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Corporate Social Responsibility and Competitive Advantage in Commercial Banks in Nairobi County, Kenya

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Abstract:

Purpose: *The study aimed to investigate the influence of Corporate Social Responsibility (CSR) on competitive advantage in commercial banks in Kenya, with a specific focus on the contributions of philanthropic initiatives and environmental activities.*

Material/methods: *Anchored in the Firm's Resource-Based View and the Natural Resource-Based View, the study adopted a descriptive survey research design. The target population consisted of 238 employees working in strategic and CSR departments at the headquarters of 21 licensed commercial banks in Kenya, including nine first-tier and twelve second-tier institutions. A stratified and random sampling technique was employed to select a sample of 148 respondents. Data were collected using structured questionnaires. Descriptive statistics (frequencies, percentages, means, and standard deviations) were used to summarize the data, while inferential statistics—including Pearson correlation and multiple linear regression—were utilized to assess the relationships and predictive influence of CSR practices on competitive advantage.*

Findings: *The findings demonstrated that both philanthropic initiatives and environmental activities exert a positive and statistically significant influence on competitive advantage. These CSR dimensions were shown to enhance institutional reputation, stakeholder engagement, and long-term strategic positioning.*

Conclusion*: The study concludes that CSR is a strategic asset that enhances the competitiveness of commercial banks. Philanthropic and environmentally sustainable practices, when integrated with core business strategies, contribute meaningfully to organizational differentiation and performance in the competitive banking sector.*

Value: *This research highlights the strategic importance of CSR in the financial sector and recommends that commercial banks strengthen their CSR frameworks by aligning them with business objectives and incorporating innovative, socially impactful initiatives. Such alignment can reinforce competitive advantage while advancing broader sustainability goals.*

Keywords: *Corporate Social Responsibility, Competitive Advantage, Commercial Banks, Philanthropic Initiatives, Environmental Activities*

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1.1. Introduction

Globalization has significantly intensified competition among businesses worldwide. In this increasingly competitive landscape, it is imperative for organizations to devise strategies that not only sustain their market presence but also provide them with a competitive edge (Zehir & Allaham, 2024). Corporate social responsibility (CSR) has emerged as a crucial element in this strategic arsenal. Far beyond mere compliance or charity, CSR is increasingly recognized as a strategic tool that can enhance a company's competitive position. As businesses navigate the complexities of a global market, CSR initiatives are becoming integral to their value proposition and brand differentiation (Maduro et al., 2016).

CSR initiatives contribute to improved brand reputation and customer loyalty, which are essential in differentiating companies in crowded markets. By engaging in meaningful CSR activities, companies can create a positive public image and build stronger connections with consumers, thus gaining a competitive edge (Lee & Kim, 2021). This is particularly relevant in sectors like banking, where customer perception and brand reputation are critical determinants of success. Banks with robust CSR practices often enjoy higher customer retention rates and enhanced market positioning (Lee & Kim, 2021). Furthermore, firms with strong CSR commitments experience higher employee engagement and productivity. CSR initiatives not only enhance external stakeholder relationships but also foster a positive internal culture. Nguyen and Phan (2023) argue that when employees perceive their organization as socially responsible, they are more likely to be motivated and aligned with the company’s goals, thereby contributing to a sustainable competitive advantage.

Additionally, Patel et al. (2024) suggest that CSR-driven firms are more likely to invest in sustainable practices and technologies that drive long-term competitive advantage. By integrating CSR into their core business strategies, companies can innovate in ways that align with environmental and social goals, thereby achieving differentiation and leadership in their respective industries. Patel et al. (2024) provide evidence that CSR-related innovations not only enhance operational efficiencies but also open new market opportunities, further strengthening a company's competitive position. Despite this, firms are yet to fully understand the optimal CSR strategies that can enhance competitive advantage. Therefore, the current research, determined the effect of CSR strategies on competitive advantage in commercial banks in Kenya.

