

Effects of Economic Responsibility on Organizational Performance: A Study of Tier-One Commercial Banks in Kenya

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Abstract

The study examined the effect of economic responsibility on organizational performance of tier-one commercial banks in Kenya. Specifically, it analyzed the relationship between economic responsibility, customer satisfaction, and financial performance measured through return on investment (ROI). Guided by Stakeholder Theory and the Triple Bottom Line framework, the study adopted a mixed-method research design, collecting data from 335 customers and 34 managers across nine tier-one commercial banks. Customer surveys, manager interviews, and document analysis were used, and data were analyzed using descriptive statistics, correlation, and multiple regression techniques. The results reveal that economic responsibility is strongly and positively associated with customer satisfaction ($r = 0.75$, $p < 0.01$). This suggests that when banks adopt sound economic responsibility practices, customers are more likely to report higher satisfaction with services. Regression findings further confirmed that economic responsibility significantly predicted customer satisfaction ($\beta = 0.72$, $R^2 = 0.56$, $p < 0.001$) and ROI ($\beta = 0.60$, $R^2 = 0.42$, $p < 0.001$) in the individual model. In the combined model, it remained the dominant predictor of both customer satisfaction ($\beta = 0.35$, $R^2 = 0.68$, $p < 0.001$) and ROI ($\beta = 0.38$, $R^2 = 0.58$, $p = 0.005$). These findings suggest that banks that prioritize fair pricing, financial innovation, stability, and long-term profitability achieve higher customer satisfaction and improved financial outcomes. The study concludes that economic responsibility is central to sustainable performance in Kenya's banking sector, reinforcing both Stakeholder Value perspectives. It recommends that policymakers strengthen CSR reporting frameworks, banks embed economic responsibility in their strategies, and future research refine CSR models to reflect its primacy.

Keywords: Economic responsibility, organizational performance, customer satisfaction, tier-one commercial banks, corporate social responsibility, Kenya

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Introduction

The concept of economic responsibility, as a dimension of Corporate Social Responsibility (CSR), has evolved from a peripheral concern to a central strategic imperative for businesses globally. This shift is particularly pronounced in the banking sector, where public trust and financial stability are paramount. The term "economic responsibility" goes beyond mere profitability; it encompasses a firm's obligation to operate in a manner that is financially sound, creates value for stakeholders, and contributes positively to the broader economy. This includes practices like ethical lending, transparent financial reporting, and responsible investment.

Globally, a significant number of studies indicate a positive correlation, suggesting that banks that prioritize economic responsibility including transparent governance and ethical practices tend to achieve better financial results, a stronger reputation, and increased long-term sustainability. A study by Gangi et al. (2018) on the European banking industry found a positive effect of Corporate Social Responsibility (CSR) on financial performance in the period following the 2008 financial crisis. The

research concluded that profitability and net interest income increased with a bank's engagement in social performance. Similarly, a study on the U.S. banking sector revealed a significant negative relationship between CSR and credit risk, suggesting that banks with higher levels of CSR commitment experience lower loan loss reserve ratios (Jouini, Chouchen, & Messai, 2025). This implies that a focus on ethical practices and transparent governance can build "moral capital" with stakeholders, which in turn reduces a bank's exposure to financial and operational risks.

The 2008 global financial crisis was a pivotal moment that highlighted the severe consequences of irresponsible financial behavior. Following the crisis, regulators and the public demanded greater economic responsibility from financial institutions (FSB, 2024). This led to significant reforms, such as the Basel III framework, which increased the quality and quantity of bank capital, aimed at making the financial system more resilient (Anginer et al., 2019). These regulatory changes reflect a global consensus that strong economic responsibility is crucial for financial stability and public trust.

Corporate Social Responsibility (CSR), particularly economic responsibility, has gained traction across Africa as banks seek to balance profitability with societal expectations. Many African banks integrate economic responsibility practices such as sustainable financing, fair credit policies, and ethical investment to boost performance while responding to regulatory and social pressures. These practices are viewed as mechanisms for strengthening competitiveness, building trust, and mitigating reputational risk (Adegbite, Amaeshi, & Nakajima, 2013).

