

**ST JOHN'S UNIVERSITY OF TANZANIA**



**INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON FIRM'S  
FINANCIAL PERFORMANCE: THE CASE OF TANZANIA POSTAL BANK  
DODOMA**

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**A dissertation submitted in partial fulfilment of the requirements for the  
master of science in finance (Msc finance) of St John's University of  
Tanzania**

**SUPERVISOR**

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## CERTIFICATION

I, the undersigned, certify that I have read and hereby recommend for acceptance by St. John's University of Tanzania a dissertation entitled; **Influence of corporate social responsibility on firm's financial performance; The case of Tanzania Postal Bank Dodoma**, in partial fulfillment of the requirements for the award of the degree of Master of Science in Finance of St John's University of Tanzania.

.....

Dr. Batimo D Sebyiga

SUPERVISOR

## DECLARATION

I, **Erick Mwelulila**, declare that this thesis is my own work. It has not been and will not be presented for any other course of study.

Signature.....

Date .....

## **DEDICATION**

To my late parents, my father Egid Mwelulila and my mother Otavina Makendi, their words of inspiration and encouragement in pursuit of excellence, still linger on. My guardian Josephine Makendi for raising me up into becoming what and who I am today. To my sisters Lydia Mwelulila, Astrida Mwelulila and my brothers Andrew Mwelulila and Egbert Mwelulila I love and thank you all and I am gratefully to God we are still together.

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## ABSTRACT

The concept of Corporate Social Responsibility is not at all new to most societies in developed countries, a lot of studies points in favour of a mild positive relationship between corporate social responsibility and firm's financial performance though this connection has not been fully established in Tanzania. This study examines the influence of corporate social responsibility on firm's financial performance taking a case of Tanzania Postal Bank Dodoma Branch. Data was collected from 30 members of staff of Tanzania Postal Bank Dodoma Branch through questionnaire survey. Hard data on financial performance of the bank were obtained from secondary sources. A questionnaire for examining the influence of CSR on firm's financial performance was developed with respect to three questions focusing on types of CSR practised by the bank, reasons for the bank to engage in CSR and relationship between CSR and firm's financial performance. The study results show that the bank engage in CSR with the aim of giving back to the community and the most practised type of CSR is philanthropic which is most effective at TPB. 81% of responded indicates that CSR practises improve financial performance of the bank as the bank made a historic profit of pre-tax profit of 10.28bn in the year 2014, well above 6.99bn recorded in 2013 resulted from increased CSR budget from 83 mill in year 2013 to 150 mill in the year 2014. The study findings suggest that feedback from beneficiaries of CSR in terms of needs assessment should be well thought-out in order to provide them with adequate requirements to be accomplished through CSR practises and Management should use CSR activities which

enhance the market value of the firm keeping in mind those different types of CSR that may have differing effects on firm's market value. The bank should also increase the amount set aside for CSR to improve financial performance.

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## LIST OF ABBREVIATIONS

CABE	Christian Association of Business Executives
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
CSP	Corporate Social Performance
CFP	Corporate Financial Performance
Ltd	Limited
MNCs	Multinational Corporations
NGO	Non Governmental Organizations
PR	Public Relations
ROA	Return on Asset
SPSS	Statistical Package for the Social Sciences
SR	Social Responsibility
TPB	Tanzania Postal Bank
UK	United Kingdom
URT	United Republic of Tanzania

## **CHAPTER ONE**

### **BACKGROUND**

#### **1.1 Chapter overview**

This chapter attempts to introduce the study on influence of corporate Social responsibility (CSR) on firm's financial performance. The chapter has the subsequent sections; description of the background to the study, statement of the research problem, research objectives, research questions, and significance of the study.

#### **1.2 Background of the Study**

The idea that corporations have social responsibility to the society is as old as commerce. This expectation has its roots in western culture with a documented history of at least 2,000 years. In late 1880s in the introduction of the industrialization, it was broadly discussed whether companies should take their social responsibility. However; the conception of this idea in terms of corporate social responsibility (CSR) is a recent occurrence in corporate business culture (Holmes, 1976).

The concept summarized within CSR is not at all new to most societies in developed countries, as most developed countries do have a longstanding tradition in which businesses are expected to meet certain social obligations (Blowfield & Frynas, 2005). For example, long-established businessmen in India believed they held their business in 'trust' for the larger society, and therefore

managed their business with a view to contributing to the betterment of their communities (Arora & Purnanik, 2004).

Emergence of CSR practices in developing countries is a relatively new phenomenon (Utting, 2005). In African and South American countries, CSR practices were influenced by historical factors and cultural relationships, for example, CSR practices appear to be relatively more developed in Brazil and South Africa compared to most countries in sub-Saharan Africa. In Brazil, the strong Catholic tradition deeply entrenched in the national psyche provided a potent basis for the Christian Association of Business Executives (CABE) to stimulate CSR concerns. CABE was the first to introduce social consciousness to Brazil and has significantly influenced CSR practices in the country (Cappellin & Giuliani, 2004).

In the case of South Africa, the historical legacy of apartheid saw the birth of a well developed civil society that later became active drivers of CSR practices in the quest for social justice in the post-apartheid era. In contrast, in sub-Saharan African countries like Nigeria, where there are no strong links between business and religion, and where the institutions in opposition to colonial authorities have since been absorbed into mainstream politics, the civil society is often weak and unable to drive CSR without external support. This weak civil society partly explains the relatively poor state of CSR practices in such countries (Biggs and Ward, 2002).

In Tanzania, Corporate Social Responsibility is still at nascent stage. However, Tanzania like other developing countries requires frequent practice of CSR by companies. It was recognized that sustainable development will not be achieved through government actions alone; thus, there is strong sense that CSR should include targeted support for the government to enable it to fulfil its development planning role.

While a conventional thinking had always been that practicing CSR by companies lead to an additional cost to firms, which may thus erode their profitability and overall competitiveness, profitability remain to be the most important aspect affecting a firm's growth and survival. It seems unlikely that a company could spend shareholders' funds without providing some kind of return. The business must use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud (Ambec & Lenoie, 2008).

Researchers consider increasing financial performance as the key motivator for firms to practice CSR. The argument was that companies which practice CSR will experience increased profits, and those that do not will suffer adverse effects on financial performance. Because of the uncertainty concerning the relationship between CSR and financial performance, it is important that these variables be examined. This will provide some evidence as toward the impact of CSR on financial performance of companies (Moskowitz, 1972). This study therefore

intended to examine the influence of Firm's Financial Performance on Corporate Social Responsibility, a case of Tanzania Postal Bank Dodoma.

### **1.3 Statement of the Problem**

While a lot of studies points in favour of a mild positive relationship between CSR and financial performance; this connection has not been fully established in Tanzania. This is because little studies have been directed towards exploring this relationship in Tanzania generally and Dodoma in particular. For example, the study by Sarah (2011) paid particular attention on the impact of CSR on the living standard of persons around mining areas in Tanzania. Her study did not explore the influence of firm's financial performance on CSR, leaving out the need to explore this knowledge. Therefore, this research examines influence of firm's financial performance on CSR based on Tanzania Postal Bank Dodoma. The relationship between Firms financial performance and corporate social responsibility in developing economies represents the most questioned area in CSR. One important observation from the literature on social performance and financial performance is that majority of the studies are from developed economies and there is lack of evidence about emerging markets like Tanzania. Baron (2001) stated that although extensive research on CSR shaping a firm's performance has been put through in developed countries, there is a paucity of such studies in developing countries. There is a strong sense that CSR should include targeted support for the government to enable it to fulfil its development planning role. More generally, large companies operating within the country and in different parts of the world often find that they are expected to provide public

goods such as healthcare, education or infrastructure, therefore going back to community usually to enhance reduction of poverty and facilitate development of the entire communities. CSR recognizes that corporate growth and profitability are important; it also requires a firm to pursue societal goals, specifically those relating to sustainable development, environmental protection, social justice and equity (Wilson, 2003). CSR has several benefits for the company such as improved financial performance and profitability, reduced operating cost, long term sustainability for the company and its employees, increased staff commitment and involvement, enhanced capacity to innovate, good relations to government and communities, better risk and crisis management, improved reputation and brand value; and the development of closer links with customer and greater awareness of customer needs (Comfort, 2005). Moreover, adopting the CSR principles also involves costs. These costs might involve the purchase of new environmentally friendly equipment, the change of management structures, or the implementation of stricter quality controls. Since being socially responsible involves costs, it should generate benefits as well in order to be a sustainable business practice. A corporation could not continue a policy that constantly generates negative cash flows. According to Comfort (2006), the shareholders invest their money in a corporation, expecting the highest possible risk adjusted return. For that reason, being socially responsible should have bottom-line benefits in order to be in a good financial performance. It should be possible to keep all other factors constant and determine a company's financial performance and volatility of cash flows of the firm after practicing CSR, hence

creating a base to establish the connection between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP).

## **1.4 Research Objectives**

### **1.4.1 General Objective**

The main objective of this study is to analyze the influence of corporate social responsibilities on Tanzania firms' financial performance taking a case of Tanzania Postal Bank Dodoma.

### **1.4.2 Specific Objectives**

- i. To explore types of corporate social responsibilities which are more practiced by the firms
- ii. To assess reasons for the companies to engage in corporate social responsibilities
- iii. To examine relationship between corporate social responsibilities and firm's financial performance.

## **1.4 Research Questions**

- i. Do firms practise different types of corporate social responsibilities?
- ii. Are there any reasons for Tanzania Postal Bank to engage in corporate social responsibilities?
- iii. Are there any relationship between financial performance and corporate social responsibilities?

### **1.5 Significance of the Study**

The relationship between CSR and financial performance is important to researchers, institutions and managers. A relationship between these variables could have a significant impact on how managers approach CSR, and whether their firm is likely to participate or not. A negative relationship might provide a warning to managers to think carefully when deciding on whether to undertake CSR (Cochran & Wood, 1984). Since the study was conducted in Tanzania, findings of the study contribute significantly to the body knowledge of CSR within the country and enhance understanding the impact of CSR to the performance of firms. Furthermore the study helps policy makers on formulating policies related to CSR and social benefits to the beneficiaries in development process. The study also contributes to the fulfilment of the requirements for the award of a Master of Science in Finance at St. Johns University of Tanzania.

### **1.6 Chapter Summary**

Corporate social responsibility has been practised in Europe since the introduction of industrialization in late 1880's through this phenomenon has not been well practised in Southern America and African countries. Several studies have been carried to analyse the relationship between CSR and Financial performance but the same has not been fully established in Tanzania. This study analyses the influence of corporate social responsibilities on Tanzania firms' financial performance taking a case of Tanzania Postal Bank Dodoma. The study will contribute significantly to the body knowledge of CSR within the

country and enhance understanding the impact of CSR to the performance of firms, Furthermore the study helps policy makers on formulating policies related to CSR and social benefits to the beneficiaries in development process.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Chapter overview**

This chapter present review of previous studies regarding corporate social responsibility and financial performance. The chapter is divided into five parts namely; introduction, theoretical literature review whereby it begins with the description of concepts and theories, empirical analysis, conceptual frame work and knowledge gap.

#### **2.2 Definition of the Key Concepts and Terms**

##### ***2.2.1 Social Responsibility***

Social responsibility can be viewed as a part of the social contract in that it is the responsibility of each entity whether it is state, government, corporation, or individual that are contributing to society at large, or on a small scale. Or social responsibility is an ethical or ideological theory that an entity whether it is state, government, corporation, or individual has a responsibility to society at large. This responsibility can be 'negative', meaning there is exemption from blame or liability, or it can be 'positive', meaning there is a responsibility to act beneficently (proactive stances). Businesses can use ethical decision making to secure their business by making decisions that allow for government agencies to minimize their involvement with the corporation (Votaw, 1972)

##### ***2.2.2 Corporate Social Responsibility***

Corporate Social Responsibility is something, but not always the same thing to everybody. To some it is responsibility or liability; to others, it means socially

responsible be in ethical sense; to others, it means socially responsible behaviour in a society, some people see it as a social conscience; others simply take it as a legitimacy that is being proper or valid; still some others consider it as a duty that requires businessmen to behave at a higher standard; while many take it simply as a charitable contribution to society (Votaw, 1972).

