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CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS LISTED AT NAIROBI SECURITIES EXCHANGE IN KENYA

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Abstract

Kenya's manufacturing industry has been declining in its contribution to the country's GDP over the last 5 years with the year 2017 reporting the worst performance in the industry's contribution to GDP (KAM, 2018). Therefore, this study intended to answer the question of whether manufacturing firms benefit financially when they engage in CSR and what number of resources should be allocated for the firms to obtain significant results. The general objective of this study was to establish the effect of Corporate Social Responsibility on the Financial Performance of manufacturing firms listed on the Nairobi Securities Exchange, Kenya. Specifically, the study sought to determine the effect of environmental sustainability initiatives and employee-focus corporate expenditures on the financial performance of manufacturing firms listed at the Nairobi Securities Exchange in Kenya. This study is guided by four theories; the Triple Bottom Line Theory, and Stakeholder Theory. The research design used in this study was descriptive study design. The population for this study constituted 9 firms listed under the manufacturing, construction and allied sectors at the NSE. The study used the census since the sample size was small. The study used a structured schedule to collect secondary data. The study used Statistical Package for Social Sciences (SPSS) and R console to analyze the data descriptive statistics. The study concludes that the environmental sustainability initiatives expenditure influenced the financial performance of manufacturing companies listed on the NSE in Kenya. In addition, the study concludes that employee-focus corporate expenditure influenced the financial performance of manufacturing companies listed on the NSE in Kenya. From the findings, the study recommends intensification of environmental sustainability initiatives activities in an effort to improve the financial performance of manufacturing companies listed on NSE in Kenya. In addition, the study recommends that firms to enhance employee-focus corporate activities in an effort to improve the financial performance of manufacturing companies listed on the NSE in Kenya.

Keywords: *Environmental Sustainability initiatives expenditure, Employee-Focus expenditure, Financial Performance, Manufacturing firms*

INTRODUCTION

There is a rapid growth in the corporate world today demanding a firm's competency to sustain its business. To develop a company, a firm needs to not just concentrate on the investors alone but also have interplay with the government and the public. Due to the different needs of stakeholders, each is concerned about how a firm incorporates their concerns into its daily operation. For example; a customer's need would be their safety in terms of a firm's products; the concern of an employee would be a fair wage and a conducive working environment; an investor's need would be their profits and the society's need may be a reduction of pollution caused by the business (Surroca, Tribó & Waddock, 2010). Thus, a firm ought to not just concentrate on its welfare but deliberate on the welfare of external stakeholders (Kamatra & Kartikaningdyah, 2015).

A company's existence and influence frequently conflict and bring adverse effects to the welfare of other stakeholders such as environmental deterioration resulting in unhealthy workstations and surroundings due to the release of toxic substances and other similar productions (Lindgreen, Swaen & Johnston, 2009). CSR activities can be largely grouped into four main groups. Environmental sustainability initiatives are concerned with the conservation of environmental resources for use by future generations. It involves activities such as reducing air, land and water pollution, minimizing greenhouse gases and ecological consumption of natural resources. CSR activities carried out by them. Chandaria Industries sponsor the Kenya Red Cross, undertake tree planting exercises, sponsor sport and provide sanitary pads, tissues to schools, prisons and children's home. British American Tobacco Kenya Ltd contributes to sustainable agriculture and environment and empowers individuals and societies in its surroundings. Carbacid Investments Ltd support education by providing bursaries and infrastructural development, promote environmental conservation by planting indigenous plantlets, offer humanitarian care by providing food and necessities to IDPs for example after post-election violence in Kenya in 2008, hosts World Aids Day and promote wildlife conservation through the Rhino Ark Project in Kereita Forest. East African Breweries Ltd sponsored Gakoe Water of Life Project in Thika District, Central Province. Unga Limited sponsor bakery, dairy and pig husbandry projects in schools, support girl-child education, and offer hygiene and transmittable diseases awareness training.

Recent researchers affirm the existence of CSR and have turned their attention to the reason behind its adoption and its influence on a firm. According to Freeman (1984), a corporation can only thrive if it brings value to its stakeholders. Carroll and Shabana (2011) posit that firms should engage in CSR to acquire capital that has a good reputation and uphold legality in the community. Okoth and Ponnu (2009) presented empirical proof that companies practicing CSR pursue to improve their company's reputation to help in improving their incomes and proceeds. This study thus seeks to determine the effect of CSR on the financial performance of manufacturing firms listed at the NSE in Kenya.