The banking industry in Kenya is highly competitive, with numerous financial institutions vying for market share in a rapidly evolving economic environment (CBK, 2023). Competitive advantage allows banks to differentiate themselves, achieve superior performance, and sustain growth. This involves leveraging unique resources, capabilities, and strategies that are difficult for competitors to imitate, thereby securing a long-term position of leadership in the market (Mburu, 2023; Njoroge, 2022). The Central Bank of Kenya notes that commercial banks must continuously innovate and enhance their services to remain competitive in a market characterized by dynamic customer needs and regulatory changes (CBK, 2023). However, in Kenya’s banking sector reveals a different story. As of recent years, the market has seen 43 licensed commercial banks facing intense competition (CBK, 2023). This stiff competition has led to significant challenges for many banks, with some experiencing financial losses and even closure. For instance, Chase Bank and Imperial Bank were placed under receivership due to financial instability (Mwangi, 2018). Moreover, National Bank of Kenya reported a loss of KES 1.2 billion in 2019 (National Bank of Kenya, 2019), and Co-operative Bank of Kenya saw its stock returns decline by 15% in 2020 due to market pressures (NSE, 2020). The need for banks to develop and implement robust strategies to navigate these challenges is more pressing than ever. The collapse of banks like Charterhouse Bank further exemplifies the severe consequences of failing to adapt to competitive pressures (Mutua, 2019).

Despite the global recognition of corporate social responsibility as a vital competitive strategy (Omondi & Muturi, 2023; Wambua, 2022), there is a noticeable gap in empirical evidence supporting its effectiveness in the context of Kenyan commercial banks. While several local studies have explored CSR, they often fall short in providing comprehensive data on its direct impact on competitive advantage. For example, studies by Kamau (2021) and Nyaga (2022) examined CSR initiatives in Kenyan banks but did not establish a clear link to competitive performance. This gap underscores the need for further research to explain how CSR strategies can be effectively leveraged to enhance the competitive positioning of commercial banks in Kenya. This research focused on determining the influence of corporate socially responsible on competitive advantage of commercial banks in Kenya.

1.2. Theoretical and Conceptual Framework

The study The Resource-Based View (RBV), first articulated by Wernerfelt in 1984 and later refined by Barney in 1991, contends that a firm's enduring competitive advantage derives from its internal resources and capabilities that are valuable, rare, inimitable, and non-substitutable. Whereas traditional strategy paradigms emphasize external market forces, RBV places the locus of strategic power within the firm itself, arguing that assets such as organizational culture, brand reputation, and financial strength serve as critical, hard-to-replicate pillars of differentiation. Building upon this foundation, recent scholarship has identified philanthropic practices—ranging from charitable giving to community engagement programs—as strategic intangible resources. Evidence suggests that philanthropy not only enhances brand image and stakeholder trust (Adams et al., 2022) but also fortifies customer loyalty and market positioning in ways competitors struggle to mirror (Vermeulen & de Lange, 2023). By treating philanthropic investments as VRIN resources, the RBV framework thus illuminates how banks and other firms can leverage social impact initiatives to cultivate a durable competitive edge.

Extending RBV into the environmental domain, the Natural Resource-Based View (NRBV), introduced by Hart in 1995, argues that firms can also secure advantage through unique environmental capabilities—such as eco-innovations, sustainable practices, and rigorous regulatory compliance. Under NRBV, green technologies and resource-efficient operations become strategic assets that both reduce costs (through waste minimization and energy savings) and bolster brand reputation among increasingly eco-conscious stakeholders (Boons & Lüdeke-Freund, 2021). Empirical studies further demonstrate that robust environmental performance—whether via waste-reduction initiatives or green financing products—helps firms differentiate themselves and attract investors and customers who prioritize sustainability (Schmidt & Lückerath-Rovers, 2024). In the context of commercial banking, NRBV provides a lens for analyzing how environmental activities translate into operational efficiencies, enhanced public image, and ultimately, an enduring competitive position in the marketplace.

