

International Journal of Finance and Accounting

(IJFA)

**Impact of Corporate Social Responsibility Adoption on Profitability of Private Food
Manufacturing Companies in Kisumu City**

Ondisa Imbandu Eunice and Prof. Ombok, Benjamin Owour

Impact of Corporate Social Responsibility Adoption on Profitability of Private Food Manufacturing Companies in Kisumu City



¹Ondisa Imbandu Eunice

MBA Student Department of Accounting and Finance, Maseno University, Kenya



²Prof. Ombok, Benjamin Owour

Associate Professor, Department of Accounting and Finance, Maseno University, Kenya

Article History

Received 26th March 2026

Received in Revised Form 25th April 2026

Accepted 27th May 2026



How to cite in APA format:

Ondisa, E., & Owour, O. (2026). Impact of Corporate Social Responsibility Adoption on Profitability of Private Food Manufacturing Companies in Kisumu City. *International Journal of Finance and Accounting*, 11(5), 19–29. <https://doi.org/10.47604/ijfa.3787>

Abstract

Purpose: The purpose of this study was to establish the impact of CSR adoption on profitability of private food manufacturing companies in Kisumu City. This was done through the determination of impact of environmental, ethical, and philanthropic responsibility of the firms on profitability of private food manufacturing companies in Kisumu City.

Methodology: Considering a study population of 300 (FMC's) management staff, of Financial, Production, Sales, and Marketing management position; and selecting a sample size of 170 and 165 respondents, through Stratified Random Sampling, with primary data consisting of opinion on environmental conservation activities, ethical standards and philanthropic activities and secondary data consisting of scale of measures of environmental, ethical, and philanthropic responsibility and profitability. These were collected and analysed, using mixed methods; which was suitable for concurrently triangulating the results in describing the outcome.

Findings: The results revealed that environmental responsibility accounted for 16.5% variation of profitability at ($R^2=.165$, $p<.05$) and ($\beta=.406$, $p<.05$). Ethical responsibility accounts for 20.2% variation in profitability at ($R^2=.202$, $p<.05$) and ($\beta=.455$, $p<.05$), while, philanthropic responsibility accounted for 27.2% variation in profitability at ($R^2=.272$, $p<.05$) and ($\beta=.522$, $p<.05$) of private food manufacturing companies in Kisumu. The study concluded that environmental, ethical, and philanthropic responsibilities all have positive and significant impact on profitability of private manufacturing companies in Kisumu City.

Unique Contribution to the Theory, Practice and Policy: The study therefore recommends enforcing strict compliance with legislation, for the food industry to lay down policies that ensure that all food manufacturing companies practice ethical responsibilities improvement of philanthropic responsibilities across these companies.

Keywords: Profitability, Private Food Manufacturing Companies, Corporate Social Responsibility, Adoption

JEL Codes: G32, L66, M14

©2026 by the Authors. This Article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<http://creativecommons.org/licenses/by/4.0>)

INTRODUCTION

Global corporate profits have similarly experienced notable fluctuations from 2020 to 2024, effectively influenced by factors like the COVID-19 pandemic, inflation, and shifting trade policies, leading to significant profit declines across various sectors. In 2020, the pandemic led to significant profit declines across various sectors. However, by 2022, many companies rebounded, with U.S. corporate profits reaching a record \$3.8 trillion in Q2 2024, marking a 54% increase from pre-pandemic levels. This surge was driven by strong consumer demand and cost-cutting measures. Yet, in 2023, profits began to decline; for instance, Nairobi Securities Exchange-listed non-financial firms saw a 58% drop in profitability due to reduced consumer spending and rising input costs. These fluctuations underscore the dynamic nature of global corporate profitability in recent years. Literature reveals that profits of private food manufacturing companies have been declining, despite companies existing for profit, and sustainable market stability in the matrix of their operations. The adoption of corporate social responsibility (CSR) practices contributes to the success of companies. Companies that engage in CSR initiatives can achieve positive outcomes that align with their goals while maintaining a long-term perspective of the company. Manufacturing is the largest sector in Kenya which contributes 30% on GDP and 40% of all employees in the manufacturing sector (GOK, 2018). Performance of manufacturing firms in terms of contribution to GDP has been declining from 11.8% in 2011 to 8.4 in 2017 (KAM, 2018). “Indeed, production volumes have been contracting leading to an overall decline of 1.1 per cent in 2017” (KNBS, 2018). In terms of growth rate, performance has declined from 5.6% in 2013 to 0.2% in 2017. Profitability of private food manufacturing companies (FMC) in Kenya has demonstrated fluctuations for the period 2020 to 2025. Further, there is limited information alongside very few studies on private food manufacturing firms in Kisumu City. Companies exist to offer their products to a community of users for profit, and also for building future market stability in the matrix of their operations, which is foundational to their contribution to development of the society in which they operate