Afsharipour (2011) states that discussions about CSR are not only happening in developed countries but around the globe and substantial reforms are being undertaken. The popularity of CSR on a global basis is explained in a survey undertaken in 2007 by the Society of Human Resource Management (SHRM) (Workplace Visions, 2007) which found that a big number of Human Resource experts in the countries researched (Australia, India, United States, Canada, Brazil, China, Mexico) practiced CSR. Some of the reasons outlined were that firms became aware of the necessity of responding to large scale social needs before causing a hazard in the business and solutions to the social mishaps could be seen as the new basis for business openings. The European Community also promotes CSR. The European Council in the year 2000 officially urged firms to engage in socially responsible activities. The European Commission acknowledged that capitalizing on short-term profits only does not achieve stakeholder value, but rather having a market perspective with ethics. In 2006, the commission passed a CSR resolution that declared that CSR had gradually become a vital topic in the European Community in addition to being a vital part of the debate on globalization, sustainability and competitiveness. CSR, according to the commission, is a perception where firms assimilate environmental and communal ideas in their corporate and stakeholder dealings voluntarily (Mickels, 2009). India has both practical and legal CSR developments. Afsharipour (2011) states that the stakeholder CSR model identifies that firms are responsible not to their shareholders only but to consumers, staff, the environment and the entire society.

CSR in Africa and other developing countries vary from the CSR perspective in the West through highlighting philanthropic activities to address governance gaps, eradication of poverty and provision of socio-economic necessities such as investments in community development plans, health, education facilities etc. In Africa, CSR is not wholly formalized or established to be in line with international principles. Rather than a sincere practice to realize obligations to various stakeholders ethically, CSR is considered by African corporate groups as a private partnership with the government to match in delivery of infrastructures in hospitals, schools and housing developments. Most government agencies are dysfunctional or not efficient in carrying out their roles hence a reason why CSR is not yet fully developed. There's only one available index for measuring the Socially Responsible Index put in place in 2004 known as the Johannesburg Stock Exchange Socially Responsible Index. Apart from this, there is no virtually present viable index thus making compliance with the International Standards a challenge. CSR activities in Africa are determined by traditional principles such as Ubuntu (African humanism- Man created for helping others) in South Africa, African Renaissance which stands for African solution for Africa by Africans which include; sharing, respect to rank, the sacredness of commitment, esteem for compromise, achievement of harmony and respectable social and individual relations.

In Kenya, both firms listed at NSE and those not listed are pursuing CSR. The concept of CSR in developing countries is at its initial stages, hence the efforts achieved have been borrowed heavily from the countries that are developed. The condition in Kenya is spelt out by the provision of moral development, supplies by the Nepad-African union, inventory network guidelines and African peer-assessment techniques. It is no doubt that Kenyan firm CSR practices are directed toward environmental, societal basics and the community. An example of this is a program by Equity Bank –Wings to fly. Haller Park, a nature park by Bamburi Ltd (Mbogoh & Ogutu, 2017) is a conversion of a quarry harsh environment into an ecological region. Due to these CSR practices, Kenya has improved in social, economic, strong business atmosphere and nature preservation.

Statement of the Problem

A business's main objective is to make profit. At the same time, it is required to influence the society in a positive way. CSR thus helps to link this gap and help an organization to make its activities and its culture sustainable in three ways: economic, social and environmental. Some CSR benefits to a company include low costs of operation, improved corporate reputation and brand image, increased access to capital, reduced regulatory oversight. A number of service firms in Kenya have resulted into CSR and their financial position has greatly improved, for example, the National Bank of Kenya which focuses on; environment, health, education. Standard Chartered Bank Kenya Limited (SCB) which has an elaborate CSR policy that guides its operations, Equity Bank which has the Wings-to-Fly program, Safaricom which provides M-Pesa services, among others.

