SOCIALLY RESPONSIBLE INVESTING AS A DETERMINANT OF ACTUALIZATION OF THE SOCIAL BOTTOM LINE AMONG SELECTED LISTED FIRMS IN KENYA

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ABSTRACT

This study intended to analyze Socially Responsible Investing as a factor determining actualization of the Social Bottom line among selected listed firms in Kenya. This formed the general objective of the study. Insufficient research, if any, has been done within the country to analyze the importance of triple bottom line reporting to firms and in particular, the Social bottom line. This has posed a research gap in this field. The study used Descriptive research design and quantitative analysis. The study used a sample of 208 middle level managers from within the listed firms in Kenya. Simple random sampling technique was used to select the sample. Data was collected by use of self-administered questionnaires. Descriptive statistics including means, standard deviation and frequency distribution were used to analyze the data. In addition, the study used simple regression analysis to assess the influence of the independent variable on the dependent variable. The study found that socially responsible investing had a positive coefficient when used as a factor determining actualization of social bottom line ($\beta 1$ =.0920) and has a t-statistic of 3.066 which is significant at 5% significant level.

INTRODUCTION

The Triple Bottom Line (TBL) is an accounting framework that incorporates three dimensions of performance: social, environmental and financial (Slapper & Hall, 2100).

According to Elkington (1997), the Social Bottom Line (SBL), the social line of the TBL, refers to conducting beneficial and fair business practices to the labor, human capital, and to the community. Ahhadi (2015) noted that the idea is that these practices provide value to the society and “give back” to the community.

Statement of the Problem

Currently, insufficient research on the TBL and the SBL exists in developing countries, including Kenya. In this regard, there exists a research gap that incentivized the researcher to delve into this area. Adequate research and determination of the key factors that determine actualization of the SBL that would allow firms in Kenya to ‘behave’ in a socially responsible manner would be significant due to the benefits it will impose on the communities within which the businesses operate once businesses become socially responsible. It would allow communities to draw significantly more value from the firms operating within them as opposed to the firms operating at the expense of the communities. It will greatly serve to uplift the well-being of the communities within which the businesses operate.

RESEARCH OBJECTIVE

To analyze Socially Responsible Investing as a factor determining actualization of the Social bottom line among listed firms in Kenya.

Research Question

To what extent is Socially Responsible Investing a factor determining actualization of the Social bottom line among listed firms in Kenya?

Theoretical Review

Stakeholder theory

According to Freeman (1994), the stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. The stakeholder concept was originally defined as including those groups without whose support the organization would cease to exist. The Stakeholder theory argues that there are other parties involved, including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations, and trade unions. The interests of all stakeholders are of intrinsic value (Donaldson & Preston, 1995). The Stakeholder theory will impact highly Socially Responsible Investing and will be of significance to the study as it acknowledges the community as a stakeholder of a company and which a company is obligated to care for. This is fundamental towards actualizing the social bottom line.

Empirical Review

Studies have been conducted worldwide in the area of the social bottom line and its determining factors.

According to a study by McEntyre (2003) the implementation of a TBL approach is premised on firstly, a strategic approach to economic, environmental and social considerations; secondly, the definition of values associated with economic, environmental and social matters; and, thirdly, identifying and measuring performance areas of importance to key stakeholders.

A study by Fauzi, Svensson and Rahman (2010) based upon a review of corporate performance, corporate financial performance and corporate social performance, proposed that the concept of the triple bottom line (TBL) as sustainable corporate performance (SCP) should consist of three measurement elements, namely: financial, social and environmental.

In a study by Jackson, Boswell and Davis (2011) which investigated Sustainability and triple bottom line reporting, it was noted that the apparent novelty of 3BL lies in its supporters' contention that the overall fulfillment of obligations to communities, employees, customers, and suppliers (to name but four stakeholders) should be measured, calculated, audited and reported, just as the financial performance of public companies has been for more than a century.

A study by Miller, Buys & Summerville (2007) on Quantifying the Social Dimension of Triple Bottom Line, carried out to develop a framework and indicators to assess the social impact of organizations, shows that the lack of valid, comparable and quantifiable social indicators diminishes the importance and value of the social dimension, with businesses able to make vague and unsubstantiated comments about their social value and impact.