Studies show that African banks that engage in sustainability reporting, which includes disclosing economic, social, and governance (ESG) information, often see better performance. A study of banks in Ghana, Nigeria, and South Africa found that transparency in reporting on ESG factors has a significant positive link to both accounting-based and market-based performance measures (Attah-Botchwey, Soku & Awadzie, 2021). This practice helps banks build a stronger reputation and gain investor confidence, which translates into better financial outcomes.

In East Africa, particularly Uganda and Tanzania, economic CSR has been associated with improved bank performance and customer trust. Banks in these countries implement CSR through microfinance initiatives, entrepreneurship development, and community empowerment programs. These practices contribute to financial sustainability by reducing default rates and increasing customer retention, thereby creating a virtuous cycle between responsibility and performance (Katamba, Nkiko, & Ademson, 2016).

The banking sector in Kenya is a cornerstone of the national economy. The Central Bank of Kenya (CBK) categorizes these institutions into tiers, with Tier-One banks being the largest and most

influential in terms of market share, capital base, and asset size. These major players, including KCB Group and Equity Bank, operate under significant public and regulatory scrutiny. For these leading banks, economic responsibility has become a core part of their strategy, manifesting through various initiatives. Tier-One banks like Equity, KCB, and Co-operative Bank have actively integrated economic responsibility into their business models. This includes initiatives such as financial inclusion, providing financing for Small and Medium-sized Enterprises (SMEs), and investing in community development. These efforts have yielded measurable improvements in profitability, customer trust, and brand reputation. Empirical studies consistently demonstrate a strong positive correlation between CSR, particularly economic responsibility, and organizational performance among Kenyan banks.

The CBK enforces a robust regulatory framework that mandates strict standards for capital adequacy, liquidity, and governance. This makes economic responsibility not just a voluntary practice but a de facto regulatory requirement. Past banking failures in Kenya have made the public and corporate clients highly discerning, leading them to favor institutions that demonstrate ethical conduct, transparent pricing, and support for local businesses (Musau, 2015). For these leading banks, economic responsibility is operationalized through prudent credit management, community investments, affordable products, and impeccable corporate governance. Despite its theoretical importance, there remains a pressing need for empirical evidence to quantify the precise effects of economic initiatives on the tangible organizational performance measured through profitability, market share, and customer loyalty of Kenya's systemically important

Tier-One banks. Therefore, this study examined the effect of economic responsibility on organizational performance of tier-one commercial banks in Kenya.

Literature Review

Empirical Review

In India, Pallathadka and Pallathadka (2020) investigated the impact of corporate social responsibility (CSR) on organizational performance, focusing on stakeholder participation in small and medium-sized enterprises (SMEs). The study adopted a stakeholder theory paradigm. A quantitative approach was employed, collecting primary data from practitioners using a partial sampling technique. Data were analyzed using statistical methods to assess financial performance. The findings revealed that CSR dimensions, particularly those involving direct client communication, significantly enhance economic productivity and financial performance. The study highlighted the role of CSR in driving economic success in SMEs. It effectively demonstrated the financial benefits of CSR but was limited by its focus on SMEs and lack of detailed methodological transparency. The current study examined how economic responsibility influences organizational performance in tier-one commercial banks in Kenya, focusing on larger financial institutions, unlike Pallathadka and Pallathadka (2020).

In the European Union and the United Kingdom, Vărzaru, Bocean, and Nicolescu (2021) explored the relationships among corporate responsibility, sustainability, and economic performance at a macroeconomic level. The study adopted a sustainability paradigm. A quantitative approach was employed, using data from

the Sustainable Development Report 2020, Candriam's ESG Country Report, World Bank Doing Business 2020 Report, World Bank national accounts, and Eurostat. Data were analyzed using multivariate regression models. The findings showed that corporate responsibility, including economic responsibility, positively influences economic performance and sustainable development. The study highlighted the macroeconomic benefits of integrating ethical and responsible practices. It effectively provided a broad perspective but lacked firm-level insights. The current study focused on the specific impact of economic responsibility on organizational performance in tier-one commercial banks in Kenya, addressing the micro-level gap in Vărzaru et al. (2021).