Despite these achievements, CSR has continually been overlooked since the manufacturers are thought of as callous corporations and therefore unable to participate in CSR undertakings. Yet the irony of the matter is that manufacturing companies give off a variety of pollutants to the environment than service companies. Earth Eclipse (2022) cited that 50% of total pollution is linked to industrial and manufacturing activities which include global warming, air pollution, water pollution, soil pollution, negative effect on human health such as cancer, wildlife destruction due to activities like deforestation, mining, and release of dangerous chemicals. The results of pollution include deaths, diseases, and the destruction of ecosystems which may take years to manifest. Thus, the manufacturing, construction and allied sector in Kenya is faced with a wide range of CSR responsibilities in the environment, human resource, community involvement, consumers, and products by performing various activities such as energy-saving methods due to high energy consumption by these firms, minimizing waste by coming up with ways of recycling waste, safety measures for employees due to high accident rates, labor-intensive processes with casual laborers, health effects of processes on residents and quality of products (Onyenje, 2013).

The manufacturing industry plays a major role in the Kenyan economy. It generated an average of 8.9% of Kenyan overall wealth in Kenya since 2014 (KNBS, 2019). In 2018, Export Processing Zone sold products worth Kshs 77.2 billion through export. Apart from sales made to the foreign market, the manufacturing sector has an important implication on other industries such as the service industry. It also falls under then President Kenyatta's big four transformational sector and part of Kenyan vision 2030. However, Kenya's manufacturing industry has been declining in its contribution to the country's GDP over the last 5 years with the year 2017 reporting the worst performance in the industry's contribution to GDP (KAM, 2018). Therefore, this study intends to answer the question of whether manufacturing firms benefit financially when they engage in CSR and what number of resources should be allocated for the firms to obtain significant results.

Several studies done on the relationship between CSR activities and FP have yielded mixed results. Internationally, Rusmante et al (2014) found a positive influence of CSR activities on FP. In Kenya, Kipruto (2014) established that social responsibility does not affect commercial banks' financial performance. Hameed et al (2013) concluded that CSR and financial Performance have a positive relationship with a firm. According to Ngatia (2012), there is a negative correlation between CSR and FP in insurance companies. It is therefore clear that very little has been done on the relationships between corporate social responsibility and the financial performance of manufacturing companies; therefore, this research seeks to determine the effect of corporate social responsibility on the financial performance of manufacturing firms listed at Nairobi Securities Exchange: Kenya.

Objectives

i. To determine the effect of environmental sustainability initiatives corporate expenditure on the financial performance of manufacturing firms listed at the Nairobi Securities Exchange in Kenya.
ii. To investigate the effect of employee-focus corporate expenditure on the financial performance of manufacturing firms listed at the Nairobi Securities Exchange in Kenya.

LITERATURE REVIEW

Theoretical Review

Triple Bottom Line Theory

This theory was initially mentioned by Spreckley (1981) in his Social Audit book where he debated that firms ought to consider financial performance, social wealth creation, and environmental responsibility. Elkington (1997) expanded the traditional reporting framework to take into account the social, environmental, financial and economic performance of enterprises. Companies may therefore show their commitment to CSR through the involvement of Top-level management; CSR policy investments and programs, voluntary standards and taking part in global inventions. According to this theory, the duty of a business falls on stakeholders instead of the shareholders despite the size of a firm or its composition. It is made up of social equity, economic, and environmental factors. Elkington (1994) developed a mantra of three Ps; people, planet, and profit to explain the triple bottom line and the goal of sustainability. People or social equity refer to fair and beneficial business practices toward labor, community and region in which a company operates its business. The planet, environmental bottom line pertains to sustainable environmental practices. The profit or economic bottom line refers to the economic value created by the organization after deducting the cost of all inputs. The criticisms made of Elkington's model include; that it is hard to rely on and measure People and Planet bottom lines consistently, there is no legal requirement for its reporting, and it is not effective as a general measure of business performance.

Stakeholder Theory

The stakeholder theory was developed by Freeman (1984). The aim of the firm, according to stakeholder theory, is to generate capital or value for its stakeholders through translating the stakes they own to goods and services (Clarkson, 1995) or to help in organizing stakeholder welfare (Evan and Freeman, 1988). According to this theory, companies have stakeholders that either benefit or are adversely affected by a corporation's actions. Stakeholders are those groups that are important for the survival of the organization. Freeman identified stakeholders as suppliers, customers, employees, stockholders, local community and management. According to (Weiss, 2008) if businesses fail to make ethical decisions, they pay large penalties. Corporations have social responsibilities that require them to take into consideration the interests of all parties affected by their decisions. Freeman (1984), gave a scenario that assigns direct responsibility to factory owners after the emission of wastes that need to be discarded safely after production. Stakeholders of manufacturing companies advocate for a corporation to engage in CSR activities while the shareholders prefer the financial growth of the company. This theory explains that manufacturing firms can benefit when they participate in CSR programs (Donaldson and Preston 1995). According to this theory, there is a positive relationship between CRS and FP. Stakeholder theory has however obtained critiques from classical economics, industrial relations and management. For instance, (Sternberg, 1997) posits that the theory is an obstacle to the property rights of the owners of a company, limits the participation of governments, compromises the free-market mechanism and thus sabotages capitalism.