Problem Statement

The manufacturing sector significantly contributes to global economic development, with an estimated \$2.1 trillion in GDP and employment for millions worldwide. Companies exist to offer their products to a community of users for profit, and also for building future market stability in the matrix of their operations, which is foundational to their contribution to development of the society in which they operate. In Kenya however, a large number of manufacturing firms fail within their first three years of operation, raising concerns about their sustainability and profitability. In Kisumu, private food manufacturing companies continue to face challenges with sustainable stable profitability, despite operating in a region with a large and growing consumer base, tastes and preferences. Corporate social responsibility adoption (CSR) as a strategy adopted by producer organisations; manufacturing companies being part aims at improving a firm’s reputation and competitive advantage. Many firms engage in CSR activities that include environmental conservation, ethical conduct, and philanthropic efforts in ensuring market stability, continuity and consumer feedback. However, the extent to which these specific dimensions of CSR influence profitability of food manufacturing companies remain underexplored especially with respect to Kisumu’s private food manufacturing sector. A large number of food manufacturing companies operate as private. Existing literature commonly focus on large corporations or firms outside the food processing industry, and often

overlook smaller, private firms operating in localized economic and regulatory environments. Literature subsequently reveals mixed findings regarding the relationship between CSR and profitability; where some studies indicate positive impact, while others suggest that the costs involved in CSR can reduce profits, alongside limited evidence of interaction between CSR strategies and actual business outcomes.

Theoretical Framework

Relevance of the Theories

Literature about corporate social responsibility adoption was reviewed using the Resource Based Theory and the Stakeholder Theory

Resource based theory was proposed by Penrose (2009), he proposed a model about the impactful management of firm's resources, diversification strategy and prospective opportunities. Penrose publication became the first scholar to propose a conceptualization of a firm as a coordinated bundle of resources which is used to address and handle how and organization can achieve its aims and strategy (Penrose, 2009). RBT availed a framework which is used to highlight and predict the fundamentals of organization performance and its competitive advantage. RBT puts emphasis in management of internal organization resources as opposed to focusing on the external organization's resources. RBT believes that CSR in all its dimensions is an intangible resource which when employed well, gives a firm, stable and unique competitive advantage against other firms, hence increasing the Return on Assets (ROA) or net profit margins.

Stakeholder theory opines that if a unit of analysis is adopted, the relationship between a firm, groups and individuals who are affected by it is enhanced, and the problem can be dealt with better. Business is a set of relationships among groups which have a stake in the activities of the business (Freeman, 1984, Jones, 1995, Walsh, 2005). The origin of the word "stakeholder" can be traced from an internal memorandum at the Stanford Research institute which is currently known as SRI International Inc. way back in 1963. The term basically was used to challenge the fact that stakeholders are the only group to whom management are responsive to. By 1970, and 1980s researchers and practitioners were working to develop theories of management in a bid to solve management problems that existed by that time amidst uncertainty and change. Freeman (1984) asserted that managers use the term stakeholder theory based on the stakeholder concept in the 1980s and 1990s. The scholars explained three problems that relates to business which are the problem of value creation, the problem of ethics of capitalism of management mind set. The theory is about how different stakeholder; customers, suppliers, employees, financiers, communities and management of the business interact and create and trade value. Each stakeholder has their needs and expectations that the firm should meet, for the stakeholder to trust and be confident in the firm and its operations. This will increase consumer loyalty to the quality good and service hence increasing revenue and profitability.