In Malaysia, Saeidi, Robles, Saeidi, and Zamora (2021) investigated how organizational leadership contributes to firm performance through corporate social responsibility (CSR) strategies. The study adopted a stakeholder theory paradigm. A quantitative approach was employed, collecting data from 285 manufacturing and consumer products firms during June–September 2020. Data were analyzed using AMOS Structural Equation Modeling (SEM) with the Baron and Kenny mediation approach. The findings revealed that CSR partially mediates the relationship between organizational leadership and both financial and non-financial performance, with non-financial performance fully mediating the link to financial performance. The study highlighted the strategic role of CSR in enhancing performance. It effectively demonstrated mediation effects but was limited to manufacturing firms. The current study examined the role of economic responsibility in driving organizational performance in tier-one commercial

banks in Kenya, focusing on the financial sector, unlike Saeidi et al. (2021).

In Sub-Saharan Africa, Siueia, Wang, and Deladem (2019) examined the impact of corporate social responsibility (CSR) disclosure on financial performance in the banking sector, comparing top-ranked banks in Mozambique and South Africa. The study adopted a stakeholder theory paradigm. A quantitative approach was employed, using content analysis of annual reports from 2012 to 2016 to assess CSR dimensions and financial metrics (Return on Assets and Return on Equity). Data were analyzed using panel regression. The findings showed a significant positive relationship between CSR disclosure and financial performance, with South African banks outperforming Mozambican banks. The study highlighted the financial benefits of voluntary CSR reporting. It effectively demonstrated sector-specific impacts but was limited to two countries. The current study focused on economic responsibility and organizational performance in tier-one commercial banks in Kenya, expanding the geographical scope, unlike Siueia et al. (2019).

In Nigeria, Dunsu, Adeaga, and Odeniyi (2019) investigated the influence of corporate social responsibility (CSR) on organizational performance across commercial banks, communication providers, and manufacturing firms in Oyo State. The study adopted a stakeholder theory paradigm. A quantitative approach was employed, collecting data from 60 top management staff across 15 companies using a survey design. Data were analyzed using descriptive and inferential statistics, including chi-square tests. The findings revealed that CSR, including economic responsibilities like profit generation and community engagement, significantly enhances organizational performance. The study highlighted CSR's role in improving profit and market share. It

effectively demonstrated broad CSR impacts but was limited by its small sample size and regional focus. The current study examined the specific impact of economic responsibility on organizational performance in tier-one commercial banks in Kenya, using a larger, national sample, unlike Dunsu et al. (2019).

Inekwe, Hashim, and Yahya (2021) explored the effect of public governance and economic growth on corporate social responsibility (CSR) performance in Egypt, Morocco, Mauritius, Nigeria, and South Africa. The study adopted a governance paradigm. A quantitative approach was employed, using data from 2012 to 2017 and multivariate regression models for analysis. The findings showed that good governance and economic growth significantly enhance CSR performance, with governance having a stronger effect. The study highlighted the contextual importance of governance for CSR in developing economies. It effectively demonstrated macro-level influences but lacked firm-level performance insights. The current study investigated how economic responsibility drives organizational performance in tier-one commercial banks in Kenya, focusing on firm-level outcomes, unlike Inekwe et al. (2021).

In East Africa, Demissew Beyene and Kotosz (2020) tested the environmental Kuznets curve (EKC) hypothesis, examining the relationship between economic activity and environmental degradation in 12 countries. The study adopted an environmental economics paradigm. A quantitative approach was employed, using data from 1990 to 2013 analyzed with the Pooled Mean Group (PMG) approach. The findings revealed a bell-shaped relationship between per capita income and CO₂ emissions, suggesting economic activities do not necessarily increase environmental degradation. The

study highlighted the need for sustainable economic policies. It effectively addressed environmental impacts but did not explore firm-level performance. The current study examined how economic responsibility affects organizational performance in tier-one commercial banks in Kenya, focusing on financial outcomes, unlike Demissew Beyene and Kotosz (2020).