Empirical Review

Muthami (2012) sought to find out how CSR affects a firm's performance and used Unilever-ESA Kenya as the study area. The research design used was a case study. Primary data was used which was collected through an interview guide and analyzed by use of content analysis. According to the study, Unilever Kenya took part in environmental responsiveness to develop the well-being of the society. In addition, the case study discovered a positive connection between CSR engagements and FP. Hara (2011) did a study on peace and cooperation through sustainable development in the Niger Delta, Nigeria. The study affirms that the undertakings of the oil firms have contributed massively to the economy but this involvement has not massively interpreted to an upgrading of the human and physical growth of the people living around the River State. Further, the study states that the community in that state has frequently protested against environmental contamination, downgrading, deficiency and general desertion by both the government and the oil firms' participating in the survey and exploitation of oil.

Nzovah (2012) sought to find out factors contributing to the adoption of CSR by Standard Chartered Bank in Kenya. A descriptive research design was used. Primary data was collected through interviews and analyzed by descriptive statistics while content analysis was used to analyze secondary data. The outcome showed that the bank has several CSR activities stretching from the environment, health, education and general community support strategies. Factors that were found to have an influence on CSR in Standard Chartered Bank Kenya corporate strategy were accountability, improvement of stakeholder associations, company uprightness and stakeholder teamwork. Nevertheless, of all these factors indicated, stakeholders' well-being and associations were highly preferred by the respondents to be the top most influencing factors in the acceptance and application of CSR.

Bashir, Cheema and Hassan (2012) did a study in Karachi-Pakistan on the influence of CSR engagements on the employees of the firms. A questionnaire was used to collect primary data. The data was analyzed through frequency distribution and the percentage of responses by the respondents. The findings concluded that the participation of firms in CSR activities had a positive impact on the attitude of employees towards the firm hence this led to employees feeling part of the organization and job satisfaction and this led to higher organizational output. Ali et al (2010) studied the impact of CSR on employee commitment and organizational performance in Pakistan. The study aimed at analyzing how CSR affects employee commitment and firms' performance. The exploratory approach was used where primary data was collected from 371 specialists employed in various segments of Pakistan by use of questionnaires. The structural equation model (SEM) method was used to examine the hypotheses. According to the study, CSR practices positively influence the level of commitment by the employees to the organization thus improving the performance of the organizations' practicing CSR.

Gathungu and Ratemo (2013) did a study on the CSR effect on the strategic intent at Standard Chartered Bank Kenya Limited. The study aimed to determine the type of CSR activities that SCB undertakes and assess their effect on the strategic intent. A case study research design was used. Primary and secondary data were used. Primary data was collected through an interview guide and content analysis technique. According to the study, the revelation of CSR engagements by firms helped in measuring the firm's performance where it showed both availability of income and the value endorsed to the recipients of the agenda. Although CSR was thought to be part of the functions of a firm, how it affected the company's financial performance did not equal other practices such as production and finance.

Ngugi (2010) undertook a study to find out the relationship between Corporate Social Responsibility and the performance of Health Maintenance Organizations (HMOs) in Kenya. The results showed that in light of 93% of respondents, HMOs in Kenya participated in CSR programs to a great degree such as assisting children's homes, environmental conservation, education, and health as in HIV/AIDS (96%). They were also concerned with employee and supplier well-being. The study concluded that CSR leads to customer development, market penetration and customer contentment. The study indicated a positive association between CSR and the performance of HMOs in Kenya.

Conceptual Framework

Figure 1 shows the conceptual framework. According to the framework, the financial performance of manufacturing firms listed at the NSE is assumed to be influenced by CSR. Financial performance is the dependent variable which is assumed to be influenced by the independent variables; environmental sustainability initiatives corporate expenditure, and employee-focus on corporate expenditure. Return on Asset (ROA) indicates the financial performance.