### ***2.2.3 Financial Performance***

The classical view of performance is maximizing the wealth by agents to the owners who are shareholders. It is based on market efficiency that ensures the best allocation of resources and rejects any idea of corporate responsibility other than making profit for its shareholders. The performance measures are based on data from financial statements. In fact, the accounting measures provide most of the time positive correlations between CSR and financial performance (Cochran and Wood, 1984).

### ***2.2.4 A company***

This refers to a firm formed or registered under the company Act. It is an association or collection of individuals/persons and or other companies, who each provide some form of capital. This group has a common purpose or focus and an aim of gaining profits. This collection, group or association of persons can be made to exist in law and then a company is itself considered a “legal person”. The name company arose because, at least originally, it represented or was owned by more than one real or legal person (URT Company Act 2002). On the other hand, private company means a company which by its articles restricts

the right to transfer its shares; and limits the number of its members to fifty, not including persons who are in the employment of the company and persons who, having been formerly in the employment of the company, were while in that employment, and have continued after the determination of that employment to be, members of the company, and prohibits any invitation to the public to subscribe for any shares or debentures of the company (URT Company Act 2002).

### **2.2.5 A Firm**

This refers to an organization engaged in the trade of goods, services, or both to consumers. Businesses are predominant in capitalist economies, where most of them are privately owned and administered to earn profit to increase the wealth of their owners. A firm may also be not-for-profit or state owned. A firm owned by multiple individuals may be referred to as company, although that term also has a more precise meaning (Steven, 2003).

## **2.3 Theoretical Review**

### ***2.3.1 Different theories of Corporate Social Responsibility***

This sections aims at providing an overview of the most accepted and known theories of CSR.

#### ***2.3.1.1 The Corporate Social Performance Theory***

Based on the need to be both socially responsible and responsive, this theory canvasses that firms and society are symbiotically related, with each party

performing its obligations in the relationship. Firms operate in the society and society allows them to do so. In return firms must serve society by creating wealth, contributing to the social needs of society as well as meeting the social obligations which the firms are expected to meet in responsible and responsive manners. When firms abide by this bond of symbiosis, they earn some good reputation which is an invaluable asset. The major weakness which associates with the social performance theory is that under it, business firms attempt to give capitalism a human face with less emphasis on the ethics of their business conducts (Garriga & Mele, 2004)

#### *2.3.1.2 The Shareholder Value Theory*

The theory sees the primary responsibility of firms as that of generating profits for shareholders and working hard to raise their stock values. The perception on the performance of social activities by firms for society is that such activities are not necessary except the laws specify otherwise since business firms are created primarily to enhance shareholder value. Without argument, this theory focuses on wealth creation and shareholder value with less commensurate consideration for the wellbeing of society. But in discussing the demerits of the theory, it notes that although wealth creation is part of firms' social responsibility, firms should not take it as the only social responsibility they should shoulder.

#### *2.3.1.3 Stakeholder Theory*

After publication of a Stakeholder Approach (1984) of Edward Freeman's Strategic Management, stakeholder management, stakeholder theory, and other

variation of stakeholder study have taken a big deal of management research. Freeman said that business relationships should comprise all people who can affect or be affected by a firm. Many studies in stakeholder theory have required analytically dealing with the problem of which stakeholders merit or requiring management concern such as study of Wood (1991). Methods to solve this problem have focused on relationships between firms and stakeholders based on trade transactions, authority dependencies, legitimacy claims, or other claims. Researchers have attempted to mix stakeholder theory with other management perspectives, mostly theories of governance and agency.

Stakeholder theory is helpful as both an instrumental and normative frame. Normative stakeholder arguments have emerged declaring firms have a moral obligation to uphold the interests of all corporate stakeholders (Wicks, Gilbert, and Freeman, 1994; Evans and Freeman, 1983). According to Donaldson and Preston, Instrumental stakeholder theory recommends that managers must induce constructive contributions from their stakeholders to attain goals of company efficiently. If a cross point between normative and instrumental stakeholder theory retains, CSR is not stand on moral values or not actual, it will not affect on financial performance gains (Jones, 1995; Frank 1988).

#### *2.3.1.4 Competitive Advantage Theory*

Harrison, Bosse and Phillips (2007) develop on the definition of competitive advantage representing that companies must perform more than build a competitive advantage which is attractive to customers. In order to build a right

competitive advantage, Harrison state that: Competitive advantage implies more than merely creating value. Rather, the key is to create more value than competitors are able to create. A firm is said to have a competitive advantage if it creates and appropriates more value than the least efficient rival capable of breaking even. Simply extending the prior logic, this occurs when the firm drives a wedge between the willingness to pay it generates among buyers and the costs it incurs and then collects returns in excess of its own opportunity costs. Socially complex resources or capabilities that are not easily copied are necessary to retain a company's competitive advantage. CSR helps firms develop internal resources making a firm more prepared and able to adapt to the fast moving of demands and crises. CSR also expands external reputation benefits, increasing its attractiveness to customers and potential employees, investors and bankers.

#### *2.3.1.5 Corporate Citizenship Theory*

This theory conceptualizes firms as corporate citizens who should actively contribute to the good of society or the world as a whole. Here organizations are seen as citizens who should go beyond just meeting their ordinary legal duties to also participate in the wellbeing of society, and indeed the world as a whole, even as global citizens. The meaning comprises the full range of both internal and external corporate activities that contribute to the well-being of society; those which embrace the related concepts of sustainability and corporate social responsibility (CSR).

The theory considers firms as citizens who stand shoulder to shoulder with any other citizen that comprise the society. Thus, it clearly note that firms should come out to take their place in the community as other citizens do and also to play the impactful roles that justify their citizenship. Matthew Haigh and Marc Jones further capture the idea of corporate citizenship in their 2007 work titled “The Transnational Corporation and New Corporate Citizenship” The major problem with this theory is that it is said to lack conciseness. More than this, it is also difficult develop a global standard for corporate citizenship as it is an issue that should reflect the peculiar circumstances firms find themselves operating in. Notwithstanding these difficulties, many transnational firms are increasingly adopting corporate citizenship as a strategy in their relationship with their communities and the world at large.

#### *2.3.1.6 Trade-off theory*

Assume a negative relationship between CSR and financial performance. According to Friedman (1970), this theory analyses investment as tradeoffs between stakeholders leading toward to tradeoffs between profit maximization and socially responsive purposes. Therefore, corporate social performance (CSP) might lower than financial performance of the firms because CSR funds use the resources that could be used in a more profit-maximizing way.

#### *2.3.1.7 Managerial Opportunism Theory*

Managers may avoid CSR investment that would improve firm value because of reward packages linked with short-term company revenue and stock price

behaviour. Alternatively, managers may engage in CSR initiatives or show preference towards certain initiatives to maximize their personal reputation or utility.

### ***2.3.2 An overview of Corporate Social Responsibility***

The concept of corporate social responsibility (CSR) originated from that of social responsibility (SR). Since then literature about the relationship between business and society has increasingly greatly. Bowen (1953) defined the social responsibility of the businessman as the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.

Social responsibility implies to a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms (Frederick 1960). Precisely, CSR can be viewed as being beyond economic and legal obligations, so that corporations must take an interest in politics, in the welfare of the community, in education, in the 'happiness' of its employees, and in the whole social world about it, like a proper citizen should do (McGuire,1963). Further identified examples of CSR involves; employment of minority groups, reduction in pollution, greater participation in programmes to improve the community, improved medical care, improved industrial health and safety and other programmes designed to improve the quality of life.

It seems that the earlier definition of CSR did not include economic responsibility, and the reason for this is that many people considered the economic dimension as something that firms do for themselves, and the legal, ethical and philanthropic parts as something they do for others (Carroll, 1979).

Carroll (1979), further argues that economic viability is also what firms do for the society (for instance to create wealth for the society by way of taxation and to create employment) so their economic responsibility should be included in the definition of CSR. Then he explained the pyramid of CSR economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. Moreover philanthropic responsibility is being a good corporate citizen, contributing resources to the society, and improving quality of life; ethical responsibility is being ethical, having the obligation to do what is right, just, and fair; legal responsibility is to obey the law, to play by the rules of the game; economic responsibility is being profitable, which is the foundation which all others build upon.

While early writers on Corporate Social Responsibilities were preoccupied with clarifying what the social responsibility of business should be as exemplified by Bowen (1953) or argued for the need of the business to accept social responsibility, others focused on conceptual specificity; i.e., how CSR can be defined. One researcher jumpstarted this process by asserting that the notion of social responsibility presupposes that corporations do not only have economic and legal obligations but also have certain responsibilities to society that extend beyond these obligations (McGuire, 1963).

Moreover CSR definition was superior over most other definitions that were being suggested at that time. It was therefore not surprising that other researcher subsequently reiterated elements of the definition when it has been asserted that CSR refers to the firm's consideration of, and response to issues beyond the narrow economic, technical and legal requirements of the firm. It has been hinted at the possibility of having both normative and instrumental motivations for the adoption of CSR policies (McGuire, 1963).

An expert in business history joined the debate by asserting that the adoption of CSR by business is an attempt to recognize the intimacy between corporation and society, and to realize that the top managers must keep such relationships in mind as the corporation and other related groups pursue their respective goals. CSR should be a voluntary initiative and that business should expect to engage CSR concerns that might not yield immediate economic returns for the firm. Therefore extended the boundaries of the debate by explicitly addressing the form CSR should take, and like. Moreover CSR practices would involve some cost, but this should not prevent CSR adoption (Walton, 1967).

CSR is a voluntary initiative and goes beyond meeting legal obligations. Moreover, taking social responsibility mean that the corporation is a free agent of some sort, and to any extent to which they meet socially imposed obligations by law; the corporation is not being socially responsible. Rather, the corporation is being socially responsible when it voluntarily engages in business expenditure or activity that brings marginal returns that are less than the returns from some

alternative expenditure. The expenditure must be corporate expenditure and not the case of individual generosity (Manne & Wallich, 1972).

It is evidenced that, normative motivation is the basis on which any corporate action should be judged to be socially responsible and they were less impressed by corporate philanthropy that dominated the first phase in the evolution of business social responsibility (Manne & Wallich, op.cit). Therefore, they set the division between CSR advocates like themselves that believe true CSR must be borne out of a normative concern as opposed to those CSR advocates who believe that adopting CSR for instrumental concerns in no way makes the action less socially responsible. Other holds this latter position, as defined social responsibility as businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic and technical interest. According to Davis (1960), this later conception of CSR contributed to the emergence of the 'business case era.

Another argument is that, CSR by virtue of its voluntary nature avoids the pitfalls that plagued previous attempts of social control of business and yet was not too radical. CSR was a form of self-control, with altruistic incentives, and moral imperative in the quest for corporate social nirvana (Jones, 1980). He defined CSR as the idea that business has an obligation to constituent groups in society other than stockholders and outside those prescribed by law or union contract. Two facets of this definition are critical. First, the obligation must be voluntarily adopted, and second the obligation goes beyond traditional duty to stockholders to include other society groups such as employees, customers and neighbouring

communities. Jones (1980) also argued that CSR was really more of a process than an outcome and should be viewed as such. The contribution hinted at the stakeholder concept, and attempted to shift emphasis in CSR thinking from just outcome to include process (Carroll, 1979).

Further justification introduced a problem-solving approach to the conceptualization of CSR (Fitch, 1976). He defined further CSR as the serious attempt by corporations to help solve social problems caused wholly or partially by them. According to him, the corporation must first make a distinction between social and non-social problems and then identify which social problem it wishes to address after which it goes about tackling the problem. Fitch's conception of CSR was particularly useful in the sense that it forces the corporation to prioritize and limits the scope of the responsibility to which the corporation should be responsible for, i.e. a social problem created wholly or partially by them. In other words, for negative injunction duties were a priority for the corporation (Fitch, 1976). However, it can be argued that Fitch's CSR conception is not necessarily novel rather, it was a mere reformulation of an idea already (Eells & Walton, 1961).