In emerging market economies, Boubakri, El Ghoul, Guedhami, and Wang (2021) reviewed corporate social responsibility (CSR) practices, focusing on their determinants and performance implications. The study adopted a stakeholder theory paradigm. A qualitative approach was employed, synthesizing empirical literature on CSR in emerging markets. Data were analyzed through thematic review. The findings indicated that CSR enhances both financial and non-financial performance, driven by institutional and stakeholder pressures. The study highlighted the growing importance of CSR in emerging economies. It effectively provided a broad overview but lacked specific sectoral focus. The current study investigated the impact of economic responsibility on organizational performance in tier-one commercial banks in Kenya, focusing on the financial sector, unlike Boubakri et al. (2021).

In Kenya, Muthoni and Kinyua (2020) investigated the effect of corporate reputation on the performance of motor vehicle assemblers in the automotive industry. The study adopted a resource-based view paradigm. A quantitative approach was employed, collecting primary data from management employees of motor vehicle assemblers using structured questionnaires and proportionate stratified sampling. Data were analyzed using descriptive statistics and simple linear regression. The findings revealed that corporate reputation, driven

by economic responsibility practices like fairness and diversity, significantly enhances organizational performance. The study highlighted the importance of reputation for competitive advantage. It effectively demonstrated reputation's impact but was limited to the automotive sector. The study examined how economic responsibility influences organizational performance in tier-one commercial banks in Kenya, focusing on the financial sector, unlike Cheruiyot *et al.* (2019).

Theoretical Review

Stakeholder Theory

This study adopts Stakeholder Theory, proposed by R. Edward Freeman (1984), as its foundational framework. This theory challenges the traditional view of corporate governance by arguing that a business's success depends on its ability to manage a wide network of relationships with various stakeholders, including customers, employees, communities, and shareholders. The theory posits that firms have a strategic and moral obligation to consider the interests of all these groups, as their long-term success is intertwined with stakeholder satisfaction and collaboration.

Stakeholder Theory's key strength is its ability to integrate ethical considerations into business strategy, framing economic responsibility not as a charitable afterthought but as a central component of organizational success (Jones, 1995). It promotes inclusive governance, which is vital for Kenyan banks operating under intense regulatory and public scrutiny. The theory also provides a flexible framework for analyzing how different stakeholder groups influence a firm's outcomes in specific industries.

Despite its strengths, the theory has notable limitations. Critics argue that

its broad approach creates ambiguity, making it difficult for managers to prioritize conflicting stakeholder interests (Jensen, 2001). For instance, a bank may struggle to balance shareholder demands for high dividends with community calls for substantial philanthropic contributions. The theory also lacks clear, quantifiable metrics for measuring stakeholder satisfaction, making it challenging to operationalize and assess in practice (Phillips, Freeman, & Wicks, 2003). Furthermore, it may underestimate the risk of stakeholder opportunism, where certain groups could exploit corporate goodwill for excessive gains, potentially straining a bank's financial resources (Hillman & Keim, 2001). While these criticisms are valid, the theory remains a powerful tool for understanding the strategic and ethical dimensions of economic responsibility in banking.

Triple Bottom Line (TBL) Theory

The study was also guided by Triple Bottom Line (TBL) Theory, developed by John Elkington (1997). This theory argues that an organization's true success should be measured across three interdependent pillars: People (social), Planet (environmental), and Profit (economic). It posits that all three dimensions are mutually reinforcing for a company to be sustainable, it cannot prioritize one at the expense of the others. This holistic framework is ideal for evaluating the diverse impacts of economic responsibility in Kenya's banking sector.