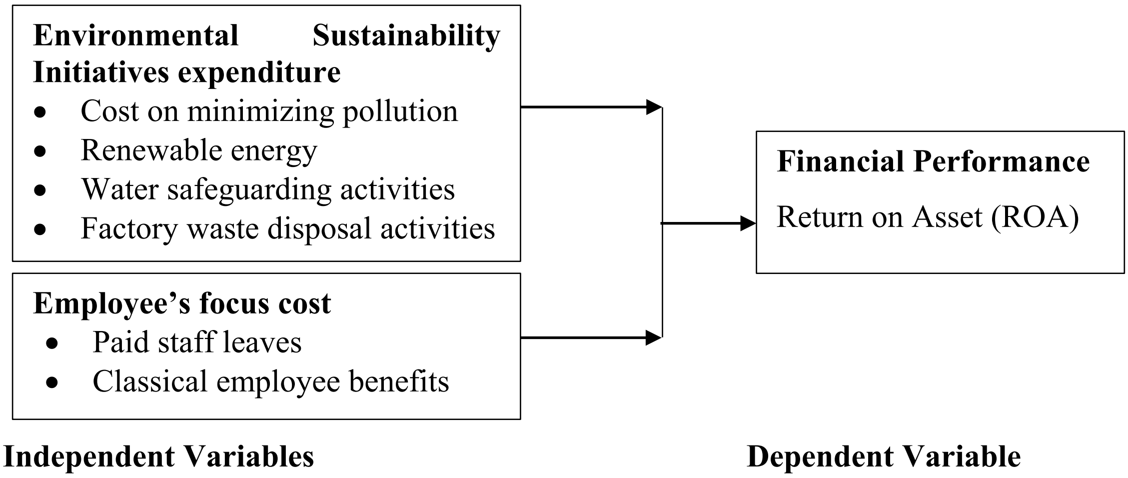

Figure 1: Conceptual Framework

METHODOLOGY

The research design used in this study was descriptive study design. The population for this study constituted all the firms listed under manufacturing, construction and allied sectors at the NSE. There were 9 firms listed as of the year 2022(NSE, 2022). The study used the census since the sample size was small, easily accessible and manageable. The study used a structured schedule to collect secondary data from the firm's annual audited reports, individual firms' websites and publications. The nature of data to be used included a statement of financial position, a statement of comprehensive income and annual reports to shareholders from 2015 to 2021. The data was cleaned, sorted and checked for completeness and consistency after collection. The study used Statistical Package for Social Sciences (SPSS) and R console to analyze the data descriptive statistics such as maximum, minimum, mean, and standard deviation to outline sample characteristics and significant trends from the collected data and interpret the results. A multiple linear regression model was then employed to estimate the relationships between the variables at a significance level of 5%.

FINDINGS AND DISCUSSIONS

Descriptive statistics

Descriptive statistics were used to explore the data. These include; mean, the standard deviation, variance, minimum and maximum variables (Kothari, 2004). The mean for environmental Sustainability Initiatives expenditure variable was 5275.27. The maximum of environmental Sustainability Initiatives expenditure variable level stood at 9948.00 and the minimum was 416.00, while the standard deviation was recorded at 2845.79. The mean for employee's focus cost variable was 5392.95. The maximum of employee's focus cost level stood at 9853.00 and the minimum was 356.00, while the standard deviation was recorded at 2586.72 as shown in Table 1.

Table 4. 1 Results of Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Cost on minimizing pollution	60	54.00	1198.00	683.08	318.74
Renewable energy	60	0.00	1151.00	656.30	352.27
Water safeguarding activities	60	74.00	1197.00	691.53	336.05
Factory waste disposal activities	60	39.00	7649.00	3260.95	2233.07
Environmental Sustainability Initiatives expenditure	**60**	**416.00**	**9948.00**	**5275.27**	**2845.79**

Paid staff leaves	60	205.00	1176.00	717.82	255.10
Classical employee benefits	60	122.00	8952.00	4675.13	2492.07
Employee's focus cost	**60**	**356.00**	**9853.00**	**5392.95**	**2586.72**
Valid N (listwise)	60				

Employee's focus cost

Figure 4.1 shows the mean expenditure on employee's focus cost by companies from 2015 to 2021.