Many recent definitions draw attention to the financial benefits obtained through CSR. For example, CSR refers to management of stakeholder concern for responsible and irresponsible acts related to environmental, ethical and social phenomena in a way that creates corporate benefit while other definition show the concept as a business approach that views respect for ethics, people,

communities and the environment as an integral strategy that improves the competitive position of a firm (Mittal, 2008).

In summary, despite the absence of a universally accepted definition of CSR, there is no doubt that it concerns the way a company governs the relationships with its various stakeholders.

### ***2.3.3 Motivations for Corporate Social Responsibility***

In recent years more and more companies have been declaring themselves socially responsible, opting into CSR schemes, labelling themselves with the term CSR and publishing CSR reports alongside their annual reports (Curran, 2005). Such reports may not represent an accurate reflection of reality. Managers may over-report on CSR to enhance a firm's reputation and avail of the various advantages believed to result from socially responsible behaviour such as improved customer and employee loyalty (Basu & Palazzo, 2008).

Likewise organizations often use carefully chosen verbal communications, including the firm's mission statement promoting ideas of CSR but then fail to follow through with corresponding actions. Many companies communicate CSR but fail to practice it. Further studies have found a rather paradoxical gap between what companies say they value and what they actually demonstrate by their actions (Welcomer, 2003).

Advertising CSR has increased dramatically in recent years. It was found in both research studies that CSR activities are higher in industries with higher

advertising to sales ratio. Thus, CSR may be performed to enhance a firm's reputation rather than this being an advantage gained from CSR. Similarly, additional argument is that that few firms engage in CSR activities for purely altruistic reasons (Liston-Heyes & Ceton, 2007).

Moreover, CSR being motivated by shareholder interest is referred to as strategic CSR (Baron, 2001). He further argues that a firm motivated only by profits may, 'adopt a practice labelled CSR because it increases the demand for its products'. This strategic CSR is simply a profit maximization strategy motivated by self interest and not by a conception of CSR. (Baron, *ibid*)

Many firms are turning away from traditional charity donations to a market-driven strategic management bottom-line approach to philanthropy. George Weissmna, chairman of Philips Morris explains that 'our business activities must make social sense and our social activities must make business sense'. The underlying strategy of this new-style philanthropy is for companies to obtain a tangible return for their contributions either through enhanced corporate image, improved staff morale or enhanced customer loyalty.

In addition, much of what is labelled corporate philanthropy does seek to generate and exploit an association with the cause. The traditional concept of philanthropy is found on altruism and involves the firm making a contribution without an expected benefit. The firm thus, donates funds to a worthy cause because it wishes to be a good corporate citizen. However, association with a non-profit cause has steadily evolved from a short term sales promotion

technique to a viable marketing strategy. This strategy links corporate identity with non-profits, causes and significant social issues through cooperative marketing and fund-raising programs (Collins & Porras, 1997).

CSR creates economic benefits through increased revenue and cost reduction (Smith, 2007). By investing in social responsibility, companies receive benefits that outweigh the costs. They develop new innovative products and services in order to keep up with the constant competition, but this is what differentiates them in an environment where crowded market places dominate.

CSR reflects a positive reputation and strong management ability, thus investors and shareholders are more easily motivated to finance and support the company. Nevertheless, a company's income does not depend only on sales and financiers. Bearing in mind the importance of CSR, governments grant and finance businesses that operate in a socially responsible way or are willing to undertake projects in favour of the community.

Additionally, by adopting CSR, companies reduce the financial risk they run as a result of more stable relations with the government and the financial communities. Companies can also boost their profits by reducing costs. By conserving or using alternative resources of energy, reducing wastes, emissions and recycling, companies not only help the environment but also help their own profitability. In other words by adopting socially responsible programs, they retain the possibility to manage their spending correctly and reduce the operating costs, leading to increased efficiency (Smith, 2007)

### ***2.3.4 Types of Corporate Social Responsibility***

There are four types of corporate social responsibilities: economic, legal, ethical, and discretionary (philanthropic) (Carroll, 1979).

#### ***2.3.4.1 Economic CSR.***

This kind of CSR entail for example providing a return on investment to owners and shareholders; creating jobs and fair pay for workers; discovering new resources; promoting technological advancement, innovation, and the creation of new products and services. Business from this perspective is the basic economic unit in society and all its other roles are predicated on this fundamental assumption (Carroll, 1979).

#### ***2.3.4.2 The legal responsibility***

is the second part of the type and entails expectations of legal compliance and playing by the “rules of the game.” From this perspective, society expects business to fulfil its economic mission within the framework of legal requirements. But while regulations may successfully coerce firms to respond to an issue, it is difficult to ensure that they are applied equitably (Pratima, 2002). Moreover, regulations are reactive in nature, leaving little opportunity for firms to be proactive. Laws therefore circumscribe the limits of tolerable behaviour, but they neither define ethics nor do they “legislate morality” (Solomon, 1994).

#### ***2.3.4.3 Ethical Responsibility***

In essence, ethical responsibility overcomes the limitation of law by creating an ethics ethos that companies can live by (Solomon, 1994). It portrays business as being moral, and doing what is right, just, and fair. Therefore, ethical responsibility encompasses activities that are not necessarily codified into law,

but nevertheless are expected of business by societal members such as respecting people, avoiding social harm, and preventing social injury. Such responsibility is mainly rooted in religious convictions, humane principles, and human rights commitments (Lantos, 2001). However, one limitation to this type of responsibility is its blurry definition and the consequent difficulty for business to concretely deal with it (Carroll, 1979).

#### *2.3.4.4 Philanthropic CSR*

As the final type of responsibility, firms have the widest scope of discretionary judgment and choice, in terms of deciding on specific activities or philanthropic contributions that are aimed at giving back to society. The roots of this type of responsibility lie in the belief that business and society are intertwined in an organic way (Frederick, 1994). Examples of such activities might include philanthropic contributions, conducting in-house training programs for drug abusers, or attempts at increasing literacy rates. This type of responsibility is the most controversial of all since its limits are broad and its implications could conflict with the economic and profit making orientation of business firms (Carroll, 1979).

#### ***2.3.5 Benefits and Cost for Companies which Behave Socially Responsible***

There are several studies that suggest that firms practicing good ethics and good corporate governance are rewarded by financial market, while firms practicing poor ethics and poor governance are punished (Neal & Cochran, 2008). Cochran and Neal have been reviewed a range of recent public studies in financial fields. There is a big relationship between corporate social

responsibility and financial performance. Orlitzky, Schmidt & Rynes (2003) found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy; the benefits will be obtained mainly in the long term scenario.

Companies behaving socially responsible (SR) address some benefits. They have not only their profit benefit (shareholder benefit) but also corporate wealth maximization for the shareholders and the other groups of stakeholders. This is a sustainable strategy that generates cost management in the creation. Moreover, the lack of corporate social responsibility (CSR) commitment generates higher cost management than the incorporation.

Moreover, in the market, Corporate Social Responsible behaviour has positive consequences in terms of reputation and good will, thus behaving responsible is an important asset for the corporation. Also these market positive consequences/rewards are reflected in employees and customer fidelity. Corporate rewards/positives consequences can be seen from two perspectives: "carrots for success and freedom from sticks (Mainelli, 2004). Freedom from sticks includes not being subjects to Non Government Organization (NGO) attacks, not having government impositions, not being boycotted from regions of market or not losing key employees with different ethical values. Carrots for success might include good public relation, brand enhancement, access to contract with CSR requirements, positive relation with NGOs or attracting higher-quality staff at lower rate" (Mainelli, 2004).

Some benefits that a company can get are:

#### *2.3.5.1 Positive Effects on Company Image and Reputation*

In the topic of company image related to brand differentiation, corporate social responsibility can play a role in building customer loyalty based on distinct ethical values. Several brands as a co-operative Group and the body Shop are built on ethical values. In reputation, business services organizations can benefit too from building a reputation for integrity and best practice.

#### *2.3.5.2 Positive Effects on Motivation, Retention (permanency) and Recruitment of Employees*

Basically, this benefit is based on loyalty and selections of the best employees. This aspect is related to human resources. It means that a CSR programme can be seen as an objective to recruitment and retention. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage. CSR can also help to improve the perception of a company among its staff, particularly when staff becomes involved through payroll giving, fundraising activities or community volunteering.

#### *2.3.5.3 Risk Management*

Managing risk is a central part of many corporate strategies. Reputation that takes decades to build up can be ruined in hours through incidents such as corruption, scandals, low ethical values, environmental accidents, social, fairness, employees abuses, child labour and so on, lack of control on suppliers. Those events also can drive special attention from regulators, courts, governments and media. Building genuine culture based on ethical, values and

principles issues of doing the right thing within a corporation can avoid and decrease these risks.

#### *2.3.5.4 Competitiveness*

By having a socially responsible profile, a company can enhance its competitiveness and obtain a significant position in the minds of the customers. It is a fact that many consumers do not just prefer social responsibility but insist on it.

Consumers seek information about business practices and responsibility before making their decisions, adding that the majority of them would refuse to purchase a product or service from a company that they believed is not socially responsible.

#### *2.3.5.5 License to Operate*

Corporations are keeping avoiding interference in their business through taxation or regulation. By taking substantive voluntary steps, they can persuade governments and the wider public that they are taking issues such as health and safety, diversity of the environment seriously, and so avoid intervention.

The positive impact in each of these variables has direct incidence (is reflected directly) in an increment of the of firms' profits (revenues), rising the wealth of the shareholders, but also the other groups of the stakeholders as governments, employees, customers and so on. The sustainable social responsible commitment has incident in the company reputation, reducing or increasing the

reputation risk, adding a cost or benefit for the corporation. Social responsibility is a value intangible long term asset, it is an asset which claims to some futures benefits, that decrease or increase futures cash. .

Cost benefit analysis may be regarded simply as a systematic thinking about decision making, linking with the consequences of different courses of actions. Firms continuously make decisions that increase their benefits. Considering that, CSR is a voluntary behaviour, corporations have the option; to choose acting only responsible or social responsible. If the expected benefits are higher than the expected cost, corporation chooses the action-shareholder oriented, being only responsible. But this is no simple like this.

### ***2.3.6 The Relationship between Corporate Social Responsibility and Corporate Financial Performance***

In this section the association between corporate social performance (CSP) and corporate financial performance (CFP) is revisited. Inconsistent conclusions among studies about the relationship between CSP and CFP still persist. The performance of business is affected by strategies and operations in market and non-market environments (Baron, 2001). Non-market strategies are increasingly gaining importance due to outside pressures from entities such as media, NGOs etc. Corporate Social Performance (CSP), which is defined as a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships, is a major element of non-market strategies (Wood, 1991).

A positive CSP-CFP relationship is suggested by stakeholder theory, which argues that by addressing and balancing the claims of multiple stakeholders, managers can increase the efficiency of their organization's adoption to external demands (Freeman, 1994). In addition to that, high corporate performance does not only result from the separate satisfaction of bilateral relationships but also from the simultaneous coordination and prioritization of multilateral stakeholder interests (Orlitzky, 2003).

The issue of firm's financial performance and its effects on corporate social responsibility (CSR) continued to be addressed in the literature. Windsor quotes the 1998 findings of Verschoor, that among the 500 largest US public corporations, the 26.8% committing in annual reports to ethical reports behaviour toward stakeholder or compliance with corporate code of conduct have higher financial performance measures than other firms that do not (Windsor, 2001). However, this is very narrow measurement of CSR and does not allow for the fact that companies such as Enron can engage in philanthropy while being guilty of moral misconduct. Wisdom suggests that 'the Enron collapse is a reminder that such deviation (between responsibility and wealth) is never far away in the increasingly competitive landscape of global business operations'.

He believes that there has been 'A marked tendency in the relevant literature to examine alternatives such as citizenship or stakeholder management precisely because of the difficulties inherent in the responsibility construct'.