A key strength of TBL theory is its ability to move beyond traditional financial metrics and encourage an integrative perspective on organizational performance. It aligns with modern societal expectations for corporate accountability. For Kenyan banks, adopting this approach can enhance their social license to operate, a crucial asset in

a highly scrutinized environment. The theory's flexibility allows banks to tailor their CSR strategies to address local socio-economic and environmental challenges, thereby strengthening their reputation and customer relationships (Porter & Kramer, 2011).

TBL theory has significant limitations. A major criticism is its lack of standardized metrics for measuring social and environmental performance, making it challenging to operationalize in practice. This vagueness can lead to banks prioritizing the "Profit" pillar over the others, undermining the theory's core intent (Norman & MacDonald, 2004). In a market like Kenya, where economic constraints are a primary concern, focusing on all three pillars equally may be seen as unrealistic. Critics also argue that the theory can encourage superficial CSR initiatives symbolic gestures that do not lead to substantive change (Elkington, 2018). It also fails to adequately resolve the inherent trade-offs between the three pillars, such as when environmental efforts increase operational costs and reduce profitability.

Methodology

Research Design

This study adopted an explanatory research design to examine the causal relationships between economic responsibility (CSR) dimensions and organizational performance in Tier One commercial banks in Eldoret, Kenya. The approach also supported hypothesis testing derived from the conceptual framework, aligning with previous CSR-performance studies in the banking sector.

Research Philosophy

The research was grounded in a positivist paradigm, which assumes that

social reality is objective and measurable using standardized tools. Positivism supported the adoption of quantitative methods to enhance validity, reliability, and generalizability of the findings (Bryman & Bell, 2021).

Target Population

The target population comprised nine Tier One commercial banks operating 20 branches in Eldoret City, with a customer base of 11,995 and 40 managers. Customers included account holders directly engaging with CSR initiatives such as financial literacy programs, while managers included branch managers, CSR coordinators, and customer service heads. This population was appropriate because of their direct involvement in CSR activities and influence on organizational performance. Banks such as Kenya Commercial Bank, Equity Bank, Co-operative Bank, and Absa were included based on their asset size, customer base, and active engagement in CSR initiatives, as documented in the Central Bank of Kenya (2025a).

Sample Size and Sampling Techniques

The study sample included 373 customers selected using stratified random sampling, with each bank branch representing a stratum to ensure proportional representation. Yamane's (1967) formula at a 95% confidence level and 5% margin of error guided the customer sample size determination. A census approach was applied to managers due to their small number, making it feasible to include all 40 respondents. Purposive sampling was used to select managers with CSR knowledge and responsibilities, while stratified random sampling of customers ensured diversity in demographics and CSR engagement. This dual sampling strategy enhanced the representativeness and reliability of the findings.

Research Instruments

Data was collected using three instruments: a structured customer questionnaire, a structured personnel (manager) questionnaire, and a document analysis guide. The manager questionnaire targeted 40 managers and focused on the extent of CSR engagement, while the document analysis guide was used to extract precise quantitative data on CSR activities and organizational performance from financial statements and annual reports. Together, these instruments provided complementary perspectives from customers, managers, and documentary evidence, aligning with Carroll's CSR Pyramid framework (Carroll, 1991).

Validity and Reliability

Validity and reliability of instruments were confirmed through a pilot study conducted with two Tier Two banks in Eldoret to avoid contaminating the main study sample. The pilot included 43 participants and tested comprehension, consistency, and accuracy of instruments. Cronbach's Alpha coefficients were computed, with all subscales scoring above 0.7 after refinement. Cohen's Kappa values above 0.8 confirmed inter-rater reliability for the document analysis guide. Validity was further enhanced through expert reviews to confirm face, content, and construct validity, ensuring that items adequately represented CSR dimensions and performance outcomes. Feedback from the pilot led to rephrasing of ambiguous items and removal of weak ones, ensuring that the instruments were ready for the main study.

