company stalled in 1980 and was put under receivership after spending an estimated cost of over Kshs. 1.2m on CSR, Mumias, Chemelil, Sony and Muhoroni were approved by parliament for privatization due to poor performance that put them in high debts.

With high expenditures on CSRI, it was envisaged that the companies would have a positive shift on their profit equilibrium and improve on their financial performance yet, that was not the case as they continue to suffer financial setbacks. It was against these frameworks, that the study was premised to determine the influence of investing in CSRI’s on financial performance of sugar companies in Kenya through a survey study of selected sugar companies in Western Kenya.

II. Literature Review


The Corporate Social Responsibility Interventions (CSRI) or practices were founded in 2004 by Harvard University, John F. Kennedy school of Government and funded by group of Multinational Companies (MNC). (McPherson, 2005). According to Chong (2005) during the same time in Sweden, Astra Zeneca and Nobel Biocare, pharmaceutical companies were accused of being too inclined to profit than caring for the people because their drugs were very expensive. Chong indicated that been involved in charitable practices would be able to repair the dented public relations. The CSRI practices by companies therefore are considered a well calculated philanthropic initiative that aims at repairing corporate negative publicity. The corporate sector must therefore be imbued to restore public confidence in their operations and performance. The CSRI practices are seen as being in response to two complex emotional drives of the business and financial moves; that of greed and fear. If firms stretch stakeholders by exuberant greed in pricing, CSRI would be the indirect way out of paying them a fine for offence of overpricing.

Fredrick, (1994) as cited by Smith (2006) presents a contrasting view that businesses executes of corporate organizations’ direct immeasurable efforts on SRI in order to build trust pyramids amongst stakeholders and win other social claims. On the other hand, Uniao da Industrial Canavieira (UNICA) and WBI partnership participating for mutual betterment (WBI, 2006). According to Flatt (2010), companies are so emended in fabrics of society that they are expected to provide more than just a role in developing communities in which they operate by involvement in the Social Responsibility Interventions (SRI) while Curtis (2002) looked at CSRI as motivating simple practices of people of good citizenship, corporate sectors must consider economic baseline°. According to World Bank Institute (WBI) (2006) CSRI programs are best understood in light of competence enhancement and are not divorced from profit and wealth generation agenda. While other scholars like Stoner (1992) argues that it undermines market efficiency and publicity, Windsor (2006) maintain reactions that Corporate Social Responsibility Interventions (CSRI) by companies have correlation with profitability. It leaves many people wondering why firms undertake investments on Social Responsibility practices but go into receivership and collapse due to low profits to sustain their operations. This study will therefore assess popular CSRI and the rationale of practicing them by sugar companies in western Kenya.
seriously by initiating investments. These views are diverse, as McIntosh et al., (2003) presenting his contrasting version indicated that from the 19th century, resulting from marketing and the need to establish knowledge economy, partnership between corporate sectors and civil societies impacted the launch of CSRI interventions to try to seek solutions to global and local problems. In the same line of thought, Tsouttsouura, (2004) stated that it is through the launch of CSRI that socially responsible companies have enhanced their image and reputation through which way they have attracted consumers to brand their companies. But interestingly, according to Turban et al., (1997) as cited by Tsoutsoura (2004), companies with firm CSRI enjoy many privileges of reduced labor turnover, recruits and training costs. Therefore, according to Pherson (2005), the African governments should not wait for the donor agencies to inject funds in rekindling their corporate developments but should undertake to serious CSRI practices to improve their corporate images, their profits and be able to perform and meet their obligations to the society. In support of this argument, Bhattachurrya et al., (2004) as cited by Herman (2008), consider CSRI as a process through which companies achieve commercial success in ways that honor ethical values, respect society and natural environment. In which case, CSRI are therefore best seen as mechanisms of strengthening business and society. Businesses accept they owe the society ethical obligation of which fulfilling become a means of protecting them from eventual decay by improving its environmental health (Bansal, 2005).

2.2: Theoretical Framework
This study was underpinned by Instrumental theory and Fiduciary Capitalism theory.

2.2.1: Instrumental theory: The theory was propounded by Friedman in 1970 and reviewed by Garriga and Melle (2004) and Smith and Nystand (2006). It argues that the only responsibility of business towards society is to maximize profit to shareholders as long as they are within legal framework and ethical customs of the country. It looks at CSRI as social programs that institutions partake of to interact with society in wealth creation. Windsor (2006) sights Smith and Nystad (2006) argument that no costly social activities may be taken by a firm on society without any meaningful socio-economic benefits. In the context of this study therefore, this theory is relevant since it guides sugar companies in designing and investing in social responsibility interventions that are so relevant for attaining social economic objectives.