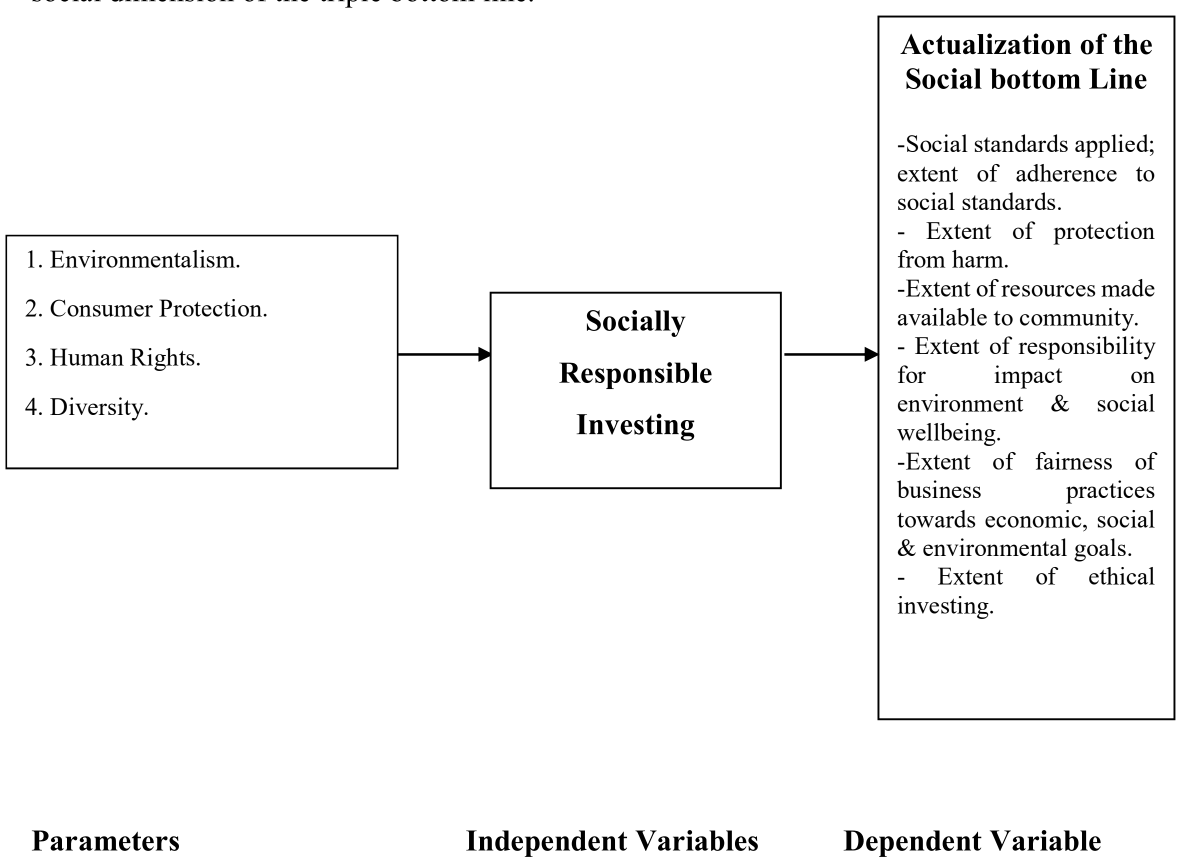
Socially responsible investing (SRI)

This involves taking social, environmental, governance and ethical considerations into account when making investment decisions. The last decade witnessed a tremendous growth in socially responsible investment (SRI), where investors combine their financial objectives with their concerns about social, environmental, ethical and/or corporate governance issues in their investment selection (Saeed & Kabir, 2013).

A study by Sustainable Investment Foundation (2013) on the impact of Sustainable and Responsible Investment, notes that sustainable and responsible investors have made a difference by using active share ownership and engagement strategies with some of the largest global corporations to encourage more responsible and forward-thinking practices.

According to a study by Global Sustainable Investment Alliance (2012) that sought to provide a composite picture and analysis of the sustainable investment assets in key financial regions worldwide, it was noted that sustainable investing is an investment approach making reference to environmental, social and governance (ESG) factors in the selection and management of investments.