Data Analysis

Quantitative data from the questionnaires and documents were analyzed using the Statistical Package for Social Sciences (SPSS) Version 26.

Descriptive statistics, including frequencies, percentages, means, and standard deviations, summarized demographic characteristics and perceptions of economic responsibility dimensions. Pearson correlation analysis was conducted to test relationships between economic responsibility dimensions and performance indicators. Multiple regression models were then used to assess both individual and combined effects of the four economic responsibility dimensions on organizational performance. The regression model applied was:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where

Y represents organizational performance, **X1** denotes economic responsibility, **β** are regression coefficients, and **ϵ** is the error term

Results and Discussion

Descriptive Statistics

Descriptive statistics were computed to summarize customer satisfaction with CSR dimensions and organizational performance, as well as managerial perceptions of CSR engagement. Data were collected using 5-point Likert scales (1 = Strongly Disagree

to 5 = Strongly Agree) for questionnaires and exact figures from document analysis. The analysis is based on 335 valid customer responses (86.6% response rate from 387 targeted) and 34 valid manager responses (85.0% response rate from 40 targeted). Mean scores above 3.0 indicate positive perceptions, with higher values reflecting stronger agreement, while standard deviation (SD) measures variability, with lower SD indicating greater consistency.

Customer Satisfaction with Economic Responsibility Dimensions

Descriptive statistics summarize customer satisfaction with the economic responsibilities and organizational performance. The results, presented in Table 1. Mean scores for economic responsibilities range from 3.90 (financial stability) to 4.01 (innovative financial products), with employee training at 3.94 (SD = 0.76–0.82). As the highest overall means, these indicate strong confidence in banks' core profitability and innovation, aligning with Carroll's (1991) economic base. Innovative products score highest (4.01, SD = 0.76), reflecting appreciation for digital tools like mobile banking, crucial in Kenya's fintech-driven market (KBA, 2024; Sindhu et al., 2024). Low SD suggests uniformity, especially among frequent interactors.

Table 1: Descriptive statistics for customer satisfaction (n = 335)

CSR Dimension/Item	Mean	Std. Dev.
Economic Responsibilities		
Financial stability	3.90	0.82
Innovative financial products	4.01	0.76
Employee training	3.94	0.79
Overall Organizational Performance		
Satisfaction with services	3.90	0.84
Likelihood to recommend	4.05	0.78
Reputation and loyalty	3.98	0.81

Source: Field Data (2025)

Financial stability (3.90, SD = 0.82) shows slight variability, possibly from economic volatility perceptions. Supporting H1, these findings agree with Friedman (1970) on profitability's centrality but extend to customer benefits, contrasting Galant & Cadez (2017) by emphasizing innovation in developing contexts like Eldoret. This aligns with Shareholder Value Theory, highlighting economic CSR as a driver of satisfaction amid 17.6% NPLs (CBK, 2025a), offering banks strategic insights for resilience.

Mean scores for overall organizational performance range from 3.90 (satisfaction with services) to 4.05

(likelihood to recommend), with reputation/loyalty at 3.98 (SD = 0.78–0.84). High scores confirm CSR's positive impact, with recommendation highest (4.05), indicating loyalty (Muriithi & Muturi, 2019). This supports combined effects (RQ5), aligning with Elkington (1997).

Managerial Perceptions of CSR Engagement on economic responsibility

Descriptive statistics summarize CRS engagement with the economic responsibilities and organizational performance. The results are presented in Table 2.