Research Gaps

Despite extensive scholarly interest in the relationship between corporate social responsibility adoption (CSR) and firm performance, notable gaps remain in understanding this dynamic within specific sectors and geographical contexts as discussed below;

Environmental Responsibility

Ngangi and Ngali (2023) studied CSR and financial performance of manufacturing firms listed in Nairobi Securities Exchange. The study employed descriptive research design and census sampling for 9 firms; the study used secondary data. Results revealed that environmental responsibility initiatives expenditure significantly influence performance of manufacturing firms listed in NSE. The study however may not be generalized because it only focused on the 9 listed manufacturing firms in Kenya. Studying impact of CSR in private food manufacturing firms in Kisumu is therefore imperative. (Mbole, Arasa, & Mung'unyi, 2021) studied environmental initiatives and financial performance of cement companies in Kenya. The target population in the study was 624 and a sample size of 255, out of the sample population, 196 respondents participated in the study. Both secondary data and primary data was used in the study; results were analyzed using descriptive and inferential statistics; also, structural equation modeling (SEM) was used to establish the relationship among variables. The study findings revealed that environmental initiatives significantly influence performance of cement manufacturing companies positively. However, this study only focused on environmental initiatives as opposed to all the dimensions of CSR in private food manufacturing companies.

The reviewed studies differ in terms of the target population studied, sample technique used, the time period of the study, data type and analysis procedure and the types of organizations under investigation hence, generalization of these results to infer about how CSR affects performance of private food manufacturing firms in Kisumu may be challenging.

(Ochieng, 2019) studied green business practices and organization's performance in a case study of Safaricom limited, the research was done in Nairobi, using open ended and closed questionnaires, with a target population of 350 respondents. The researcher also used stratified multistage simple random sampling technique and concentrated only on 11 departments in Safaricom. Furthermore, the researcher used both descriptive and inferential statistics to analyze data. This study revealed that Safaricom as a company has implemented and continue to implement very many green business practices which in turn have since affected their profits positively. This study however was done in a single company while the proposed study will be done on all private food manufacturing companies in Kisumu City. Secondly, this study only focused on green business and performance of Safaricom limited. However, the present study concentrated on the entire CSR activities. How results could look like when all these differences were to be not there is unknown.

Ethical Responsibility

Although numerous studies have examined the influence of corporate social responsibility adoption (CSR) on organizational performance across various sectors, gaps still exist, particularly concerning the ethical dimension of CSR in private food manufacturing firms. (Musungu, 2019) explored CSR and firm performance in media houses in Nairobi, a service-oriented sector, and recommended ethical responsibility as a value-adding practice. However, the media sector's operational context significantly differs from that of manufacturing, especially in product delivery, supply chains, and stakeholder interactions. (Rop, 2023) examined CSR practices in large supermarkets, while (Muchiri, Gally, & Farkas, 2022) targeted financial institutions in Kirinyaga County. Although these studies reported positive relationships between CSR and performance, their findings are confined to different sectors and geographical locations. These insights, while valuable, do not directly inform how ethical responsibility affects profitability within Kisumu's food manufacturing sector. Therefore, the

current study seeks to address these methodological, sectorial, and geographical gaps by investigating the specific impact of ethical responsibility on the profitability of private food manufacturing firms in Kisumu City, using primary data to offer localized and sector-specific insights.