A business should actively and proactively practice socially responsible investing by ensuring that they and the firms they associate with actively practice environmentalism, consumer protection, ensuring human rights are upheld and encouraging diversity, in turn upholding the social dimension of the triple bottom line.



RESEARCH METHODOLOGY

Target Population

Management Levels	Frequency	No. of Firms	Total
Middle level managers	7	64	448
Total	7	64	448

Source: Author (2015)

The target population was a total of 448 middle level managers from within the listed firms in Kenya. The table depicts the average number of middle level managers within the firms (frequency) which in this case is 7. It also depicts the total number of listed firms in Kenya, 64, which gives a total of 448 middle level managers which in turn forms the target population.

Sample Size

Management Levels	Study Population	Sample size
Middle level managers	448	208
Total	448	208

Source: Author (2015)

The sample size was a total of 208 middle level managers from within the listed firms in Kenya.

Data Collection Tools and Techniques

Data was collected by use of comprehensive questionnaires with the aim of bringing out the objectives of the research were passed out to relevant and knowledgeable individuals in the institutions indicated (middle management personnel).

Data Analysis & Presentation

The data collected was inspected and the completed questionnaire was edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. The responses were tabulated accordingly. Inferential statistics and descriptive statistics including means, standard deviation and frequency distribution were used to analyze the data. In addition, the study used simple regression analysis to assess the influence of the independent variable on the dependent variable.

$y\ fn\ (X_1, \varepsilon)$

From the above we can derive the research model as:

$y = \beta_0 + \beta_1 X_1 + \varepsilon$

Whereby:

y = Actualization of the Social Bottom Line (extent of adherence to social standards).

β_0 = constant

β_1 = coefficient of Socially Responsible Investing.

X_1 = Socially Responsible Investing.

ε = Error term

Data Analysis and Presentation

The objective of the study sought to analyse socially responsible investing as a factor determining actualization of the social bottom line among listed firms in Kenya. The researcher achieved this by listing the facets of socially responsible investing and the respondents were required to show the extent to which the listed facets determined the actualization of the social bottom line. The results indicate that all the facets had a very high extent of influence on determining bottom line actualization among these firms. These results reveal that to achieve social bottom-line actualization, the firms surveyed would have to rely heavily on socially responsible investing.

Socially Responsible Investing on Actualization

Facets	N	Mean
Environmentalism	106	4.86
Consumer protection	106	4.87
Upholding Human Rights	106	5.00
Encouraging Diversity	106	4.54

Source: Researcher (2015)

Actualization of Social bottom-line

The study sought to establish the extent to which the surveyed firms actualized social bottom-line. First, respondents were asked to indicate the extent to which they thought their firms actualized social bottom-line. The results revealed that 46% of the respondents revealed that their firms actualized social bottom line to a high extent with 10% indicating that their firms actualized social bottom line to a very high extent.

Extent of Firm Actualization of Social Bottom Line

Extent	Frequency	Percent
Moderate extent	46	44
High extent	49	46
Very high extent	11	10
Total	**106**	**100**

Source: Researcher (2015)

Moreover, respondents were asked to indicate the extent to which their firms should actualize social bottom line. The results revealed that 95% (n = 75) of the respondents indicated that their firms should actualize social bottom line to a very high extent while 5% (n = 4) indicated that their firms should actualize social bottom line to a high extent.

Extent that Firms should Actualize Social Bottom Line

Extent	Frequency	Percent
High extent	5	5
Very high extent	101	95
Total	**106**	**100**

Source: Researcher (2015)

Further, the researcher sought to find out the standards employed by listed firms so as to ensure that they actualize social bottom line. 89% (n=94) of the respondents indicated that their firms used in-house standards, while 11% (n=12) of the respondents indicated that their firms never used any standards. These results show that most of the listed firms surveyed employed internal policies and standards to ensure that they actualized social bottom-line. None of the firms surveyed, however, employed any internationally accredited standard to ensure that they actualized social bottom-line.