Table 2: Descriptive statistics for managerial CSR engagement (N = 34)

CSR Dimension/Item	Mean	Std. Dev.
Economic Responsibilities		
Financial stability	4.03	0.80
Innovative financial products	4.13	0.74
Employee training	4.08	0.77

Source: Field Data (2025)

According to the results presented in Table 2, economic responsibility mean scores range from 4.03 (financial stability) to 4.13 (innovative financial products), with employee training at 4.08 (SD = 0.74–0.80). As the highest dimension, these scores reflect strong managerial focus on profitability and innovation, per Carroll's (1991) economic base. Innovative products lead (4.13, SD = 0.74), highlighting efforts in digital banking and tailored loans, critical in Kenya's tech-driven market (KBA, 2024; Sindhu et al., 2024). Low SD (0.74) suggests consensus, likely from educated managers (Table 4.2.2.4). Financial stability (4.03, SD = 0.80) and employee training (4.08, SD = 0.77) indicate confidence in robust performance and service quality. These align with Shareholder Value Theory (Friedman,

1970) but extend to customer benefits, contrasting Galant & Cadez (2017) by emphasizing innovation in Eldoret. This focus supports organizational resilience amid NPLs (CBK, 2025a).

Correlation Analysis

Pearson correlation analysis was conducted to examine the relationships between economic dimensions and organizational performance, measured by customer satisfaction (n=335) and ROI (n=9, bank-level data). Composite scores for economic dimensions were calculated by averaging questionnaire items, with customer satisfaction derived from items 17–19 (e.g., satisfaction with services, likelihood to recommend, reputation and loyalty). ROI data were sourced from document analysis. The results, presented in Table 3.

Table 3: Correlation Matrix

Variable	Economic	Customer Satisfaction	ROI
Economic	1.000		
Customer Satisfaction	0.75**	1.000	
ROI	0.65**	0.60**	1.000

*Note: * $p < 0.01$; $n = 335$ for customer satisfaction, $n = 9$ for ROI (bank-level data).
Source: Field Data (2025)

The results reveal that economic responsibility is strongly and positively associated with customer satisfaction ($r = 0.75$, $p < 0.01$). This suggests that when banks adopt sound economic responsibility practices, customers are more likely to report higher satisfaction with services. Similarly, economic responsibility shows a strong positive correlation with ROI ($r = 0.65$, $p < 0.01$). This indicates that commercial banks that prioritize responsible economic practices tend to achieve higher financial returns. In

addition, customer satisfaction is also positively correlated with ROI ($r = 0.60$, $p < 0.01$), implying that satisfied customers contribute to improved financial performance.

Regression Analysis

The regression analysis demonstrates that economic responsibility exerts the strongest influence on both customer satisfaction and financial performance among tier-one commercial banks in Kenya.

Table 4: Individual effects on customer satisfaction (N = 335)

Predictor	β	SE	t	p	R ²
Economic	0.72	0.04	18.00	<0.001	0.56

Source: Field Data (2025)

In the individual model (Model 1) indicated in Table 4, economic responsibility significantly predicted customer satisfaction ($\beta = 0.72$, $t = 18.00$, $p < 0.001$), accounting for 56% of the variance ($R^2 = 0.56$). This indicates that banks adopting strong economic practices such as fair pricing, reliable services, and sustainable financial strategies—tend to achieve higher levels of customer

satisfaction. Similarly, economic responsibility strongly predicted ROI ($\beta = 0.60$, $t = 6.67$, $p < 0.001$), explaining 42% of the variance ($R^2 = 0.42$). These results show that nearly half of banks’ financial performance can be explained through their commitment to economic responsibility, underscoring its role in enhancing profitability and long-term sustainability.

Table 5: Combined Effect on customer satisfaction (N = 335)

Predictor	β	SE	t	p
Economic	0.35	0.05	7.00	<0.001
Model Fit	$R^2 = 0.68$, $F(4,330) = 195.6$, $p < 0.001$			

Source: Field Data (2025)

In the combined model (Model 2) indicated in Table 5, economic responsibility remained the leading predictor of organizational performance.

For customer satisfaction, it had the strongest effect ($\beta = 0.35$, $p < 0.001$), with the model explaining 68% of the variance ($R^2 = 0.68$, $F(4,330) = 195.6$, $p < 0.001$).

Likewise, for ROI, economic responsibility again emerged as the strongest factor ($\beta = 0.38$, $t = 3.45$, $p = 0.005$), with the model explaining 58% of the variance ($R^2 = 0.58$, $F(4,4) = 6.89$, $p = 0.008$). Although the ROI sample size ($n = 9$) was small, the significant results affirm economic responsibility's role in driving financial returns.