Orlitzky (2003) argues that his research shows a positive correlation between corporate social responsibility (CSR) and corporate financial performance, that CSR actually reduces financial risk and that organizations of all size may benefit financially from socially responsible activities. In a discussion about a business case for CSR, Hopkins suggests that while it is difficult to prove a causal link between CSR actions and financial indicators, an in depth benefit-cost analysis of CSR by the Cooperative Bank of the UK 'declared that between 15% and 18% of its pre-tax profits could be directly attributed to its ethical stance' (Hopkins, 2003)

He undertook a study of the top UK companies, examining the correlation between social responsibility and their stock market performance. He concluded that the public's purchasing of shares was still not greatly affected by the companies' level of social responsibility but that CSR standing does not necessarily badly affect a company's share price. Share market price is only one measure of profitability and narrowness of Hopkins' research supports his contention that, 'Definition, measurement and data problems exist for assessing both social responsibility and financial performance' (Hopkins 2003).

Another aspect of investment in CSR that has financial implications is what Brammer and Pavelin have termed 'insurance-motivated social investment' (Brammer & Pavelin 2005), a risk-management strategy aimed at reducing reputation and financial losses caused by adverse stakeholder reaction to negative events. The authors suggested that social investment, by establishing a positive reputation in the eyes of stakeholder groups, helps to mitigate the

impact of those negative events by reducing the likelihood that stakeholders attribute blame to the company concerned.

## **2.4 Empirical Literature Review**

There are one hundred twenty-two published studies between 1971 and 2001 empirically examined the relationship between corporate social responsibility and financial performance (Margolis & Walsh, 2002). The first study was published by Narve in 1971. Empirical studies of the relationship between CSR and financial performance comprises essentially two types;

The first type uses the event study methodology to assess the short-run financial impact (abnormal returns) when firms engage in either socially responsible or irresponsible acts. The results of these studies have been mixed. Other researcher discovered a negative relationship (Wright & Ferris, 1997). Further studies reported a positive relationship while other found no relationship between CSR and financial performance (Posnikoff, 1997). Other studies, discussed similarly inconsistent concerning the relationship between CSR and short run financial returns (McWilliams & Siegel, 2000).

The second type of study examines the relationship between some measure of corporate social performance (CSP) and measures of long term financial performance, by using accounting or financial measures of profitability. The studies that explore the relationship between social responsibility and accounting-based performance measures have also produced mixed results.

Positive correlation shown between social responsibilities and accounting performance after controlling for the age of assets (Cochran & Wood, 1984).

In contrast, other study found significant positive relationships between an index of CSP and performance measures, such as Return on Assets (ROA) in the following year (Waddock & Graves, 1997). Studies using measures of return based on the stock market also indicate diverse results. Vance (1975) refutes previous research by Moskowitz by extending the time period for analysis from 6 months to 3 years, thereby producing results which contradict Moskowitz and which indicate a negative CSP/CFP relationship. However, Alexander and Buchholz (1978) improved on Vance's analysis by evaluating stock market performance of an identical group of stocks on a risk adjusted basis, yielding an inconclusive result.

There have been a number of studies based on United States and European data that seek to test the extent to which the economic drivers for corporate social responsibility deliver improved financial performance. The studies adopt different methodologies for measuring corporate social responsibility and financial performance, and not unexpectedly present quite different results.

A notable source is a Meta analysis undertaken and integrated for 30 years of research from 52 previous studies and used meta analytical techniques to support the proposition that corporate social performance and corporate financial performance are positively correlated and statistically significant. Interestingly, the meta analysis found a higher correlation between financial

performance and a company's management of its social impact than between financial performance and a company's management of its environmental performance (Orlitzky, 2003).

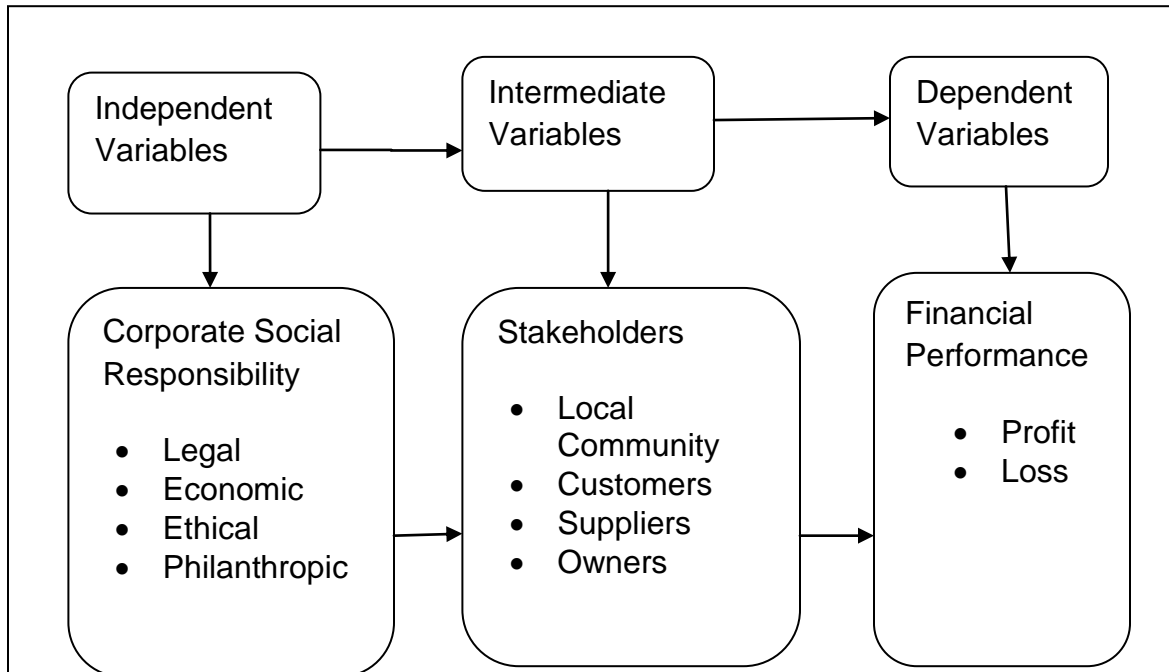
Studies by investment analysts and funds managers on the performance of socially responsible investment fund products and sustainability indices are also regularly reported in order to attract investors and encourage participation. For example, in 2005 AMP Capital Investors published an analysis of the corporate social responsibility rating technique it uses to manage its Sustainable Future Australian Share Fund. By applying its rating technique to the approximately 300 listed Australian companies and analyzing their financial performance from a 10 year period, it determined that companies with a higher corporate social responsibility rating outperformed companies with a lower corporate social responsibility rating by more than 3.0 per cent per annum over a 4 and 10 year period (Rey & Nguyen, 2005).

In African context, Corporate Social Responsibility and Financial Performance in Developing Economies, the Nigerian experience, focus on developing economies and on Nigeria specifically. The study examines the impact of CSR activities on financial performance measured with Return on Equity and Return on Assets. The results show that CSR has positive and significant relationship with financial performance measures Olayinka & Temitope (2012).

## **2.5 Conceptual Framework**

A conceptual framework is a researcher's conception and belief of a new idea to be tested through research before it is accepted as a new theory/fact for use. This section describes the conception the researcher has about CSR in relation to financial performance. The discussion need to improve performance of organization as well as the service provided by the company as CSR. The framework developed based on the literature, it has independent variable and the dependent variable. CSR as independent variable and Firm's financial performance is the dependent variable. The study will thus present attempts to bridge the gap by providing basis for a thorough and insightful judgment of CSR and financial performance. The independent variable interacts with the intermediate variable to determine the direction of the dependent variable.

**FIGURE 2.1 CONCEPTUAL FRAMEWORK FOR IMPACT OF CSR ON FINANCIAL PERFORMANCE**



The effectiveness of CSR can lead into revenue through selling of goods more than before practicing CSR. Moreover, CSR reduces costs in the sense that by providing service to the community it acts like some kind of advertising hence it covers advertising as well as promotion cost, hence leads into enhanced financial performance.

## 2.6 Knowledge Gap

Despite the positive CSR and financial performance relationship suggested by stakeholder theory, other studies found negative relationship while others found no relationship between CSR and financial performance. All the theories on CSR and its relationship with financial performance have been propounded and

tested in the developed world. There is absence of enough studies designed to analyse the influence of firm's financial performance on CSR which have been conducted within African context specifically in Tanzania.

Because of mixed findings presented by various studies and because of multitude differences in political, financial and social operating environment of firms between developed and developing countries, there was enough justification to actualize this study within Tanzania environment. Therefore, the knowledge gap in this study is to evaluate the connection between CSR and firms' financial performance taking the case of Tanzania Postal Bank Dodoma, Tanzania. In addition, the study uses stakeholder theory in a deductive approach referring to observations of other previous study.

## **2.7 Chapter summary**

Generally this chapter provided a review of literature which is directly related to corporate social responsibility of firm. The main purpose was to make the study comprehensive thus being able to achieve the intended objectives. A review of theories was made and they correlated to this study due to fact that they depicted the concept of corporate social responsibility. The knowledge gap and conceptual framework were taken into account. Empirical literature review also to a large extent was considered as a means of comparing the findings from different authors as well as the justifications of information obtained.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Chapter overview**

This chapter is all about the methodological issues. The term methodology means the system of explicit rules and procedures in which research is based and against which claims of knowledge are evaluated (Ojo, 2003).

The research methodology has two interrelated parts i.e. the research design and data collection methods. In this part, the researcher provided detailed and precise account of how the researcher goes about to achieve the stated objectives. As such, the chosen research design has to be justified in the light of objectives (Baradyana & Ame, 2007).

This chapter therefore, have presented sampling technique and data collection methods and instruments, including the study area, sample size, sampling design, the sampling procedures, methods of data collection, validation of the research instruments, data processing, analysis, and presentation.

#### **3.2 Research Design**

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2002). It constitutes the blueprint for the collection, measurement and analysis of data. A research design is a scheme,

outline or plan that is used to generate answers to research problems (Orodho, 2003). Moreover, in conducting any research, there are several different research designs such as survey, experimental, ex-post-facto, historical, case study etc. Each design supports a variety of methods for gathering data, and each allows the researcher a variety of analysis and interpretation approaches.

In this research, case study approach was used, whereby Tanzania Postal Bank Dodoma was used as the units of analysis. The case study design provides an in-depth examination of phenomenon (Yin, 2003). It is a type of design used to get detailed analysis of a single or small number of cases of a big population so as to get reach understanding of the research questions (Olsen, 2001). Case studies help the researcher to get general picture on how data can be collected, analyzed and combined in relation to the objective of the study.