(Kariuki, 2021) studied corporate social responsibility adoption practices and performance of firms listed at the Nairobi securities exchange in Kenya. The study used descriptive research design, the target population for the study was 200 workers from section heads and senior management, validity and reliability was tested. Results indicated that companies should follow CSR initiatives that are dealing with environment, health, education and water given that they are considered societies concern. This study investigated CSR practices among large listed firms at the Nairobi Securities Exchange, focusing on environmental and social concerns, but did not account for firm size differences, limiting generalizability to smaller, unlisted firms. This study therefore did not offer the treatment for the firm size while has a potential of making the results not to be generalized. (Thuo, 2020) studied corporate social responsibility adoption and financial performance of large manufacturing companies in Kenya. The research used CSR expenditure (independent variable) and return on asset (dependent variable). Also, the study used secondary data. The research design adopted by the study is descriptive and cross-sectional research design. Results of the study revealed an insignificant positive relationship between ROA and CSR whereas there is also insignificant positive relationship between ROA and efficiency. This study analyzed CSR expenditure and financial performance in large manufacturing firms using return on assets, revealing an insignificant relationship, yet the exclusive reliance on secondary data and a narrow definition of performance limits applicability to smaller, diverse firms. It focused on large manufacturing companies while the present study focused on private companies in Kisumu City. Therefore, how results could have looked like assuming the population was to be uniform is therefore not known.

Philanthropic Responsibility

(Gardberg, Zyglidopoulos, Symeou, & Schepers, 2017) carried out a study about corporate philanthropy, reputation and corporate performance. The study used signal detection theory (SDT) and revealed that characteristics of firm's portfolio of philanthropic activities greatly predict Corporate Sustainable performance (CSP) awareness than of CSP perception and that awareness increases with signal aptitude, dispersion and consistency. CSP perception is driven by awareness and corporate reputation. The authors however assert that corporate philanthropy as a variable is complex and that CSP signal characteristics influence CSP awareness and perception independently and a symmetrically hence the authors recommend further research in this area. The authors in this study are accepting that modeling philanthropy and corporate social responsibility adoption is complex and that CSP signal characteristics influence awareness and perception independently, it is this complexity aspect that the proposed study sought to address. Furthermore, this study seems complex and uses difficult terminologies which are not easy to understand. The proposed study however used simple regression analysis to assess the impact of CSR on profitability of private food manufacturing companies in Kisumu City.

(Venerande, Namusonge, & Kule, 2018) studied philanthropic corporate social responsibility adoption strategy and firm performance in telecommunication company. The study population was 228 firm managers and CSR related staffs from MTN Rwanda (110), TIGO Rwanda (80) and Airtel Rwanda (38) the sample size was 145 staff, arrived through stratified sampling

technique. Results revealed that philanthropic activities improve profitability and reputation of the company. This study was done in Rwanda, but study focused on only one aspect of CSR, the present study proposes to use three variables which are environmental CSR, ethical CSR and philanthropic CSR. How a combination of the three aspects of CSR influence performance of companies is therefore not known secondly, the study only concentrated in telecommunication companies, while the present study focused on all the private food manufacturing companies in Kisumu city.

Empirical Review

Empirical research has provided evidence supporting the positive relationship between CSR adoption and firm performance. (Rehman, 2020) argue from a theoretical stand point that CSR practices can enhance firm performance by improving stakeholder relationships, reducing risk, and enhancing reputation. Similarly, (Yang, 2021) suggest that CSR can be a source of competitive advantage, as companies that invest in socially responsible initiatives can differentiate themselves in the market and attract customers who value sustainability and ethical business practices. Furthermore, (Okafor, 2021)high light the potential benefits of CSR in mitigating negative externalities and addressing societal challenges, which can ultimately contribute to long-term financial performance. Their research suggests that firms that engage in CSR activities may experience reduced regulatory scrutiny, lower operational costs, and enhanced brand loyalty. Moreover, a meta-analysis by (Vishwanathan, 2020)found a positive correlation between corporate social and financial performance across various industries, indicating that companies with stronger. CSR commitments tend to outperform their peers financially. Overall, the adoption of CSR practices, guided by stakeholder theory, is believed to have a positive influence on firm performance. By prioritizing the interests of stakeholders and integrating social and environmental concerns into business strategies, companies can enhance their reputation, mitigate risks, gain competitive advantage, and ultimately improve financial performance.

METHODOLOGY

Research Design

This study adopted a mixed-method research design The study has considered the numerical relationships and contextual insights into CSR , the three CSR dimensions and their specific influence on profitability metrics, being net profit, return on assets (ROA), and gross profit.