Thus, the conceptual framework depicts the relationship between independent variable and dependent variable of the study on corporate social responsibility on competitive advantage of commercial banks. The figure

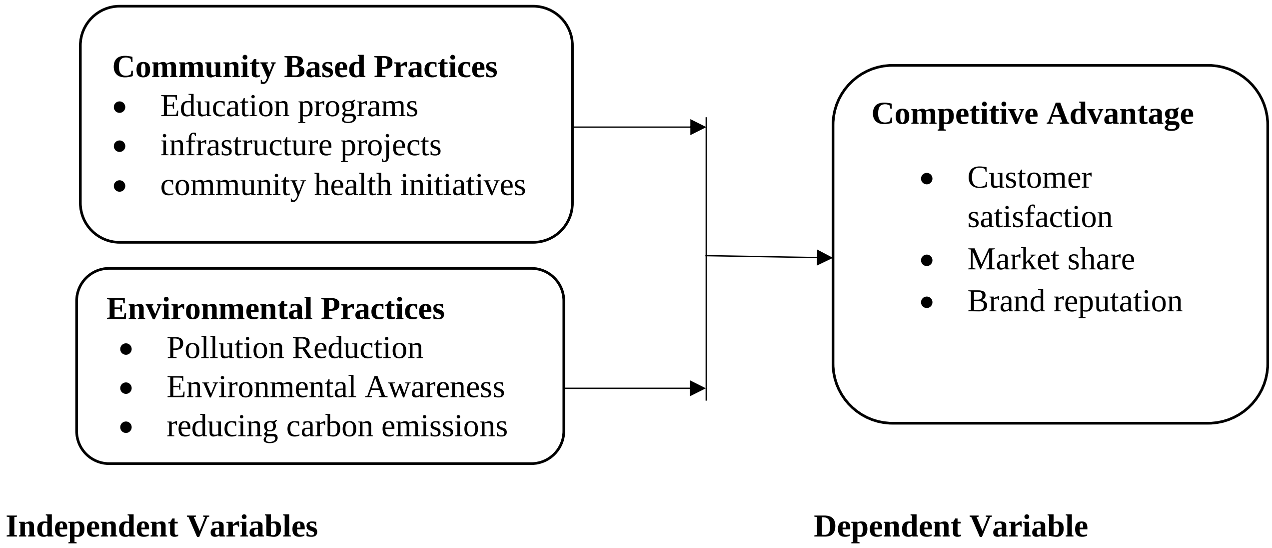

Figure 1: *Conceptual Framework*

2.1. Empirical Review (Hypotheses Development)

Gardberg et al. (2019) investigated how corporate philanthropy impacts a company's reputation for corporate social performance (CSP), conceptualizing CSP as having two main dimensions: awareness and perception. Utilizing signal detection theory (SDT), the study examined how factors such as signal amplitude (number of contributions), dispersion (number of supported areas), and consistency (presence of a corporate foundation) influence CSP awareness and perception. The findings revealed that the attributes of a firm's philanthropic portfolio are more effective in predicting CSP awareness than CSP perception. Specifically, higher signal amplitude, greater dispersion, and consistent philanthropic efforts enhance CSP awareness. Conversely, CSP perception is primarily influenced by the levels of awareness and overall corporate reputation.

Li et al. (2021) analyzed the impact of corporate philanthropy on corporate performance using data from 534 listed family firms in China. Their results demonstrate a positive correlation between corporate philanthropy and both corporate financial performance (CFP) and corporate social performance (CSP), indicating that philanthropic activities can contribute to improved financial and social outcomes for firms.

Daromes and Gunawan (2020) explored the relationship between philanthropy and firm value, incorporating corporate reputation as a moderating variable. Their study focused on non-financial companies listed on the Indonesian Stock Exchange from 2015 to 2017, with a sample of 38 firms selected through purposive sampling. Using secondary data from annual reports, financial statements, and sustainability reports, the analysis found that philanthropy had a non-significant direct effect on firm value. However, it was noted that corporate reputation significantly moderates this relationship, emphasizing that strong relationships with stakeholders through philanthropic efforts can enhance both firm value and corporate reputation.

Cha et al. (2023) examined how corporate philanthropy interacts with firm performance, considering the mediating roles of corporate strategies such as unrelated diversification and global strategic posture (GSP). Employing institutional theory, the study hypothesized that GSP mediates the relationship between philanthropy and firm performance. Using data from 115 publicly traded US firms between 2010 and 2017 and employing the PROCESS macro for SPSS and SAS, the study confirmed that GSP serves as an indirect mediator in this relationship. However, unrelated diversification did not mediate the relationship between corporate philanthropy and firm performance. Thus, the following hypothesis was developed.

$H_{1:}$ There is significant influence of philanthropic practices on competitive advantage in commercial banks in Kenya?