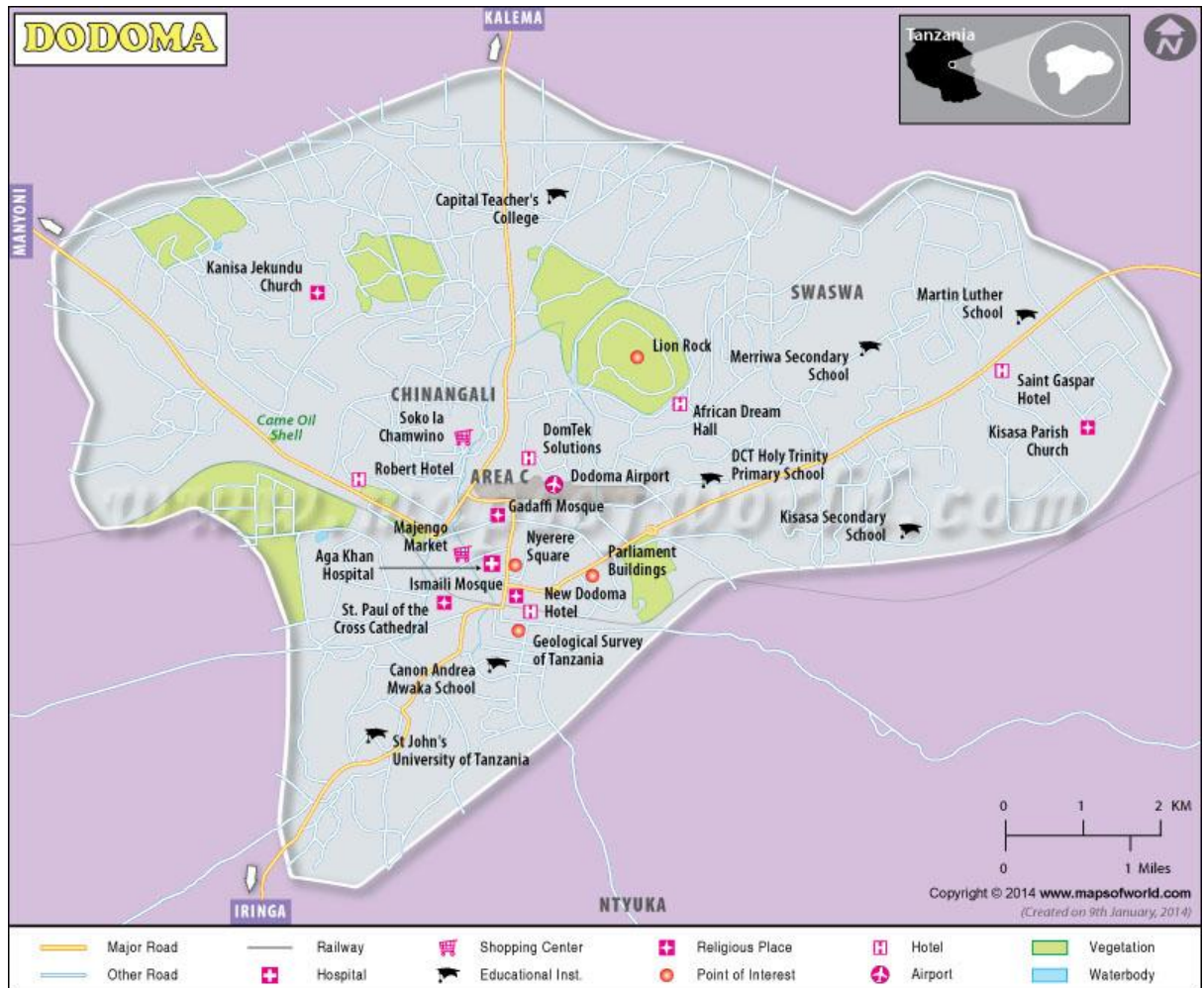
### **3.3 Study Area**

Choice of a study area needs to make the researcher have an opportunity to get required information (Krishnaswami, 2002). This study was conducted at Dodoma, specifically in Tanzania Postal Bank. Dodoma Region lies at 4° to 7° 30' latitude South and 35° - 37° longitude to the East. It is a region centrally positioned in Tanzania and is bordered by four regions namely Manyara in the North, Morogoro in the East, Iringa in the South and Singida to the West. Much of the region is a plateau rising gradually from some 830 meters in Bahi Swamps to 2000 meters above sea level in the highlands north of Kondoa. The region covers a total area of 40,903 km<sup>2</sup> (4,090,300 ha) out of which arable land: is about 23,137 km<sup>2</sup> (2,313,700 ha) and grazing area is about 1,200 km<sup>2</sup>

(120,000 ha). The Region is divided into 6 districts namely Dodoma Urban, Kondoa, Mpwapwa, Bahi, Chamwino, and Kongwa. It is further subdivided into 28 administrative divisions, 190 wards and 528 villages. Dodoma features a semi-arid climate with relatively warm temperatures throughout the year. While average highs are somewhat consistent throughout the year, average lows dip to 13 °C (55.4 °F) in July. Dodoma averages 570 mm of precipitation per year, the bulk of which occurs during its wet season between November and April. The remainder of the year comprises the city's dry season.

The reason of choosing Dodoma is not only the opportunity to learn as proposed by Stake (2000) but also convenience in accessibility of data and information from the bank. Moreover, Dodoma is a growing town centre with a fairly active growth in banking and industrial sector, Tanzania Postal Bank practice CSR as a competitive strategy with the common aim of making profit as the major goal of any business enterprise.

**FIGURE 3.2: A MAP SHOWING LOCATION OF DODOMA MUNICIPAL**



(Dodoma Municipal profile, 2015)

### 3.4 Study Population and sampling

#### 3.4.1 Study population

Population is the target group to be studied (Krishnaswami, 2002). The population for this study were banking industry where Tanzania Postal Bank was

selected as representative element (sample). Forty (40) members of staff from Tanzania Postal Bank were considered as respondents.

### ***3.4.2 Sampling Procedures***

The simple random sampling is considered a special case in which each population element has a known and equal chance of selection (Ian, 2007). The researcher used simple random sampling approach in selecting sample for the study where all staff had an equal chance of being selected. The researcher obtained the list of all TPB staff from the Branch Manager assigned a number beside each name and uses excel spreadsheet to randomly select 30 respondents, although only 26 respondents participated.

### ***3.4.3 Sample Size***

A sample consists of some of the elements in a population we wish to make conclusions about the entire population. Choice of sample size is influenced by available resources, purpose of the study, population size, confidence level and level of precision. Taking into account the population size of banking firms in Tanzania, one (1) socially responsible sample firm i.e. Tanzania Postal Bank was considered adequate sample size for this study.

## **3.5 Data Collection Methods and Instruments**

This study depends on secondary and primary data to make analysis of the research problem. Primary data are the data directly collected by the researcher from their original sources (Krishnaswami, 2002). Primary data will be obtained through filling of questionnaires by the respondents. Also secondary data are the

data that had already been collected and analysed by someone, and shall be obtained from various manuals, articles, reports and other original sources which will be available to all other companies (Kothari, 2002). Therefore secondary information was collected through documentary reviewing.

### ***3.5.1 Questionnaire Method***

Questionnaire is the data collection tool in which respondents provides written answers to questions or statements that require factual information (Best & Khan, 2003). These included schedules of questions which will be filled in by respondent. Questions included both closed and open ended. Closed ended was prepared in forms of multiple choice questions where respondent will be asked to put a tick (√) or to fill in appropriate letter. While in open ended questions the respondent will be required to fill in empty spaces by giving their opinion. Questionnaires will be designed to meet the objectives of the research study.

This study will employ the use of questionnaires to collect primary information not only because of their convenience and reliability but also they are economical in a sense that they can supply a considerable amount of research data at relatively low costs in terms of money and time as pointed out by (Best & Kahn, 2003).

### ***3.5.2 Documentary Review***

Documentary review refers to the analysis of documents that contain information about the phenomenon we wish to study (Bailey, 1994). Furthermore, Payne

(2004) described it as the techniques used to categorize, investigate, interpret and identify the limitations of physical sources, most commonly written documents whether in the private or public domain. Documentary review will be carried out in this study; it will involve obtaining and reviewing information available with regards to the CSR activities and financial performance of the selected companies.

### ***3.5.3 Data Processing***

Pre-testing the questionnaire is good because it allows the researcher to follow on particular areas that may have been unclear previously, and it also allows the researcher to begin and solidify relationship with participants as well as to establish effective communication patterns (Janesick, 1998). The pilot study may discover few weaknesses in the instruments. This method will help the researcher to be able to collect the relevant information from the respondent.

Data collected was examined to detect errors; omissions and unreliable information was corrected and edited to ensure accuracy. Editing of the data in the field was done through checking the questionnaires to ensure better responses. Coding of questionnaires was done manually. Data entry was part of data preparation before data analysis.

### **3.6 Data Analysis**

Data analysis involves critical examination of the assembled and grouped data for studying the characteristics of the object under study and for determining the patterns of relationships among the variables relating to it (Krishnaswami, 2002).

The study used both qualitative and quantitative data analysis technique to analyze data from the field. Quantitative data analysis technique was selected to analyze numerical data. Also qualitative analysis technique was used to supplement the analysis of data. Descriptive statistics such as cross tabulation and percentages was computed and factual and logical interpretation, comparison and explanation made. Where appropriate, MS-Excel and Statistical Package for Social Science (SPSS) was used to do computation and preparation of tables and drawings

### **3.7 Data Presentation**

The result of data analysis was presented by using tables, charts and graphs so as to simplify interpretation of results.

### **3.8 Data Reliability and Validity**

It is important to evaluate how reliable and valid a study is (Bell, 2006). The validity of a test is a measure of how well a test measures what is supposed to measure (Kombo, 2004). In order to ensure content validity of the tool in this study the researcher developed the tools using a broad range of concepts identified in the literature review and also consulted subject experts on the content of the tools.

Reliability refers to the fact that measurements are conducted correctly (Thurén, 2004).The criteria for reliability is based on neutrality of the research instruments, they should give the same result independent of the specific case. When reliability is strong, two studies using the same method will provide the

same result (Denscombe, 2000). The reliability of the test is the answer to this question. Before the actual data collection, the researcher did a pretest to test whether the data collection instrument was understandable and comprehensive. In doing so the researcher revises the difficult questions in the questionnaire, the important questions were given priority and few missing questions were included to ensure the reliability.

### **3.9 Research Ethical Consideration**

Ethical issues refer to the appropriateness of the researcher's behaviour in relation to the rights of those who become the subjects to the study or those who may be affected by it (Baradyana & Ame, 2007). It is a concern about the desired social norms. So the researcher abided with the ethical issues of the organization under study and St John's University and ensured that no one was harmed in the research activity and observed ethical norms related to non disclosure of organization policies and procedures and maintaining confidentiality.

### **3.10 Chapter Summary**

The chapter has presented the Case study design that was used by researcher whereby Tanzania Postal Bank Dodoma was used as a unit of analysis, the researcher chooses Dodoma for convenience and easy accessibility of data. 30 members of staff from Tanzania Postal Bank Dodoma were considered as respondent in the study. Simple random sampling approach were employed, data was collected using both primary and secondary sources. Analysis was

done using MS-excel and SPSS and data was presented using tables, charts and graphs. The researcher also tested the tools for data collection before collecting data to ensure data reliability and validity. The researcher also abided to ethical consideration as per Tanzania Postal Bank and St. Johns University guidelines to ensure compliances.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND DISCUSSION OF THE FINDINGS**

#### **4.1 Chapter overview**

This chapter is concerned with the analysis of data and discussion of research findings. The general objective of this research was to analyze the influence of corporate social responsibilities on financial performance of firms. Data analysed in this chapter answer the following research questions and objectives: To ascertain grounds for the companies to engage in corporate social responsibilities; to explore types of corporate social responsibilities which are more practiced by Tanzania Postal Bank and to examine relationship between corporate social responsibility practices and firms' financial performance raised in chapter one.

With the aim of getting answers to research questions, data were collected through questionnaires. The collected data were summarized into questionnaire summary sheets which are documented in appendix.

From each table, data were extracted for the purpose of analysis, interpretation and presentation. This was done by matching results of analysis and interpretation to each stated specific objective as discussed in the following sections.

## 4.2 Characteristics of the Respondents

The researcher engaged the respondents from Tanzania Postal Bank. Employees' characteristics were categorized according to sex, education level and years of working experience. The aim was to get 30 respondents. But those who participated were 26 (87%).

### 4.2.1 Respondents composition by Sex

Table 4.1 shows number and percentage of respondent based on their sex at TPB. There were 17 (65%) male respondents and female respondents were 9 (35%). Researcher found that male respondents had outweighed the female respondent.