Data Collection Instruments

The study used primary and secondary source of data. An interview schedule was used to collect primary data and the semi-structured questionnaires with a Likert scale were used to collect secondary data. The questionnaire comprises of four sections: a section on general information; a section on performance of private food companies in Kisumu city; a section on environmental social responsibility, a section on ethical social responsibility and a section on philanthropic social responsibility. The interview schedule had open questions.

Data analysis and Presentation

After collection, completeness of responses was confirmed and serialized them in preparation for coding and entry. The responses were keyed into a statistical package and analyzed through descriptive statistics for determination of standard deviation, mean scores, frequency distribution and inferential statistics of ANOVA and correlation. Quantitative data collected

from Likert-scale items in the questionnaires was analyzed using Multiple Linear Regression (MLR) to assess the relationship between CSR components (independent variables) and profitability (dependent variable). Qualitative responses from open-ended questions were analyzed thematically. This qualitative analysis complemented the quantitative findings, adding depth and context to the impact of CSR initiatives. Results were presented in charts, tables and graphs; the presented results were discussed and inferences drawn.

RESULTS

Table 1: Response Rate

Deliverable	Size	Percentage (%)
Targeted Sample	170	100
Achieved sample	165	97%
Non-Response	5	3%

From the response table, out of a total of 170 sample target that was expected to respond to the administered questionnaire, 165 successfully and wholly responded leading to a response return of 97 percent. However, 5 respondents did not return leading to 3% non-response. Accordingly, the response rate is by far above 60%, that is 97% which is adequate for statistical analysis.

Environmental Responsibility

Mean and Standard deviation 2.8 and 1.45

Correlation Coefficient (R) 0.406

Coefficient of Determination (R^2) 0.165

Ethical Responsibility

Mean and Standard deviation 2.6 and 1.52

Correlation Coefficient (R) 0.455

Coefficient of Determination (R^2) 0.207

Philanthropic Responsibility

Mean and Standard deviation 2.7 and 1.37

Correlation Coefficient (R) 0.522

Coefficient of Determination (R^2) 0.272

Corroboration with Literature

Environmental responsibility had a significant impact on profitability of private food manufacturing companies; however, the effect was weak. This agrees with the findings from previous empirical findings.

The impact of ethical responsibility on profitability of private food manufacturing companies was positive and significant. However, the magnitude of impact was weak. Previous studies also found a significant effect but it was not clear whether the effect was weak or not.

The impact of philanthropic responsibility adoption on profitability of private food manufacturing companies in Kisumu City. The impact is positive and significant. Previous studies have indicated positive relationship

Discussion

Discussion/Summary in Line with the Objectives

Objective one: to determine the impact of environmental responsibility adoption on profitability of private food manufacturing companies in Kisumu City. Using descriptive statistics, the findings revealed average scores for items on environmental responsibility. However, using simple linear regression model and standard multiple regression models, the findings revealed that environmental responsibility accounted for a significant variance in profitability of private manufacturing companies in Kisumu. Model coefficient results revealed that environmental responsibility had a positive and significant effect on profitability of these companies.

Objective two: to determine the impact of ethical responsibility adoption on profitability of private food manufacturing companies in Kisumu City. Descriptive statistics using means revealed a range of average scores. Moreover, the overall score was also average although far less than that of environmental responsibility. There were also observable variance among the responses, where some companies highly practiced ethical responsibility while some really to a very small extent. Simple linear regression model revealed a significant variance in profitability accounted for by ethical responsibility, with a positive and significant effect. Multiple standard regression model revealed that as compared to other variables, ethical responsibility also had a significant effect on profitability.

Objective three: to determine the impact of philanthropic responsibility adoption on profitability of private food manufacturing companies in Kisumu City. This was achieved through the use of both descriptive and inferential statistics using regression model. The findings revealed a slightly an average overall score, but slightly more than that of ethical responsibility. Regression model revealed that philanthropic responsibility accounted for a significant variance in profitability of private food manufacturing firms, and had a significant positive effect.

Conclusion

Environmental responsibility adoption has a positive and significant impact on profitability of private manufacturing companies in Kisumu city.