2.2.2: Fiduciary Capitalism theory
This theory was developed by Friedman in 1962. It attempts to justify corporate undertaking of CSRI as motivation to the society, a means of maximizing shareholders return through legal framework. Friedman (1962) as sighted by William (2001) argued that in a capitalist economy like ours, the only social responsibility of a business is to engage its resources on interventions (programs) that are geared towards organizational profitability so long as they stays within the rules of the game, in a free and open competition without deception or fraud. Ross (1973) also argued that such CSRI are means of motivating society and once the society is motivated, the company sales increases and hence financial performance.

2.3: Conceptual Framework
Figure 1 below is a conceptual framework which illustrates the effects of social responsibility intervention and also takes cognizance of intervening effects of politics, competition and price decontrol on financial performance of sugar companies in Kenya.

![Conceptual framework](image)

**Fig.1:** Conceptual framework
III. Research Methodology

3.1: Research Design

According to Kathuri et al., (1993), a design is a method of conducting research to explore relationship between variable to form subjects, analyze data and apply findings to other groups in real similar situations. This study is both qualitative and quantitative in nature. It is qualitative since it uses descriptive analysis on surveyed opinions with cross sectional survey technique. The study is also quantitative because according to Enon, (2008) it restricted itself to given numerical data from the companies’ documentary financial analysis, these were suitable for an extensive study of this kind, economical in terms of time required and cost implications. Besides, survey facilitates data gathering and presentation,( Orodho , 2005).

3.2: Target Population of the Study

This is the population that is targeted for the study which Mugenda and Mugenda (2009 ) defines as complete set of individuals, cases or objects with common observable characteristics. According to Sekaran (2003), it is the entire group of people, events and things of interest that the study wishes to investigate. This study involved a population of 260 managerial staff from the sugar companies in western Kenya and from which a sample size of (s)= 156 was calculated using Krejcie & Morgan’s table (1993). Managerial staff of the sugar companies who participates in strategic policy making decisions and implantations. A sample is a subset of the population that comprises some numbers selected from population for purposes of the study (Sekaran , 2003). The determination of this sample size of (s)= 156 using Krejcie and Morgans’ table (1993) has been justified by Kathuri & Pal (1993) as appropriate as it translates to 58% of the population of study thus considered adequate for research. Mulusa (1990) also justifies the sample indicating that since it is above 30 %, its’ thus representative enough for research.

3.3: Data Collection.

In this study data was collected using closed and open ended questionnaire. The questionnaire were formulated in a manner that conformed to the literacy level of the respondents, Orodho (2004) and their reliability and validity were ensured before they were committed to extensive data gathering. Reliability was determined by pilot testing of instruments which made possible the elimination of ambiguities and realignment of content to study objectives. Validity was also determined by applying Content validity Index(CVI) formula whose results produced value of 0.082 which was above acceptable minimum limit of 0.07 (Best and Khan, 1993). The Questionnaires were used in the study because of their suitability in ensuring right kind of data was collected, aided data analysis and encouraged full clientele participation (Pettit and Frances, 2000).

The study collected secondary data (documentary analysis) data from 2006-2010 of financial documents and financial records. Other secondary data included published and unpublished academic theses on sugar industry Newspapers and journals. These made it possible the collection of numeric data which were relevant and transcribed in convenient and cost effective manner. Primary data were also solicited using questionnaire and interviews guide were self administered. Simple random sampling technique was used in the study to ensure that the subgroups for the study were given equal representation. Non probability sampling technique was also used to allow the application of purposeful techniques that focused the researcher’ attention on the respondents and enabled him to appreciate economy of time, Onen and Oso (2005).This was used to solicit information from the top most executives. The information was later used to validate the findings from qualitative study. While gathering data, the researcher adhered to the realm of ethical norms of maintaining confidentiality of information, hence assured respondents of the same, the purposes of research, and anonymity of identity.

3.4: Data Analysis

The collected data were coded and presented using cartographic techniques such as tables and bar graphs the use of which simplified data presentation. The data were also analyzed using descriptive statistical techniques such mean and Pearson’s coefficient correlation due to their capability in justifying slight significant numerical relationships between the variables of study. These helped in simplifying interpretation and making informed conclusion possible.