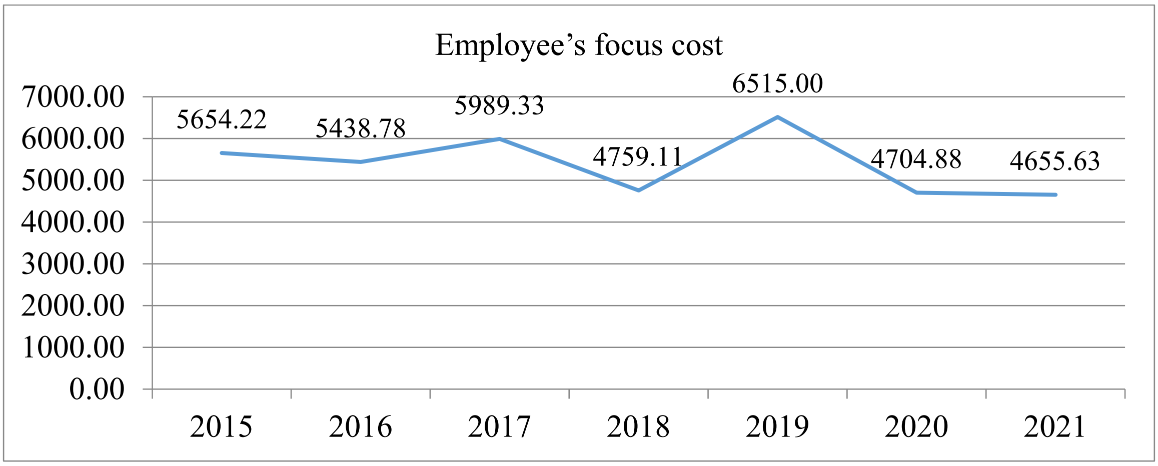

Figure 2: Employee's focus cost

In 2015, the companies spent an average of Kshs.5,654.22 on such initiatives, which decreased slightly to Kshs.5,438.78 in 2016. However, in 2017, the expenditure increased significantly to Kshs.5,989.33, suggesting a renewed focus on employee well-being and development. In 2018, the expenditure decreased to Kshs.4,759.11, which could be due to changes in the company's focus or budget allocation. However, in 2019, the expenditure increased again to Kshs.6,515.00, indicating continued investment in employee-focus initiatives. In 2020, the expenditure decreased to Kshs.4,704.88, which may have been influenced by the economic impact of the COVID-19 pandemic, as companies looked to cut costs. In 2021, the expenditure decreased further to Kshs.4,655.63, possibly reflecting on-going economic challenges. Overall, the data suggests that the companies has been investing in employee-focus initiatives as part of its CSR efforts, although there have been variations in expenditure over the years, likely influenced by both internal and external factors**.**

Environmental Sustainability Initiatives expenditure

Figure 3 provided shows the mean expenditure on environmental sustainability initiatives by companies from 2015 to 2021.