Yusuf (2022) investigated the impact of corporate environmental disclosure practices on the performance of listed manufacturing companies in Nigeria. Utilizing an ex-post facto research design, the study focused on seventy-six (76) listed manufacturing firms, with sixty-four (64) chosen as the sample size based on Krejcie and Morgan’s (1970) sample size determination table. To maintain a balanced panel model, forty-five (45) companies with complete data were analyzed. The data, drawn from the annual reports of these companies over an eight-year period (2013-2020), was analyzed using descriptive statistics (mean, standard deviation, minimum, and maximum) and Panel Corrected Standard Error Model Regression techniques. The study revealed that environmental policy disclosure, environmental cost disclosure, environmental performance disclosure, and product and process environmental disclosure significantly influenced the performance of the selected manufacturing firms.

Fosu et al. (2024) explored the influence of Environmental Corporate Social Responsibility (ECSR) activities on corporate image and social performance through green innovation, utilizing stakeholder theory to understand the role of stakeholder expectations. The study, conducted on selected companies in Ghana, adopted a cross-sectional quantitative approach, collecting data from employees over six months. Structural equation modeling (SEM) was employed to assess the effects of ECSR on social performance, with green innovation and corporate image acting as mediators. The findings indicated that corporate environmental CSR practices contribute to the development of green innovations, thereby enhancing companies' social performance.

Wu and Yu (2024) examined how environmental corporate social responsibility (ECSR) affects firms’ technological innovation, specifically focusing on process and product innovation. The study also explored the roles of green intellectual capital and green entrepreneurial orientation in moderating and mediating these effects. Grounded in dynamic capability theory and resource dependence theory, the study hypothesized that green entrepreneurial orientation mediates the relationship between ECSR and innovation, while green intellectual capital moderates this mediation. Based on a sample of 241 Chinese firms, the study found that ECSR positively influences both process and product innovations, with green entrepreneurial orientation playing a significant mediating role, and green intellectual capital further enhancing these effects.

García-Piqueres and García-Ramos (2024) investigated the complementary effects of different environmental corporate social responsibility (ECSR) practices on firm innovation in Spain. Using data from the Spanish Community Innovation Survey (2009-2014), they applied a complementarity approach to assess whether combining practices like reducing material usage, lowering energy consumption, and minimizing environmental impact produces super-additive effects on various types of innovation. The results showed that the optimal combination of ECSR practices varies depending on the innovation type. For innovation adoption, all combinations of the three practices resulted in super-additive effects. However, for new-to-the-market innovation, energy practices were crucial when paired with material or impact practices, while for new-to-the-firm innovation, the combination of all three ECSR practices was most effective.

Khojastehpour and Johns (2014) investigated the impact of environmental corporate social responsibility (CSR), focusing on climate responsibility and natural resource utilization, on corporate brand reputation and profitability. Drawing on extensive literature, they proposed a conceptual model linking environmental CSR to corporate reputation and profitability. The study highlighted that environmental CSR positively influences both corporate/brand reputation and profitability, emphasizing the importance of adopting sustainable practice. Thus, the study proposed the following hypothesis;

$H_{2:}$ *There is no significant influence of environmental activities on competitive advantage in commercial banks in Kenya*

3.1.Methodology

Target Population and Sampling

The study targeted 238 employees working in the strategic and Corporate Social Responsibility (CSR) departments at the headquarters of Kenya’s 21 licensed commercial banks—nine first-tier (“large”) and twelve second tier (“medium-sized”) institutions. Recognizing that smaller, newer banks often face challenges in both implementing and disclosing CSR activities, the sample frame was stratified by bank tier to capture potential variation in CSR capacity and practices. Using Slovin’s formula ($n = N / [1 + N(e)^2]$) at a 95 % confidence level ($e = 0.05$), the required sample size was calculated as 148 respondents. A two-stage sampling technique was employed: first, stratified sampling ensured that each bank tier was proportionally represented; second, simple random sampling within each stratum provided each employee with an equal chance of selection, thus minimizing bias and enhancing representativeness.