IV. Data Analysis And Discussion

Influence of investing in CSRI’s on Financial performance of sugar companies in Western Kenya

The data justifying the influence of investing in CSRI’s on Financial performance of sugar companies in Western Kenya is contained in table 9 below.

<table>
<thead>
<tr>
<th>Item statements</th>
<th>Ranking scale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 SA</td>
</tr>
</tbody>
</table>

Table 9: Sugar Companies on annual profits/losses over 5 years period (2006-2010)
Source (primary data)

Table (9) in appendix 9 above contain the findings on effect of sugar companies’ expenditure on CSRI on their financial performance. From the table it is evidenced that 75% (117) of the respondents supported idea that companies’ involvement on CSRI led to improvement in sales and profit. The findings in C2 under table 9, appendix 9 on whether companies’ involvement has causes the company’s financial challenges 65% (101) of the respondents’ registered strong disagreement that the company’s expenditure on CSRI has caused it financial challenges. This was confirmed by 72% (112) respondents who strongly agreed that the community has positive attitude and reactions on the company’s interventionism. These views were authenticated in (C1) appendix 9, by respondents who indicated that the provision of CSRI by sugar companies to community led to improvement in product sales. This puts the companies in even an advantage financial position and repute.

On issue of diversification 103 (66%) strongly agreed that the sugar companies have undertaken some forms of activities besides sugar production while 44 (28%) of respondents also supported. This was validated by the remarks of production manager at Mumias that other forms of activities the companies have involved in beside sugar production included Undertaking generation of electricity from steam boiler that uses ‘burgess’, packaging of mineral water and production of fortified sugar (to be launched in June/July 2011) while Human resources managers both Chemelil and Sony ascertained that the companies were introducing third and fourth phase crasher/millers respectively. These could not be done without good financial base, supporting the fact that their financial positions were indeed improving. Further the analysis of Companies average annual profits is also indicated by table 9(a) and 9(b) below.

Table: 9 (a) Profit and losses of sugar companies over a period of 5 years 2006 – 2010

<table>
<thead>
<tr>
<th>Years</th>
<th>Companies Profit And Losses Over 5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Period</td>
</tr>
<tr>
<td>Mumias</td>
<td></td>
</tr>
<tr>
<td>Chemelil</td>
<td></td>
</tr>
<tr>
<td>Sony</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

Sources (secondary data – Accounts & Finance Department)

Table: 9 (b) :Sugar Companies Expenditure on Each Corporate Social Responsibility Intervention Over 5 Years Period (2006- 2010)

<table>
<thead>
<tr>
<th>Years</th>
<th>Education (kshs 000')</th>
<th>Health (kshs 000')</th>
<th>Environment (kshs 000')</th>
<th>Infrastructure (kshs 000')</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>355</td>
<td>290</td>
<td>90</td>
<td>610</td>
</tr>
<tr>
<td>2007</td>
<td>335</td>
<td>222</td>
<td>103</td>
<td>560</td>
</tr>
<tr>
<td>2008</td>
<td>325</td>
<td>212</td>
<td>160</td>
<td>423</td>
</tr>
<tr>
<td>2009</td>
<td>290</td>
<td>205</td>
<td>115</td>
<td>410</td>
</tr>
<tr>
<td>2010</td>
<td>425</td>
<td>241</td>
<td>192</td>
<td>725</td>
</tr>
<tr>
<td>Total</td>
<td>1,730</td>
<td>1,172</td>
<td>660</td>
<td>2,728</td>
</tr>
</tbody>
</table>

Source: (company’s corporate Affairs Department)

The effects of CSRI On financial performance of sugar companies was therefore analyzed from table 9 (a) of appendix 9 on sugar companies net profit/ losses in western Kenya over 5 years (2006-2010), using parsons’ product coefficient correlation; refer appendix. Source (secondary data – account & Finance Departments) against respective companies expenditures on corporate Social Responsibility interventions (CSRI) from table 9 (b) over the same period as follows.