Ethical responsibility adoption has a positive and significant impact on profitability of private food manufacturing companies in Kisumu city.

Philanthropic responsibility adoption has a positive and significant impact on profitability of private food manufacturing companies in Kisumu City.

Recommendations

Enforce strict compliance with legislation, adherence to waste management and recycling conservation and biodiversity issues and prevention of pollution so as to enhance performance or profitability of the companies.

The food industry should lay down policies that ensure that all private food manufacturing companies practice ethical responsibilities that include integrity, customer Centrism, honor/appreciation and risk management so as to protect the industry and enhance performance of these companies.

There should be improvement of philanthropic responsibilities across these companies as it is a potentially strong predictor of profitability.

REFERENCES

- Gardberg, A., Zyglidopoulos, S., Symeou, P., & Schepers, D. (2017). The Impact of Corporate Philanthropy on Reputation for Corporate Social Performance. *Business and Society* , 1-32.
- Kariuki, M. (2021). Corporate social responsibility adoption practices and performance of firms listed at Nairobi Securities Exchange, Kenya. *Unpublished master of business project presented to Kenyatta University* .
- Kenya National Bureau of Statistics. (2018). *Economic survey 2018*.
<https://www.knbs.or.ke/reports/2018-economic-survey>
- Mbole, U. C., Arasa, R., & Mung'unyi, E. E. (2021). Environmental Initiatives and Financial Performance: A study of Cement manufacturing companies in Kenya. *Journal of African Interdisciplinary Studies* 5(8) , 40-58.
- Muchiri, M. K., Gally, S. E., & Farkas, M. F. (2022). Impact of CSR on the Financial Performance of Financial Institutions in Kenya. *Economies* 10(7) 174
<https://doi.org/10.3390/economies10070174> .
- Musungu, M. (2019). Impact of Corporate social responsibility on organizational performance: A case of Media houses in Nairobi, Kenya. *Unpublished Master of Business Administration project presented to Egerton University* .
- Ngagi, A., & Ngali, M. (2023). Effect of Corporate Social Responsibility on the Financial Performance of SMEs in Makueni Sub County. *Journal of Accounting*, 4(2). Stratford Journal Publishers.
- Okafor, A., Adeleye, B. N., & Adusei, M. (2021). Corporate social responsibility and financial performance: Evidence from U.S. Tech Firms. *Journal of Cleaner Production*, 292, Article 126078. <https://doi.org/10.1016/j.jclepro.2021.126078>
- Rehman, M., Saima, F., Yaqoob, S., & Javed, M. (2020). Corporate social responsibility and firms' financial performance: A new insight. *Sustainability*, 12(10), 4211. doi:10.3390/su12104211
- Rop, F. K. (2023). Influence of Corporate social responsibility adoption on Sustainability Growth of Large Super Markets in Kenya. *An Unpublished Msster of Master of Business Administration at South Eastern University, Kenya* .
- Thuo, M. (2020). Impact of corporate social responsibility adoption on the financial performance of large manufacturing compnaies in Kenya. *Unpublished Master of Business Administration Research project at The University of Nairobi* .
- Venerande, K., Namusonge, G. S., & Kule, J. (2018). Influence of Philanthropic Corporate Social Responsibility Strategy on Perceived Firm Performance in Telecommunication Sector in Rwanda. *International Journal of Academic Research in Business & Social Sciences* 116-131.
- Vishwanathan, P., van Oosterhout, H., Heugens, P. P. M. A. R., Duran, P., & van Essen, M. (2020). Strategic CSR: A concept building meta-analysis. *Journal of Management Studies*, 57(2), 314–350. <https://doi.org/10.1111/joms.12514>

- Yang, J., & Basile, K. (2021). Communicating corporate social responsibility: External stakeholder involvement, productivity and firm performance. *Journal of Business Ethics*. Advance online publication. doi.org
- Yang, J., & Basile, K. (2022). Communicating corporate social responsibility: External stakeholder involvement, productivity and firm performance. *Journal of Business Ethics*, 178(2), 501-517. doi:10.1007/s10551-021-04812