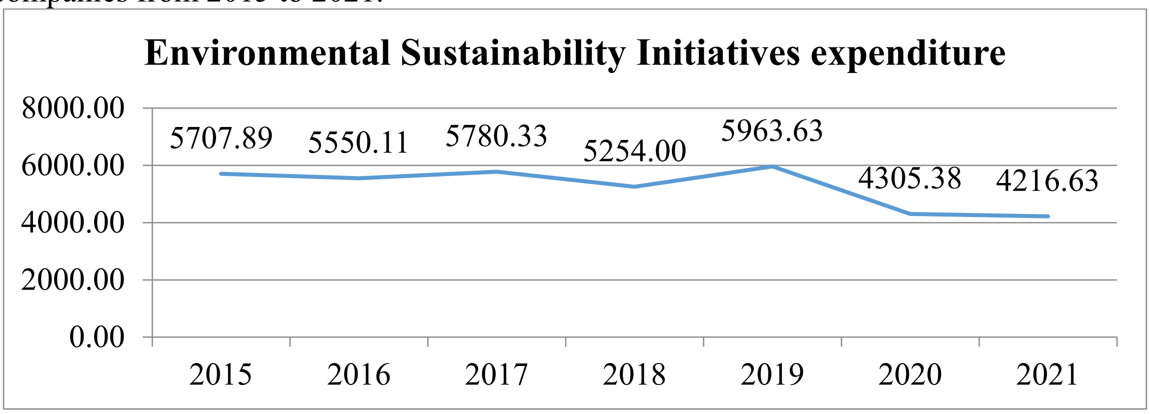

Figure 3: Employee's focus cost

In 2015, the companies spent an average of Kshs.5,707.89 on such initiatives, which decreased slightly to Kshs.5,550.11 in 2016. However, the expenditure increased in 2017 to Kshs. 5,780.33, indicating an increased focus on sustainability initiatives. In 2018, the expenditure decreased to Kshs.5,254.00, possibly indicating a shift in focus or a decrease in the companies' overall CSR budget. However, in 2019, the expenditure increased again to Kshs.5,963.63, suggesting renewed investment in environmental sustainability initiatives. In 2020, the expenditure decreased significantly to Kshs.4,305.38, which may have been influenced by the economic impact of the COVID-19 pandemic. In 2021, the expenditure decreased further to Kshs.4,216.63, possibly due to on-going economic challenges. Overall, the data suggests that the companies has been investing in environmental sustainability initiatives as part of its CSR efforts, although there have been variations in expenditure over the years, likely influenced by both internal and external factors.

Return on Asset

The figure 4 provided shows the mean ROA of companies from 2015 to 2021.

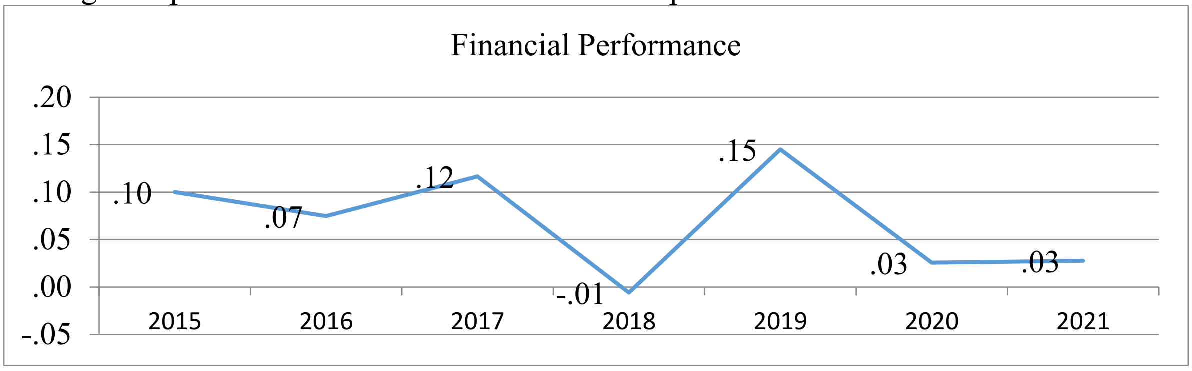

Figure 4: Return on Asset

In 2015, the companies had a mean ROA of .10, indicating that it earned a profit of 10 cents for every dollar of assets. However, in 2016, the mean ROA decreased to .07, indicating a decrease in profitability. In 2017, the mean ROA increased significantly to .12, suggesting a return to profitability and an increase in the efficiency of asset utilization. However, in 2018, the mean ROA decreased significantly to -.01, indicating that the companies' net income was negative, or the companies was operating at a loss relative to its total assets. In 2019, the mean ROA increased again to .15, indicating an increase in profitability and more efficient utilization of assets. However, in 2020, the mean ROA decreased to .03, likely due to the economic impact of the COVID-19 pandemic. In 2021, the mean ROA remained low at .03, possibly reflecting ongoing economic challenges. Overall, the data suggests that the companies have experienced fluctuations in profitability over the years, likely influenced by both internal and external factors. However, the companies have shown an overall trend of returning to profitability and more efficient asset utilization in recent years.

Panel estimation

Table 2: Model summary

Residual standard error: 0.0935 on SS degrees of freedom
Multiple R-squared: 0.81036,
Adjusted R-squared: 0.79657
Chisq: 235.048 on 2 DF,
p-value: < 2.22e-16

The summary of the model was utilized to indicate the extent to which changes in the independent variable can account for the variation in the dependent variable. The adjusted R-squared value of 0.79657 suggests that 79.65% of the variance in the financial performance of manufacturing firms listed at NSE in Kenya can be explained by Environmental sustainability, Employee-focus cost, Direct Philanthropic CSR expenditure and Economic CSR Activities cost. The Chi-Square value represents a test statistic for the overall significance of the regression model. It is used to test whether the regression coefficients are jointly significant. In this case, the Chi-Square value is 235.048 with 4 degrees of freedom (DF), and the associated p-value is very close to zero (< 2.22e-16), indicating that the model as a whole is highly statistically significant.