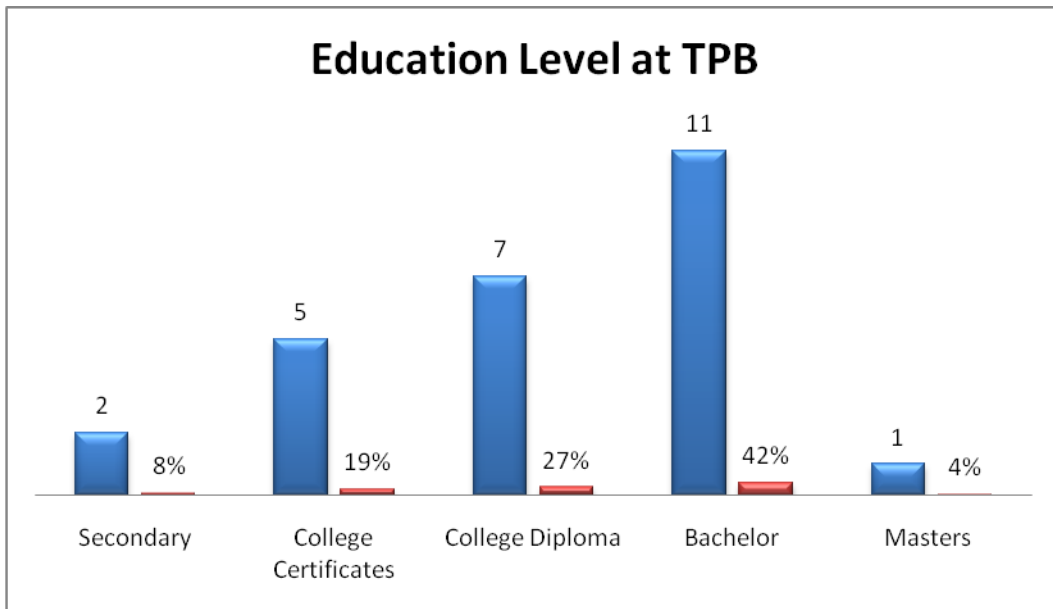
**TABLE 4.1 COMPOSITION OF RESPONDENTS BY SEX**

<b>Composition of Respondent by Sex at TPB</b>		
<b>Sex</b>	<b>Frequency</b>	<b>Percentage</b>
Male	17	65%
Female	9	35%
<b>Total</b>	<b>26</b>	<b>100%</b>

### 4.2.2 Level of Education of the Respondents

Figure 4.3 summarizes the information on educational status of respondents at TPB as follows: the results showed that the majority had attained Bachelor degree 11(42%), 7(27%) college Diploma 5(19 %) certificates, 2(8%) Secondary education while holders of master's degree were 1(4%).

**FIGURE 4.3 EDUCATION LEVEL AT TPB**



The results disclosed the information that workers in banking industry need high education for operational purpose as for a bank to run smoothly it need staff with varieties of knowledge which include accounting, marketing, public relation as well as information technology and computer science skills. For the company to operate smoothly under stiff competition, it must employ competitive candidates with high education level. It can be evidenced through number of respondents with college diploma and bachelor degree which amount to 69% of total respondents.

#### **4.2.3 Years of Working Experience at TPB**

Observation at TPB affirmed that less experienced staff were 8(31%) i.e., from 0 to 3 years, those with experience between 3-5 years were 6(23%) while respondents with experience between 5-10 years were 9(35%) and those with experience above ten years were 3(12%)

**TABLE 4.2 YEARS OF WORKING EXPERIENCE AT TPB**

<b>Years Range</b>	<b>Frequency</b>	<b>Percentage</b>
0-3 years	8	31%
3-5 years	6	23%
5-10years	9	35%
Above 10 years	3	12%
<b>Total</b>	<b>26</b>	<b>100%</b>

The nature of work in banking industry needs personnel with experiences, in order to cope with the market competition in the growing banking Industry.

#### **4.3 Reasons to which Companies Engage in Corporate Social Responsibilities**

This objective has been tested to know the company's real involvement in CSR as well as to understand if CSR is compulsory to each organization. Lastly, the

objective intended to explore the motives behind the engagement of the companies in CSR.

#### **4.3.1 Company's Involvement in CSR**

The results revealed that TPB is socially responsible. TPB started being socially responsible since its existence a key management focus on CSR is the determination to interact positively with society as a respectable corporate citizen. Table 4.3 below shows that TPB accept to be fully socially responsible.

**TABLE 4.3: BEING SOCIALLY RESPONSIBLE AT TPB**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	26	100%
No	0	0%
<b>Total</b>	<b>26</b>	<b>100%</b>

#### **4.3.2 Social Responsibility as a Compulsory Phenomenon at TPB**

According to table 4.4, 22(85%) respondents agree on the question that CSR is compulsory to the company while only 4(15%) respondent showed that it is not compulsory.

This implied that by taking different activities that belong to part of CSR within and outside, was necessary for the bank. Moreover, management practices on CSR ensure the positive impacts of its operations on society or operating in a manner that meets and even exceeds the legal, ethical, commercial and public expectations that the society has to the business.

**TABLE 4.4 CSR AS COMPULSORY TO TPB**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	22	85%
No	4	15%
<b>Total</b>	<b>26</b>	<b>100%</b>

#### ***4.3.3 Criteria for Why CSR is Compulsory***

The main criteria for TPB is that, it takes CSR as public relation strategy to enhance them winning market to increase their sales as well as market share. As a community focused activities, TPB broadly grouped them into four major pillars of society: the environment, entertainment, education, health and wellbeing (including sports).

#### ***4.3.4 Rate/Level of Involvement in CSR***

Table 4.5 signifies that, 16(62%) respondents showed that TPB is highly involving itself in CSR, 9(35%) showed that the company involvement in CSR is at the moderate rate while 1(4%) indicated low involvement in CSR.

**TABLE 4.5: RATE OF TPB INVOLVEMENTS IN CSR**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
High	16	62%
Moderate	9	35%
Low	1	4%
<b>Total</b>	<b>26</b>	<b>100%</b>

A level of involvement implied the extent or frequencies of practicing CSR. Low level present small extent or frequencies, moderate level implies average and high level shows out more frequencies or high extent of CSR activities as done by TPB.

Mean weight for TPB was found to be 1.42; therefore it reveals that the common opinion among the respondents was high level of involvement.

#### **4.3.5 Areas of Focus on CSR by Companies**

TPB provided assistance in education as table 4.6 shows that 11(42%) respondents pinpointed education, 8(31%) indicated Safety while the remaining 7(27%) indicated youth development.

**TABLE 4.6 AREAS OF FOCUS ON CSR BY TPB**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Education	11	42%
Safety	8	31%
Youth Development	7	27%
<b>Total</b>	<b>26</b>	<b>100%</b>

Tanzania postal bank Donated to Chunya village Mpwapwa district a building comprises two class rooms and one office. Chunya project involved three phases before completed October 2014, the whole project costed 52 million and handover ceremony involves TPB C.E.O Sabasaba Moshingi and Mpwapwa Member of Parliament Gregory Teu.

**FIGURE 4.4: HANDOVER CEREMONY OF CLASSROOMS IN MPWAPWA DISTRICT**



(Tanzania Postal Bank Profile, 2015)

TPB also as part of its CSR initiative involved itself in youth development programme where it provided TZS 300,000 to facilitate sports Bonanza at Dodoma Teachers College (Capital Teachers College) on March 2013.

**FIGURE 4.5: MANAGER OF TPB EMMANUEL GYUZI HANDS OVER TZS 300,000 TO MR.KAIJAGE OF MTANZANIA NEWS PAPER WHO PREPARED SPORTS BONANZA (MIDDLE) BFO MR. TWAHA KHALFANI ON MARCH 2013**



(Tanzania Postal Bank Profile, 2014)

Another CSR initiative done by TPB was a support to Traffic Police aimed at curbing the increased Road accidents in Tanzania for buses travelling across the country. The bank has donated stickers worth TZS. 3 million which will be placed in all buses travelling upcountry. The stickers have mobile numbers of police commanders of all the police posts along the bus routes. The aim of placing the stickers with the numbers is to enable passengers to call these numbers whenever they feel that the driver of the bus is over speeding or committing a traffic offence which may endanger their lives. Figure 4.4 below indicates the Traffic commander Mohammed Mpinga receiving stickers from TPB CEO Mr. Sabasaba Moshingi.

**FIGURE 4.6: TPB SUPPORTS TO TRAFFIC POLICE**



(Tanzania Postal Bank Profile, 2015)

#### ***4.3.6 Main factors Motivated TPB to Undertake CSR***

The motives for CSR actions are often mixed, it is impossible to claim either one motive or another. There are no particular motives that can be authorized to have an advantage over another. Many strategies and instruments for social actions can be used in harmony with one another. Table 4.7 shows the results from respondents towards motives behind companies to undertake CSR.

**TABLE 4.7: FACTORS MOTIVATED TPB TO UNDERTAKE CSR**

Factors	Response					Mean
	Strongly Disagree	Disagree	Neither agree nor Disagree	Agree	Strongly Agree	
Ethical and Moral Reasons	0%	4%	23%	46%	27%	3.96
To Improve Community Relations	0%	0%	15%	35%	50%	4.35
To Improve Customer Loyalty	0%	0%	27%	35%	38%	4.12
To Improve Employee Motivation	0%	23%	15%	35%	27%	3.65
To Improve Economic Performance	0%	15%	35%	19%	31%	3.65
To Preserve or Improve the Reputation of the Company	0%	0%	15%	35%	50%	4.35
To give something back to the community	0%	0%	12%	35%	54%	4.42

Key: 1=Strongly Disagree,

2=Disagree

3=neither Agree nor Disagree and

4=Agree

5=strongly agree

#### *4.3.6.1 Ethical and Moral Reasons*

The results in Table 4.7 showed that ethical and moral reasons motivated TPB to undertake CSR. The answers revealed that 7(27%) respondents strongly agreed, 12(46%) respondents agreed, 6(23%) neither agreed nor disagreed and only 1(4%) respondent disagreed. The mean weight was 3.96 hence the common opinion from the respondents being agreeing with statement.

#### *4.3.6.2 Improve Community Relations*

From table 4.7, the results revealed that 13(50%) respondents strongly agreed and 9(35%) respondents agreed and only 4(15%) respondents neither agree nor disagreed. The mean weight was 4.35 hence the common opinion from the respondents was agreeing with the statement.

#### *4.3.6.3 Improve Customer Loyalty*

The results in table 4.7 shows that 10(38%) respondents strongly agreed with statement that improving customer loyalty motivate TPB to undertake CSR, 9(35%) respondents agreed and 7(27%) respondents neither agreed nor disagreed. The common opinion from the respondents was agreeing with the statement having the mean weight of 4.12

#### *4.3.6.4 Improve Employee Motivation*

The findings presented on the table 4.7 revealed that 9(35%) respondents agreed 7(27%) respondents strongly agreed with the statement 6(23%)

respondents disagreed with the statement as improving employee's motivation facilitate TPB to execute CSR and only 4(15%) respondent neither agree nor disagree with the statement. The common opinion from the respondents was agreeing with the statement having the mean weight of 3.65

#### *4.3.6.5 Improve Economic Performance*

Furthermore responses showed that 9(35%) respondents neither agree nor disagree with the statement that economic performance motivated TPB to undertake CSR. 8(31%) respondents were strongly agreed, 5(19%) respondents agreed, and only 4(15%) disagreed with the statement. The mean weight was 3.65 hence the common opinion from the respondents being agreeing with the statement.

#### *4.3.6.6 To Preserve or Improve the Reputation and Image of the Company*

On the statement that TPB engage in CSR to preserve or improve reputation and image of the company 13 (50.0%) respondents strongly agreed while 9 (35%) respondents agreed with the statement that improves reputation and image motivates TPB to execute CSR whereas 4(15.0%) respondent neither agree nor disagree. The mean weight obtained was 4.35 hence the common opinion from the respondents being strongly agreeing with the statement

#### *4.3.6.7 Give Profit Back to the Community*

Lastly table 4.7 shows that 14(54%) respondents strongly agreed and 9(35%) agreed, while 3(12%) neither agreed nor disagreed that giving profit back to

society motivated TPB to undertake CSR. The mean weight obtained was 4.42 hence the common opinion from the respondents being agreeing with the statement.

#### **4.4 Types of Corporate Social Responsibility which are mostly Practiced by TPB.**

##### **4.4.1 Types of CSR Engaged**

Table 4.8 indicated that 12(46%) respondents identified philanthropic type of CSR being used by the company while 9(35%) respondents indicated ethical and 5(19%) indicate the use of economic type of CSR.