Table 9: Average Profit/losses and Investment on CSRI by sugar companies in western Kenya Over the period 2006- 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Profits kshs.(000,000)</th>
<th>Investment on CSRI (000,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>163,438</td>
<td>450,000</td>
</tr>
<tr>
<td>2007</td>
<td>835,833</td>
<td>407,000</td>
</tr>
<tr>
<td>2008</td>
<td>(901,688)</td>
<td>340,000</td>
</tr>
<tr>
<td>2009</td>
<td>1,080,657</td>
<td>359,000</td>
</tr>
<tr>
<td>2010</td>
<td>1,508,468</td>
<td>462,000</td>
</tr>
</tbody>
</table>

DOI: 10.9790/487X-180702118125 www.iosrjournals.org 122
Based on the statistical analysis above, it is evident that the sugar companies invested Kshs. 395,000 and Kshs.462,000 on CSR in 2009 respectively and realized profits of Ksh.1,080,000 and Kshs.1,508,000 respectively. In contrast, the same companies expended Kshs. 450,000 and Kshs. 407,000 in 2006 and 2007 but realize profit of Kshs. 163,438 and Kshs. 835,000 respectively. Also the companies did spend Kshs.340,000 in 2008 but realize losses of Kshs. (901,688). This finding is further be analyzed with the help of figure (6) below.

**Fig.6: Analysis of Influence of Investing /expenditure on CSRI and Financial Performance of Sugar Companies in western Kenya 2006-2010**

Subjects to further statistical analysis from average data on company profit (x) and investment on social responsibilities (y) using Pearson’s Product correlation, the result is computed in Pearson’s Product Correlation Coefficient Moment, table 14 below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (x)</th>
<th>X=x-x</th>
<th>X²</th>
<th>SRI (y)</th>
<th>Y=y-y</th>
<th>Y²</th>
<th>Xy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>163,438</td>
<td>-373,902</td>
<td>2.67119784x10¹⁰</td>
<td>450,000</td>
<td>46,400</td>
<td>165649x10¹⁰</td>
<td>-1073490528x10¹⁰</td>
</tr>
<tr>
<td>2007</td>
<td>835,833</td>
<td>298,493</td>
<td>86.9661803 x10¹⁰</td>
<td>407,000</td>
<td>3,400</td>
<td>0.10148762x10¹⁰</td>
<td>-0.1014876 x10¹⁰</td>
</tr>
<tr>
<td>2008</td>
<td>-901,688</td>
<td>1,439,028</td>
<td>81.30412493 x10¹⁰</td>
<td>340,000</td>
<td>-63,400</td>
<td>0.01156x10¹⁰</td>
<td>9.15221808 x10¹⁰</td>
</tr>
<tr>
<td>2009</td>
<td>1,080,657</td>
<td>543,317</td>
<td>116.7819552 x10¹⁰</td>
<td>359,000</td>
<td>-44,600</td>
<td>12.8881x10¹⁰</td>
<td>2.42319382 x10¹⁰</td>
</tr>
<tr>
<td>2010</td>
<td>1,508,460</td>
<td>971,120</td>
<td>81.30412493 x10¹⁰</td>
<td>462,000</td>
<td>58,400</td>
<td>21.3444x10¹⁰</td>
<td>5.6713408 x10¹⁰</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>498.1641152X10¹⁰</td>
<td>82.607X10¹⁰</td>
<td>10.8569474X10¹⁰</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\[
r = \frac{\sum xy}{\sqrt{\sum (x^2)(y^2)}}.
\]

*Where (r) means relationship

\[
r = \frac{10.856594 \times 10^{10}}{498.1641152 \times 10.8569474 \times 10^{20}}
\]

\[
r = 0.054
\]

The results indicate that there is a positive significant relationship of 0.054 between social responsibility interventions (CSRl) and financial performance. From the above computation it may be said that investments on CSR have thus positive effect on profitability and thus financial performance of sugar companies. Each of the identified interventions is also analyzed in terms of its contributions from the background of relationship to financial performance (profitability). Below is a table summarizing the analysis of each intervention’s contribution over the 5 years period (2006-2010?) on the cumulated profit over the same periods?
Influence of Corporate Social Responsibility Interventions (Csr’s) on Financial Performance of Sugar Companies in western Kenya over the 5 years period (2006-2010)