Standards used to Actualize Social Bottom Line

Standard	Frequency	Percent
None	12	11
In-house standard	94	89
Internationally accredited standard	0	0
Total	**106**	**100**

Source: Researcher (2015)

Additionally, the researcher sought to find from the respondents whether the actualization of social bottom line should be made mandatory and effected through legislation as opposed to being voluntary as it was at the time of the study. The results revealed that, 47% (n=50) of the respondents indicated that actualization should be made mandatory to a very high extent, 41% (n=43) indicated to a high extent, while 12% (n=13) indicated that they should be made mandatory to a moderate extent.

Extent making Social Actualization Mandatory

Extent	Frequency	Percent
Moderate extent	13	12
High extent	43	41
Very high extent	50	47
Total	**106**	**100**

Source: Researcher (2015)

The study further sought to investigate the point at which the respondents deemed that the factors of the Social bottom line have been actualized (the point at which they would be comfortable saying the specific factor has been actualized). This provided the standard against which actualization of the factors of the SBL would be measured. The respondents indicated that social responsible investing (4.22) would be deemed to have been actualized to a high extent.

Table 4.14: Actualization of Social Bottom Line

Factor	N	Mean
Socially Responsible Investing	106	4.22

Source: Researcher (2015)

Correlation Results

Using Pearson correlation test, any value between 0 - 0.3 means weak correlation, 0.31 - 0.69 moderate correlation, and 0.7 and above means strong correlation. The results indicate that there was strong correlation between socially responsible investing and actualization of social bottom line with a Pearson's correlation of 0.744. The variable was significant at 5% significant level as it indicated a p-value less than 0.05. This indicates that social responsible investing (SRI) was highly related with firms actualizing the social bottom line.

Correlation Matrix

		ASBL	SRI
ASBL	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	106	
SRI	Pearson Correlation	.744	1
	Sig. (2-tailed)	.001	
	N	106	106

Source: Researcher (2015)

Regression Results

The regression analysis was performed with the independent variable being socially responsible investing. The dependent variable was the actualization of social bottom line in the surveyed listed firms in Kenya.

Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.290	3.383		.0857	.803
Socially responsible investing	.0920	.030	.135	3.066	.002

a. Dependent Variable: Actualization of social bottom line

Source: Researcher (2015)

Standardized coefficients or beta coefficients are the estimates resulting from a regression analysis that have been standardized so that the variances of dependent and independent variable are 1. The column labelled "B" under "unstandardized coefficients" tells you how much the dependent variable goes up, on average, given that the independent variable goes up one unit. The t-test assesses whether the means of two groups are statistically different from each other.

The test of statistical significance of the independent variable in the model was done using t-tests. The regression model was as follows: $y = \beta_0 + \beta_1 X_1 + \varepsilon$

Y in the equation is the dependent variable (actualization of the social bottom line). X_1 = Socially Responsible Investing. The regression equation indicates that if organizations do not observe Socially Responsible Investing, the social bottom-line will be actualized at 0.290.

Summary & Discussion on the Major Findings

The objective of the study was to analyze socially responsible investing as a factor determining actualization of the social bottom line among listed firms in Kenya. The results were that all the statements had a very high extent of influence on bottom line actualization among these firms. This was as indicated by 'upholding human rights which had a mean of (5.00), 'environmentalism which means the concern for environmental protection and improvement of the health of the environment a mean of (4.86), 'consumer protection: which is to ensure the rights of consumer as well as fair trade, competition and accurate information in the market place had a mean of (4.87), 'encouraging diversity which means having people from different races or who have different cultures in a group or organization a mean of (4.54). Further findings indicated that socially responsible investing has a positive coefficient when used as a predictor for actualization of social bottom line (β_1 =.0920) and has a t-statistic of 3.066 which is significant at 5% significant level. This shows that socially responsible investing is a significant predictor of actualization of social bottom line in the listed firms. The positive coefficient of the socially responsible investing indicates that improvement in this variable in the listed firms will lead to increase in actualization of social bottom line.

Conclusions

Socially Responsible Investing was statistically significant in determining actualization of social bottom-line.

The study concludes that since all the facets on the variable influenced actualization of social responsibility to a very high extent, firms should actively and proactively uphold socially responsible investing within the community in which it operates.

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