Data Collection Instruments and Analysis

Data were collected via a structured questionnaire divided into six sections, each aligned with specific research objectives. Closed-ended items employed Likert scales to yield quantifiable measures of attitudes and perceptions, while open-ended questions captured detailed, context-rich insights. Prior to full deployment, the instrument was pilot-tested with eight heads of department from non-listed banks: expert reviewers assessed face and content validity, and Cronbach’s Alpha (computed in SPSS v.25) confirmed internal consistency. Ethical clearance was obtained from JKUAT, NACOSTI, and the participating banks' HR offices. Two trained research assistants then distributed and retrieved the questionnaires, ensuring adherence to standardized administration protocols. Upon collection, responses were coded and entered into SPSS v.25, where descriptive statistics (frequencies, percentages, means, standard deviations) and cross-tabulations profiled the sample and variables. Inferential analyses and multiple linear regression to test the impact of independent variables on competitive advantage—were conducted to address the study's hypotheses and objectives.

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + e$$

Y = Competitive Advantage, $X1$ = Philanthropic Practices, $X2$ = Environmental Practices, $\beta 0$ = Constant term, $\beta 1$, $\beta 2$, = Coefficients of the Regression (change of competitive advantage as a result of change in independent variables)

ε = Error term

4.1. Findings and Discussion

This section details how the study's data were processed and analysed to address its objectives and hypotheses. It begins by reporting an 86.5% response rate (128 of 148 questionnaires returned), achieved through site visits, reminder calls, and a drop-and-pick-later approach—well above the 60% benchmark for robust analysis. Following data screening, cleaning, and checks for missing values, both descriptive (background characteristics, frequencies, means, and standard deviations) and inferential (reliability and validity tests, Pearson correlations, multiple regression, and hierarchical regression) statistics were applied. Findings are presented in tabular form and organized according to each analytical step: response rate, data preparation, background information, descriptive analysis, reliability and validity, correlation analysis and regression modelling

Descriptive Statistics

Descriptive analysis revealed that respondents generally viewed the banks' philanthropic activities positively. Strong agreement was noted for consistent financial support to charitable organizations and for formal programs encouraging employee community service. However, perceptions were more varied regarding direct funding of pressing social initiatives and disaster relief contributions, with roughly equal proportions in agreement and disagreement. Educational philanthropy received the lowest endorsement, as few respondents strongly agreed that scholarships or grants were offered, while a larger group disagreed. Similarly, support for local nonprofit organizations was inconsistent, with many affirming substantial contributions but a slightly greater number dissenting. The overall mean score of 3.42 on the five-point scale indicated a moderate level of commitment to philanthropic practices among the commercial banks studied.

Table 1: *Descriptive Statistics for Philanthropic practices*

	Mean	Std. Dev
The bank consistently provides financial support to a range of charitable organizations.	3.67	1.39
The bank has formal programs that encourage employees to engage in community service activities.	4.12	1.33
The bank actively funds and promotes initiatives that address pressing social issues.	3.33	1.14
The bank promptly contributes to disaster relief efforts during natural or humanitarian crises.	3.16	1.41
The bank offers scholarships or educational grants to support students and educational institutions.	2.96	1.20
The bank provides substantial support to local nonprofit organizations that serve the community.	3.30	1.52
Philanthropic Practices	**3.42**	**0.93**

Descriptive analysis revealed that respondents generally perceived the banks' environmental initiatives as moderately implemented. While certain efforts—such as pollution control and waste management generated some support, views on environmental awareness campaigns, carbon footprint reduction measures, and green investments were more divergent. The overall mean score of 3.13 (SD = 1.30) on the five-point scale indicated a moderate level of commitment to environmental sustainability among the commercial banks studied.

Table 2: *Descriptive Statistics for Environmental practices*

	Mean	Std. Dev
The bank actively implements measures to reduce pollution in its operations.	3.26	1.30
The bank regularly engages in initiatives to raise environmental awareness among its employees and customers.	3.15	1.27
The bank has effective strategies in order to minimize its carbon footprint.	2.97	0.95
The bank prioritizes the use of sustainable resources in its daily operations.	3.07	1.30
The bank practices effective waste management to minimize environmental impact.	3.41	1.22
The bank invests in environmentally friendly projects and businesses that promote sustainability.	2.90	1.42
Environmental practices	**3.13**	**0.88**

Descriptive analysis revealed that respondents generally viewed the banks' competitive advantage positively: strong agreement was noted for meeting or exceeding customer expectations and for responsiveness to client needs, while market share growth and competitive positioning received moderately favorable ratings. Perceptions of reputation and trustworthiness were more neutral, indicating room for improvement in credibility and brand image. The overall mean score of 3.48 on the five-point scale indicated a moderate-to-high level of perceived competitive advantage among the commercial banks studied.