Hypothesis H₀₁, which posited a significant relationship between economic responsibilities and organizational performance, was fully supported. For customer satisfaction, the effect was strong ($\beta = 0.35$, $SE = 0.05$, $t = 7.00$, $p < 0.001$), meaning a one-unit increase in economic responsibilities increased satisfaction by 0.35 units. This finding aligns with customer perceptions (mean = 3.90–4.01), managerial assessments (mean = 4.03–4.13), and performance records (net profit margin = 18.6%). For ROI, the effect was also significant ($\beta = 0.38$, $SE = 0.11$, $t = 3.45$, $p = 0.005$), confirming that higher economic responsibility contributes directly to financial performance (ROI = 12.4%). These findings are consistent with Sindhu et al. (2024), who highlighted that innovative products, such as digital banking platforms, drive customer confidence and profitability in developing economies. Muthoni and Kinyua (2020) similarly found that economic CSR enhances performance in Kenyan banks by meeting customer needs for accessible financial services, aligning with this study's results. However, the strong customer satisfaction link contrasts with Galant & Cadez (2017), who found weaker non-financial impacts in developed markets where ethical and legal dimensions dominate. Eldoret's unique context, with its emphasis on innovation, explains this discrepancy.

The results support Shareholder Value Theory, as economic responsibilities directly enhance profitability and market

position (Friedman, 1970). Stakeholder Theory is also evident, as innovative products meet customer expectations, fostering satisfaction and loyalty (Freeman, 1984). The Triple Bottom Line's economic pillar underscores the balance between profitability and stakeholder benefits (Elkington, 1997). Practically, banks should invest in digital platforms and employee training to maintain competitive advantage and address NPLs by ensuring financial stability.

Conclusion

The study found that economic responsibility influences organizational performance in tier-one commercial banks in Kenya. Regression results showed that economic responsibility had a strong predictive power for both customer satisfaction and financial performance (ROI). This means that banks that prioritize sound financial management, innovative products, fair pricing, and long-term profitability not only perform better financially but also achieve higher customer satisfaction.

The findings support both Shareholder Value Theory (Friedman, 1970), which emphasizes financial performance as a primary goal, and Stakeholder Theory (Freeman, 1984), which highlights customer benefits and trust as drivers of organizational success. Overall, the evidence confirms that economic responsibility is central to sustainable growth and competitive advantage in the banking sector.

Recommendations

Policy Recommendations

1. Regulators such as the Central Bank of Kenya (CBK) and the Kenya Bankers Association (KBA) should integrate economic responsibility metrics (e.g., fair

- pricing, financial inclusivity, and innovation) into banking policies and reporting frameworks.
2. Government and policy actors should create incentives (e.g., tax benefits, subsidies) for banks investing in customer-centric and technology-driven products that enhance financial inclusion.
 3. Policy should require annual public disclosures of CSR-economic initiatives linked to measurable performance outcomes, increasing transparency and accountability in the sector.

Practical Recommendations

1. Bank leadership should make economic responsibility a core part of strategic planning by aligning it with both customer satisfaction goals and financial performance targets.
2. Tier-one banks should expand investment in mobile banking, digital lending, and fintech collaborations to strengthen customer trust and drive profitability.
3. Managers should adopt proactive credit management policies that balance profitability with customer support, reducing risks while sustaining performance.

Theoretical Recommendations

1. The study highlights economic responsibility as a dominant predictor, suggesting the need to refine CSR frameworks in banking research to give it stronger weighting relative to other dimensions.
2. Findings provide empirical evidence for integrating Stakeholder and Shareholder Value theories, reinforcing the

idea that customer satisfaction and financial returns are not mutually exclusive but mutually reinforcing.

3. Future researchers should test the model in other financial institutions and regions to strengthen theory-building on how economic responsibility operates in developing economies.

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