**TABLE 4.8: TYPES OF CSR AS ENGAGED AT TPB**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Economic	5	19%
Ethical	9	35%
Philanthropic	12	46%
<b>Total</b>	<b>26</b>	<b>100%</b>

Companies need to be in tune with the society and communities in which it makes a living; this implies going beyond economic, legal and ethical responsibility and aligning itself with the community in which they operate. CSR at TPB was therefore largely understood to comprise the philanthropic contributions that it makes over and above its mainstream activities.

Nevertheless, the everyday activity of business has a much more profound social impact than its small voluntary community contributions, however valuable. The realization of this profound connection between the different facets of everyday activity of companies, CSR is not just about philanthropic or charitable giving; rather it is the whole way in which a company interacts with society.

#### **4.4.2 Factors that Facilitate TPB not to Engage into other Types of CSR**

This part aimed at exploring which factors make it possible for TPB not to employ other types of CSR.

**TABLE 4.9: FACTORS THAT FACILITATE TPB NOT TO ENGAGE INTO OTHER TYPES OF CSR**

Factors	Response			Mean
	Disagree	Neither agree nor Disagree	Agree	
	1	2	3	
Relationship with Stakeholders	4%	31%	65%	2.62
Manage the Risk	73%	19%	8%	1.35
Competitiveness	0%	15%	85%	2.85
New Business Opportunities	8%	15%	77%	2.69

Key: 1=Disagree, 2=neither Agree nor Disagree and 3=Agree

#### *4.4.2.1 Relationship with Stakeholders*

From the findings, it was revealed that 17(65%) respondents agreed with the statement while 8(31%) respondents neither agreed nor disagreed. Only 1(4%) respondents disagreed. The mean weight was 2.62 hence the common opinion from respondents being agreeing

#### *4.4.2.2 Risk Management*

The findings revealed that 19(73%) respondents disagreed with the statement that risk management facilitate TPB to engage into other types of CSR, 5(19%) respondents neither agreed nor disagreed while 2(8%) respondents agreed. The common opinion from the respondents was disagreeing with mean weight of 1.35. The implication from the findings pointed out that, risk management does not facilitate TPB to engage into other types of CSR.

#### *4.4.2.3 Competitiveness*

Table 4.9 shows that 22(85%) respondents agreed with the statement that competitiveness smooth the progress of deciding not to engage into other types of CSR like ethical and legal. Only 4(15%) respondents disagreed with the statement. The mean weight was 2.85, hence the respondent's common opinion being agreeing with the statement. Therefore, findings implied that competitiveness is the crucial factor that determines the use of type of CSR to the engaged by TPB.

#### *4.4.2.4 New Business Opportunities*

Responses affirmed that at TPB 20(77%) respondents agreed with the statement, 4(15%) respondents neither disagreed nor agreed while 2(8%) respondents disagreed. The common opinion from respondents was neither agrees nor disagrees with the statement. The common opinion from the respondents was disagreeing with mean weight of 2.69. Therefore, winning of business opportunities can lead into decision whether to use the concerned types of CSR or not. For that reason, the types of CSR which were not mostly engaged by companies had the common factor of risk management, while other factors like competitiveness and business opportunities were not supportive to them towards decision to choose ethical and legal type of CSR.

#### **4.4.3 The Most Effective Type of CSR**

The most effective type of CSR is philanthropic followed by ethical and economic. The respondents in TPB choose philanthropic as the most effective type of CSR. The discretionary or philanthropic responsibility is additional behaviours and activities that society finds desirable and that the values of the business supports. Like giving support to charities or community projects it encompass those corporate actions that are in response to society's expectation that business be a good corporate citizen. This includes actively engaging in acts or programs to promote human welfare or good will. TPB has been donating to Various Tanzania schools to improve education provision also to

Tanzania association of blind and police forces to reduce road accident and improve security to the country.

**Figure 4.7: DONATION OF FOODSTUFFS TO VICTIMS WHO HAD BEEN AFFECTED BY FLOODS**



#### ***4.4.4 Reasons for the Philanthropic type of CSR to be most effective to TPB***

TPB engaged in philanthropic to influence the competitive context of an organization through participating in voluntary and charitable activities within and to the local communities. Therefore, philanthropic was chosen as an advertising tool to create image and reputation through making community involvement directly as the voluntary promotion of human welfare. TPB provided assistance to private and public educational institutions; and voluntarily assisted projects that enhance the community's quality of life. However these actions are in response to society's expectation that businesses be good corporate citizens.

Therefore, philanthropic type of CSR enhances TPB to be in line with its guidelines of Good Responsible Business.

#### ***4.4.5 Importance of Philanthropic Type of CSR***

Philanthropic is the most important factor for corporate social responsibility concept because it could be a competitive advantage for corporation and for the society (Porter and Kramer, 2002). However, it is observed that increasing philanthropy is used as a form of public relations or advertising, promoting a company's image and reputation through high-profile sponsorships. Nevertheless, there is a more truly strategic way to think about philanthropy.

Corporations can use their charitable efforts to improve their competitive context and the quality of the business environment in the locations where they operate. Using philanthropy to enhance competitive context aligns social and economic goals and improves a company's long-term business prospects. This important mechanism for institutionalizing social responsibility is in fact improving societies. The philanthropic activities of corporations are extremely significant to pro-social responsibility advocacy for both practical and symbolic reasons.

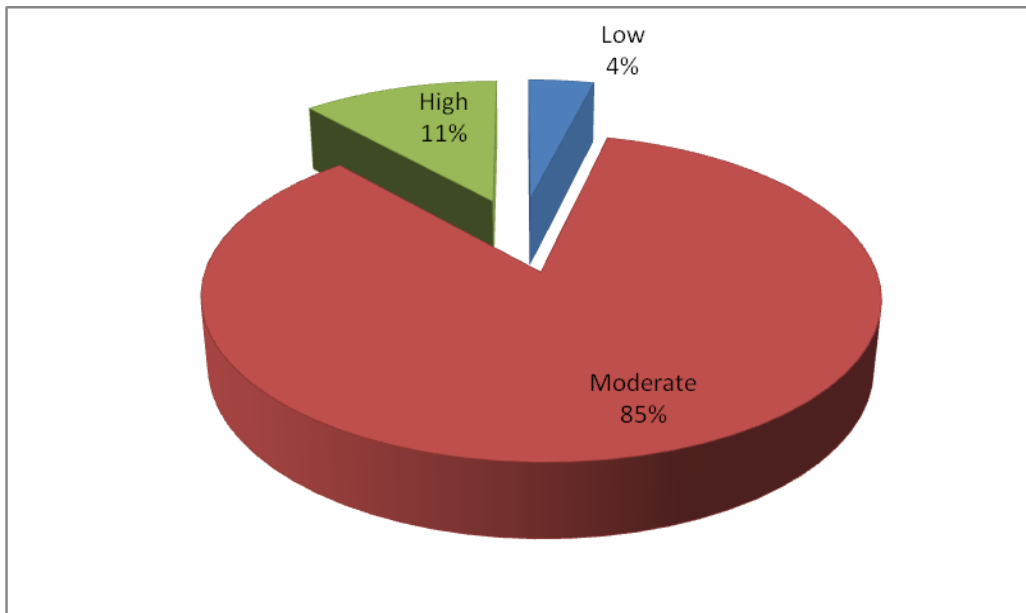
Beyond the enormous material impact, large contributions are on local communities; corporate philanthropy serves a second function. By engaging in these activities, and through careful public relations, a corporation can successfully communicate its vision of corporate citizenship.

#### **4.4.6 Extent of the Choice of Type of CSR to Achieve Company's Objectives**

This part investigated the extent to which choice of the type of CSR enhance company's achievement of its objectives.

The findings revealed that 22(85%) respondents considered that all types of CSR enhance the achievement of company's objective at moderate level, while 3(12%) respondents showed high level and only 1(4%) shows low level. However, establishment of mean weights showed that it has a mean weight of 2.08. Eventually; the common opinion from respondents was moderate level. When considered together that levels, it implied that the immediate effect of the concerned objective like advertisement of the products and services to the community by making donation may lead to higher financial performance.

**FIGURE 4.8: EXTENT OF THE TYPE OF CSR TO ACHIEVE COMPANY'S OBJECTIVES**



## **4.5 Relationship between Corporate Social Responsibility and Financial Performance**

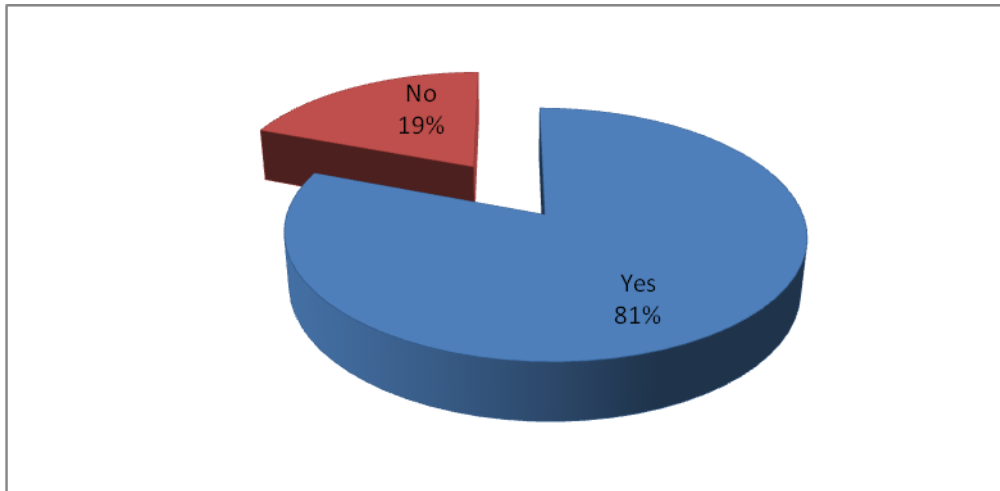
### ***4.5.1 CSR Practices Improve Financial Performance***

The question was asked in order to understand the relationship between CSR and financial performance such that, whether CSR improves financial performance of the company.

Figure 4.9 show that 21(81%) respondents affirmed that CSR improves financial performance. On other hand, 5(19%) respondents showed that CSR does not improve financial performance of the company.

Agreeing with the statement implied that, TPB get profit after practicing CSR, hence having the positive impact to the company while disagreeing with statement implied getting loss or increase of cost that affects the profit. Establishment of mean weight from respondents was 1.2 hence the common opinion being agreeing with the statement by the respondents. In agreement with Brammer (2007) 24.2% of respondents felt CSR has a positive impact on financial performance, while just 7.3% agree that the financial impact of CSR is negative.

**FIGURE 4.9: CSR PRACTICES IMPROVE FINANCIAL PERFORMANCE**



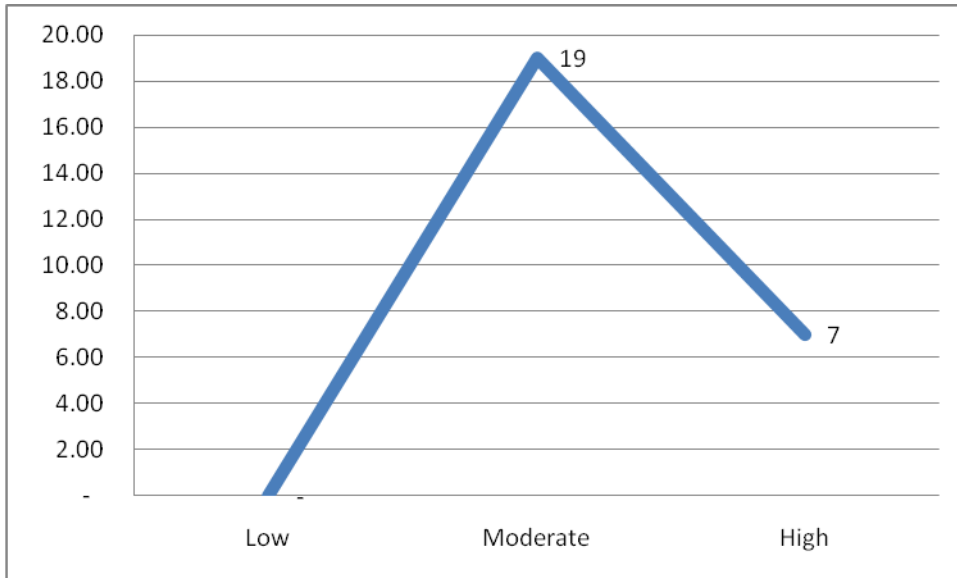
**4.5.2 Extent/Level to which CSR Practices Improve Financial Performance**

*4.5.2.1 Level to which CSR Practices Improve Financial Performance at TPB*

Figure 4.10 shows that 19(73%) respondents agreed that CSR practices improve financial performance at a moderate level, 7(27%) respondents showed that improvement is at high level.