Table 3: *Descriptive Statistics for the competitive advantage of commercial banks*

	Mean	**Std. Dev**
The bank consistently meets or exceeds customer expectations in its services.	3.56	1.33
Customers frequently express satisfaction with the bank's responsiveness to their needs.	3.59	1.58
The bank has seen a consistent increase in its market share over the past few years.	3.86	1.00
The bank is a leading player in the market compared to its competitors.	3.57	1.36
The bank is widely recognized as a reputable and trustworthy institution.	2.62	0.98
The bank's brand is associated with high quality and reliable financial services	3.66	1.23
Competitive advantage	**3.48**	**0.75**

Correlation Analysis

Table 4 presents the correlation between the competitive advantage of commercial banks in Kenya and various independent variables. Pearson correlation analysis revealed that both philanthropic and environmental practices were positively and significantly associated with competitive advantage—philanthropic practices showed a moderate correlation ($r = 0.328$, $p < 0.01$), while environmental practices exhibited a stronger relationship ($r = 0.444$, $p < 0.01$). These results suggest that commercial banks' philanthropic and environmental initiatives significantly bolster their competitive positioning, while the impact of ethical operations requires deeper scrutiny.

Table 4: *Correlation Analysis*

		Competitive advantage	**Philanthropic practices**	**Environmental practices**
Competitive advantage	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	148		
Philanthropic practices	Pearson Correlation	.328**	1	
	Sig. (2-tailed)	0.000		
	N	148	148	
Environmental practices	Pearson Correlation	.444**	.205*	1
	Sig. (2-tailed)	0.000	0.012	
	N	148	148	148

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Regression Analyses

A multiple linear regression was conducted to assess the joint effect of CSR dimensions philanthropic practices and environmental practices—on the competitive advantage of Kenyan commercial banks. The model yielded an R^2 of 0.647, indicating that 64.7 % of the variance in competitive advantage was explained by these CSR predictors. The adjusted R^2 of 0.637 confirmed a strong model fit after accounting for the number of variables, with the small 0.01 difference between R^2 and adjusted R^2 suggesting that each predictor contributed meaningfully. ANOVA results ($F(4, 123) = 65.627$, $p < 0.001$) demonstrated that the overall regression was statistically significant, affirming that CSR activities collectively account for a substantial proportion of the banks' competitive advantage.

The first objective of the study was to establish the impact of philanthropic practices on the competitive advantage of commercial banks in Kenya. The results indicate that philanthropic activities have a positive and statistically significant effect on competitive advantage ($\beta = 0.214$, $p = 0.000$). This suggests that commercial banks that engage in philanthropy, such as corporate donations, scholarship programs, and support for humanitarian causes, are more likely to enhance their reputation and market position. These findings are supported by Li et al. (2021), who demonstrated a positive correlation between corporate philanthropy and both corporate financial performance (CFP) and corporate social performance (CSP), indicating that philanthropy can improve both financial and social outcomes for firms. Additionally, Gardberg et al. (2019) found that philanthropic efforts enhance Corporate Social Performance (CSP) awareness, leading to a stronger brand reputation. However, Daromes and Gunawan (2020) noted that while philanthropy may not have a direct effect on firm value, it plays a crucial role in strengthening corporate relationships with stakeholders, which indirectly enhances competitiveness. The study's findings suggest that philanthropic initiatives are essential for commercial banks, not only as a tool for social impact but also as a means of building customer trust and long-term loyalty.