Under the random effect model, the unobservable time effect was assumed to be uncorrelated with the explanatory variables and that the component had time element. In using the random effect, the estimator was the linear model.

Table 3: Panel estimation Results (Random model)

Coefficients:	Estimate	Std. Error	t value	Pr(>|t|)	(95%Conf. Interval)	
					Lower limit	Upper limit
(Intercept)	-3.75E-01	3.60E-02	-10.401	< 2.2e-16 ***	-4.39E-01	-2.98E-01
Environmental sustainability	2.44E-05	1.31E-05	1.8601	0.062871	3.91E-06	5.59E-05
Employee-focus cost	5.81E-05	1.06E-05	5.4788	4.283e-08 ***	3.22E-05	7.69E-05
Sign if. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 '' 1						

Y= -3.75e-01+2.44e-05 (Environmental sustainability) + 5.81e-05 (Employee-focus Cost)

The table 4.13 shows that CSR with p-value of 2.2e-16 is the most influential variable in the study. From the above regression model, it was revealed that environmental sustainability CSR and Employee-focus cost CSR activities cost a company to a constant zero, financial performance of manufacturing firms listed at NSE in Kenya would stand at -3.75e-01. A single unit increase in Environmental sustainability expenditure would lead to an increase in financial performance by a 2.44e-05 units, while a single unit increase in Employee-focus cost would lead to an increase in financial performance of manufacturing firms listed in NSE by a 5.81e-05 units.

Investing in environmentally sustainable practices can lead to cost savings, operational efficiencies, improved reputation, and enhanced competitive advantage. For example, a study by Klassen and McLaughlin (2016) examined the environmental practices of 200 manufacturing plants and found that those with stronger environmental management systems demonstrated better financial performance. The findings are consistent with Liu, Xi, and Wang (2021) who found a positive and significant impact of environmental responsibility on a company's financial performance, suggesting that environmentally sustainable practices can contribute to long-term profitability. The findings are further supported by the findings of Zhang, Loh and Wu, (2020) who also observed a positive association environmental responsibility on a company's financial performance.

The finding of this study suggests that employee-focus cost (Paid staff leaves, Classical employee benefits) leads to an increase in the financial performance of manufacturing firms. The findings are consistent with Guthrie (2001) would find investing in employee-focus costs create a competitive advantage for manufacturing firms. Guthrie argued that offering attractive benefits packages and paid staff leaves, companies can attract and retain high-quality employees, which can positively impact innovation, product quality, and overall competitiveness. However, a study by Wood and de Menezes (2011) found insignificant relationship between employee benefits and profitability in manufacturing firms. It suggests that the impact of these costs on financial performance might vary depending on other contextual factors and industry-specific dynamics. Therefore, the specific impact of employee-focus costs on financial performance may vary depending on the unique circumstances and strategic decisions of each ma1nufacturing firm.

Conclusion

The study concludes that the environmental sustainability initiatives expenditure influenced the financial performance of manufacturing companies listed on NSE in Kenya. It was observed that an increase in environmental sustainability initiatives expenditure would significantly increase the financial performance of manufacturing companies listed on NSE in Kenya the by 0.852.

The study concludes that the employee-focus corporate expenditure influenced the financial performance of manufacturing companies listed on NSE in Kenya. It was observed that an increase in employee-focus corporate expenditure would significantly increase the financial performance of manufacturing companies listed on NSE in Kenya by 0.882

Recommendation

The study the study recommends intensification of environmental sustainability initiatives activities in effort to improve the financial performance of manufacturing companies listed on NSE in Kenya. When the customer perceives the companies to care for welfare of their environment, there is likelihood that they will support the firm.

The study the study recommends the firms to enhance employee-focus corporate activities in effort to improve the financial performance of manufacturing companies listed on NSE in Kenya. When the employee feels the firm's cares for their welfares, they are likely to reciprocate this by caring for customers and that will have a positive impact on the financial performance of the firm.

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