<table>
<thead>
<tr>
<th>Years</th>
<th>Education (kshs 000’)</th>
<th>Health (kshs 000’)</th>
<th>Environment (kshs 000’)</th>
<th>Infrastructure (kshs 000’)</th>
<th>Profit (SYB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>355</td>
<td>250</td>
<td>90</td>
<td>610</td>
<td>163,438</td>
</tr>
<tr>
<td>2007</td>
<td>335</td>
<td>222</td>
<td>103</td>
<td>560</td>
<td>835,833</td>
</tr>
<tr>
<td>2008</td>
<td>325</td>
<td>212</td>
<td>160</td>
<td>423</td>
<td>-901,688</td>
</tr>
<tr>
<td>2009</td>
<td>290</td>
<td>205</td>
<td>115</td>
<td>410</td>
<td>1,080,657</td>
</tr>
<tr>
<td>2010</td>
<td>425</td>
<td>241</td>
<td>192</td>
<td>725</td>
<td>1,508,460</td>
</tr>
<tr>
<td>Total</td>
<td>1,730</td>
<td>1,172</td>
<td>660</td>
<td>2,728</td>
<td>2,696,700</td>
</tr>
</tbody>
</table>

Source: (Company’s Corporate Affairs Department)

From the table it is evident that of the CSRI, infrastructure is a major consumer of the companies’ overall expenditure of ksh.2,728,000 followed by Education ksh.1,730,000 over the five fiscal years (2006-2010), while they append fairly lesser amounts on Health and environmental program. Further, based on the individual interventions consumption level of corporate expenditure in table (15) in determining the contribution of individual corporate social responsibility intervention to the companies profitability in western Kenya indicate positive relationship of +0.054. The contributions of the four interventions studied is outlined by table (10) as follows:-


<table>
<thead>
<tr>
<th>Social Responsibility Intervention’s (CSR)</th>
<th>Companies Expenditure(e) on CSR (kshs)</th>
<th>Computation of share of contribution (c)</th>
<th>Share of contribution of intervention coefficient (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Development</td>
<td>2,728,000</td>
<td>2,728,000 x 0.054</td>
<td>= 0.023</td>
</tr>
<tr>
<td>Education</td>
<td>1,730,000</td>
<td>1,730,000 x 0.054</td>
<td>= 0.015</td>
</tr>
<tr>
<td>Health facilities</td>
<td>1,172,000</td>
<td>1,172,000 x 0.054</td>
<td>= 0.010</td>
</tr>
<tr>
<td>Total (t)</td>
<td>6,290,000</td>
<td>660,000 x 0.054</td>
<td>= 0.005</td>
</tr>
</tbody>
</table>

From the forgoing analysis it is evident that infrastructure development with r=0.025 is a greater contributor to the companies’ profitability whose sum is represented by (r=0.054). This is followed by education r=0.0150, health r=0.0100 and environmental activities r=0.0057 contributing least to the relationship of the company’s financial performance over the five year period (2006-2010) covered by the study. The sugar companies should therefore invest more capital on such interventions as transport infrastructure because of its greater contribution to the profitability index and hence overall financial performance. This contribution of infrastructure may be attributed to its critical role based on the fact that it help firms to narrow the distance between themselves and the cane farmers. It is also a means through which the companies access to their raw materials and markets. This ensures steady supply of the raw materials to the industry and stock deliveries to the rest of the world. Education ranks second by its contribution of r=0.015 to the corporate relationship to profitability. This may be justified on the ground that provision of basic education facilities derive their consumers from the companies immediate environment and the rest of the country and this popularizes companies with prospective clients as institutions and their products/services. This analysis was validated by remarks of training manager of Chemelil who said, “Even in 2011 their Chemelil academy retained its position in top a hundred in the rankings of schools in Kenya certificate of secondary education KCSE candidates of 2010”. It means therefore that the company’s contribution in education gives it adequate publicity and repute which translates into general public preference for their products, services and financial performance.

V. Summary, Conclusion and Recommendations

Summary
This study therefore asserts that there is positive significant relationship between expenditure on CSRI and Organizational profitability.

Conclusion
This study concludes that Sugar companies should invest/spend on CSRI because they have positive influence on financial performance of sugar companies.
Recommendation

The study recommends that sugar companies in Kenya should develop strategic plans that give prominence to CSR as part of their mission Statement for economic benefit. The companies should also increase their budgetary allocation on CSR/ practices for purposes of enhancing organizational returns.

This study recommended further research on:-

I. ‘Corporate Social Responsibility Interventions (CSRI) and its influence on Sustainability of Sugar companies in Western Kenya’.

References

[13]. Herman H.Y.C (2008). Corporate social responsibility, is it for real?