The second objective of the study was to assess the effect of environmental practices on the competitive advantage of commercial banks in Kenya. The results indicate that environmental practices have the strongest positive impact on competitive advantage among all CSR dimensions ($\beta = 0.389$, $p = 0.000$). This suggests that banks that invest in sustainable initiatives, such as green financing, energy efficiency, and environmental conservation, experience greater market competitiveness. Yusuf (2022) found that environmental policy disclosure and performance reporting significantly influence the success of manufacturing firms, further highlighting the business case for sustainability. Additionally, Fosu et al. (2024) demonstrated that environmental CSR fosters green innovation and strengthens corporate image, contributing to long-term competitive advantages. Similarly, García-Piqueres and García-Ramos (2024) found that firms implementing environmental CSR initiatives enhance their innovation capacity, which translates to improved market positioning. The study's findings suggest that environmental sustainability is a key driver of competitive advantage in the banking sector, as it not only attracts environmentally conscious customers but also aligns with global trends in corporate responsibility and regulatory compliance.

Table 5: *Multiple Regression*

	Unstandardized Coefficients		Standardized Coefficients		
	B	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	3.751	0.216		17.383	0.000
Philanthropic practices	0.214	0.038	0.286	5.601	0.000
Environmental practices	0.389	0.040	0.517	9.765	0.000
Model Summary					
R	0.805				
R Square	0.647				
Adjusted R Square	0.637				
ANOVA					
F	65.627				
Sig.	0.000				

a Dependent Variable: competitive advantage of commercial banks in Kenya

5.1. Conclusions

Based on the study findings, the study concludes that philanthropic practices are a crucial driver of competitive advantage for commercial banks. The findings highlight that banks that engage in charitable giving, scholarship programs, and social welfare initiatives not only contribute to societal well-being but also enhance their corporate reputation and brand image. Philanthropy fosters goodwill among customers, employees, and stakeholders, ultimately translating into increased customer retention, higher employee morale, and improved business performance. The significant impact of philanthropic activities on competitive advantage underscores the importance of structured corporate social responsibility (CSR) programs that align business objectives with community needs.

The study concludes that environmental practices are a critical factor in sustaining long-term competitive advantage in the banking sector. The findings indicate that banks that integrate sustainability into their operations—through green financing, energy-efficient investments, and environmental conservation—are better positioned to enhance their market presence and regulatory compliance while meeting stakeholder expectations. Given the growing emphasis on sustainable business practices, commercial banks must prioritize environmental responsibility as part of their broader CSR strategy to remain competitive and future-proof their operations in an evolving financial landscape.

6.1. Recommendations

Based on the conclusions drawn from the study, To improve philanthropic practices, banks should expand their corporate giving programs by diversifying their areas of support beyond traditional charitable donations. This could include increasing contributions to disaster relief efforts, social welfare programs, and healthcare initiatives, ensuring that vulnerable communities receive adequate assistance. Furthermore, banks should encourage employee-driven philanthropy by introducing volunteer programs that allow staff to participate in community service activities, strengthening their connection to social causes while fostering a positive corporate culture. By integrating philanthropy into their CSR strategies, commercial banks can enhance their reputation, build goodwill with customers, and position themselves as socially responsible institutions, which in turn strengthens their competitive advantage.

To enhance environmental practices, banks should adopt more sustainable business models by incorporating green financing, energy-efficient technologies, and environmentally responsible investment strategies. This includes promoting eco-friendly loan products, supporting renewable energy projects, and implementing paperless banking solutions to reduce their carbon footprint. Banks should also collaborate with environmental organizations and government agencies to develop policies that encourage sustainable banking operations. By prioritizing environmental sustainability, commercial banks can improve regulatory compliance, enhance their corporate reputation, and secure a competitive advantage in an increasingly eco-conscious market. Investing in environmental responsibility not only benefits society but also ensures long-term profitability and resilience in the banking industry.

6.2. Further Studies

The study demonstrated that CSR practices significantly bolster the competitive advantage of Kenyan commercial banks but was subject to three key limitations. First, by focusing only on first- and second-tier banks, its findings may not generalize across the full banking sector or to other financial institutions such as SACCOs, warranting broader sampling in future research. Second, the exclusive examination of philanthropic initiatives and ethical practices overlooked other critical CSR dimensions—employee welfare, consumer protection, financial literacy, and corporate governance—calling for more comprehensive CSR frameworks. Third, the omission of moderating and mediating factors (e.g., organizational structure, leadership style, regulatory environment, macroeconomic conditions) limited insight into contextual influences on the CSR–competitive advantage nexus; subsequent studies should incorporate these variables to clarify the boundary conditions of CSR effectiveness.

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