Levels of improvement implied that, amount of profit which the company earns after practicing CSR varies with the degree of fulfilment and achievement of the goal of the CSR. Low level presents small amount of profit, moderate being reasonable while high present more profit to the company. Mean weight established indicated 2.3 hence the common opinion from respondents being moderate level.

**FIGURE 4.10: CSR PRACTICES IMPROVE FINANCIAL PERFORMANCE AT TPB**



#### ***4.5.3 Profitability of the Company***

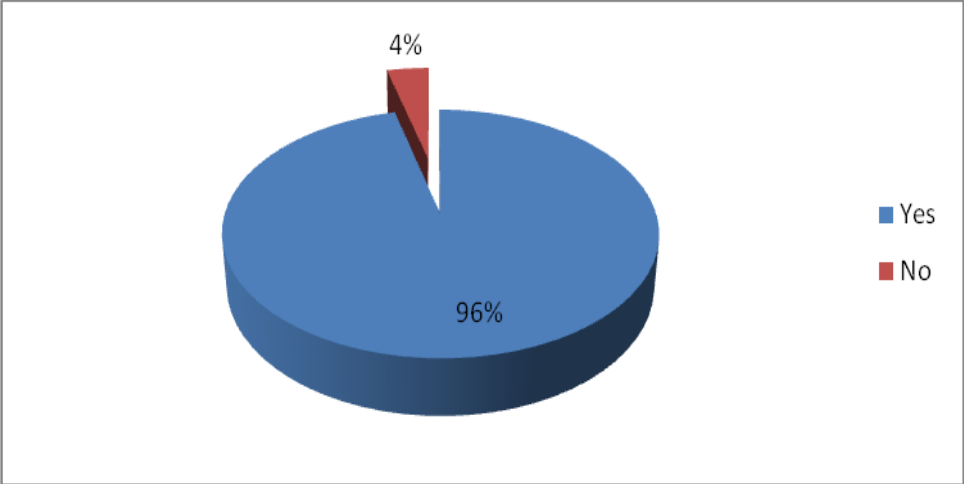
The result revealed that 25(96%) respondents agreed that TPB was profitable for the past three years, while 1(4%) respondent illustrated that the company was not profitable. The percentages of profit which the company uses for CSR activities ranges from 0.5 to 1.5 percent per annum.

The common opinion from respondents implied that the company was profitable with mean weight of 1.04. TPB's profitability level has crossed the ten billion mark, after it increased by almost 50% since the institution was established some two decades ago. The bank made a historic profit of pre-tax profit of 10.28bn/- in 2014, well above 6.99bn/- recorded in 2013. The bank, according to TPB's CEO Sabasaba Moshingi, "posted a 1.0bn profit three years ago, but last year increased the amount ten times, a trend attributed to its innovative staff. TPB net income went up by 38% to 53.22bn/- which is a major boost of the

bank's pleasing results last year. "The achievement was the result of innovation in lending product, cooperation with pension funds and good customer relations". In the said year the bank's lending portfolio expanded by almost 60% to reach 190.01bn/- from 119.73bn/- of 2013. TPB in collaboration with Pension Funds is offering financial assistance to the fund's members in the form of loans, including Wastaafu Loan, education and start-up loans.

In 2014, the bank had set aside 150m/- for Corporate Social Responsibility (CSR) that went to health, education and school desks, and street children centers etc.

**FIGURE 4.11: COMPANY BEING PROFITABLE FOR THE LAST THREE YEARS**



**4.5.4 The Contribution of Investment Factors of CSR on Financial Performance**

This part tried to evaluate to what extent if factors such as advertisement, promotion, reputation and customer loyalty invested as part of CSR influence financial performance of the particular firm. The optional responses were not at all, very little, to some extent and to great extent.

**TABLE .410:THE CONTRIBUTION OF INVESTMENT FACTORS OF CSR ON FINANCIAL PERFORMANCE**

Factors	Financial Performance				
	1	2	3	4	Mean
Advertisement	0%	0%	42%	58%	3.58
Promotion	0%	8%	38%	54%	3.46
Reputation	0%	23%	35%	42%	3.19
Customer Loyalty	8%	19%	27%	46%	3.12

**Key:** 1= Not at all, 2= Very Little, 3= To some Extent, 4= To Great Extent

- **Advertisement**

As per the analysis table above 15(58%) respondents indicated the great extent while 11(42%) respondents affirmed some extent with the statement that, CSR practices when used as advertisement factor increase the financial performance.

The mean weight obtained was 3.58, hence the common opinion from the respondents being to some extent.

- **Promotion**

From the table the findings illustrated that, 14(54%) respondents signified great extent, 10(38%) respondents indicated some extent while 2(8%) respondents showed very little extent level on the statement that promotion through the use of CSR practices increase financial performance. The mean weight established was 3.46, hence their common opinion from the respondents being some extent level on the increase of financial performance. Therefore the findings implied that promotion through CSR practices increases financial performance.

- **Reputation**

Table 4.10 shows that 11(42%) respondents indicated great extent, 9(35%) respondents affirmed to some extent and 6(23%) indicated very little on the increase of financial performance. The common opinion of the respondents was great extent level due to the established mean weight of 3.19. For that reason, the findings implied that reputation due to CSR practices increases financial performance.

- **Customer Loyalty**

From the findings at it revealed that 12(46%) respondents affirmed great extent from the statement that customer loyalty enhances the financial performance. 7(27%) respondents indicated some extent, 5(19%) indicated very little while

2(8%) respondent affirmed not at all. The common opinion from the respondents was great extent level with mean weight of 3.12.

A potential benefit of CSR practices is that it can improve a company's reputation thus in turn improve the prospects for the company to be more effective in the way it manages communication and marketing by efforts to attract new customers and increase market share. CSR tools can help a company to position itself in the competitive market place as a company that is more responsible and more sustainable than its competitors.

#### **4.5.5 Types of CSR and Financial Performance**

This section analysed the rate of correspondence between the type of CSR and financial performance of the firms. The responses were not at all, very little, to some extent and to great extent.

**TABLE 4.11: TYPES OF CSR AND FINANCIAL PERFORMANCE**

Factors	Financial Performance				
	1	2	3	4	Mean
Economic	0%	4%	27%	69%	3.58
Ethical	85%	11%	4%	0%	0.96
Philanthropic	0%	0%	35%	65%	3.65
Legal	31%	42%	27%	0%	1.12

Key: 1= Not at All, 2= Very Little, 3= To Some Extent, 4=To Great Extent

- **Economic**

From the findings it was revealed that 18(69%) respondents indicated great extent, 7(27%) respondents indicated to some extent, and 1(4%) respondents indicated very little extent of improving financial performance due to economic type of CSR. The mean weight obtained was 3.58 hence the common opinion from respondents being to some extent. Therefore, the findings implied that economic type of CSR enhances the increase of financial performance of TPB.

- **Ethical**

The findings revealed that 22(85%) respondents affirmed to not at all on the use of ethical type of CSR toward increase of financial performance, 3(11%) respondents indicated very little, while 1(4%) respondents showed some extent level. affirmed to very little extent of improving financial performance due to economic type of CSR. The common opinion obtained was very little extent level on increasing financial performance due to ethical type of CSR with mean of 0.96. Therefore, the findings implied that the use of ethical type of CSR does not provide contribution towards financial performance.

- **Philanthropic**

According to table 4.11, it was revealed that 17(65%) respondents indicated great extent on the improvement of financial performance due to philanthropic type of CSR, 9(35%) indicated some extent. The common opinion from the respondents was great extent with the mean weight of 3.65. Therefore, the

findings implied that, philanthropic type of CSR facilitates vast improvement of financial performance when used effectively.

- **Legal**

The results as indicated in table 4.11 demonstrated that, 11(42%) respondents indicated very little level of increasing financial performance due to the use of legal type of CSR, 8(31%) indicated not at all while 7(27%) indicated to some extent level. The common opinion from the respondents was very little extent with the mean weight of 1.12. Due to that, the results implied that, the use of legal type of CSR facilitates little improvement of financial performance to TPB as can be viewed from respondent common opinion.

Therefore, the results have indicated that the most important type of CSR enhancing financial performance are economic and philanthropic rather than ethical and legal types at TPB.

#### ***4.5.6 CSR being a Burden to TPB***

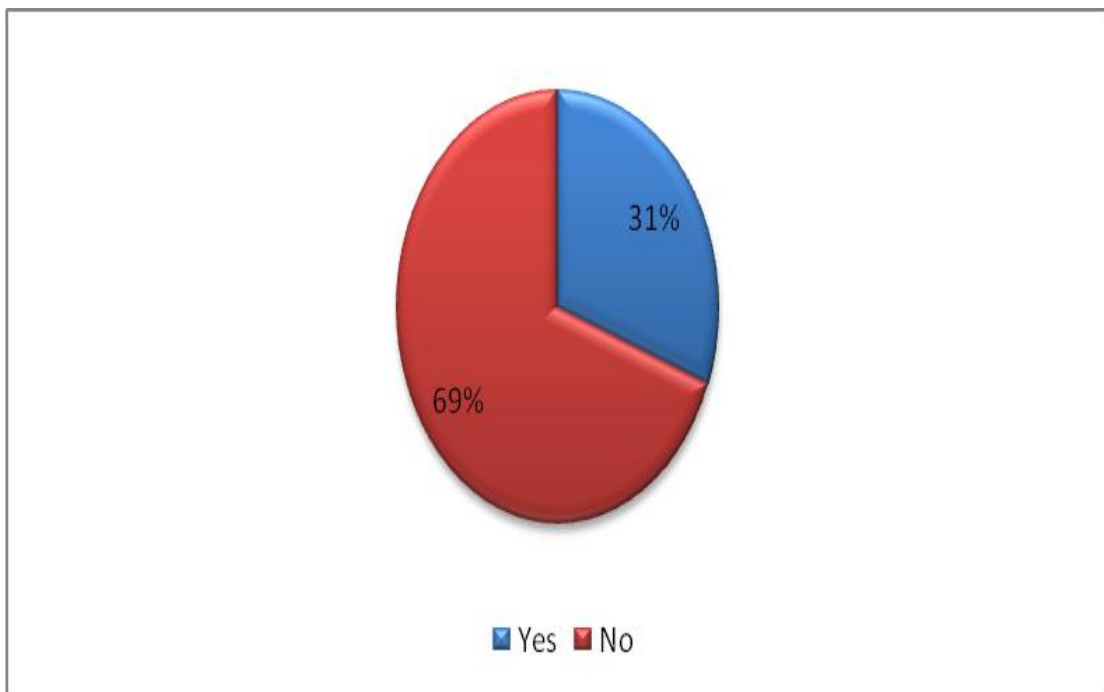
This part investigated whether CSR practices were a burden to TPB. . “Yes” implied to agree with the statement while “No” implied to disagree with the statement

From Figure 4.12 below, the results indicated that 8(31%) respondents agreed that CSR was a burden to the company, while 18(69%) respondents showed that CSR was not a burden to the company. TPB has practiced CSR for more than a decade, since then the company is still operating, thus CSR cannot be a

burden to them this also has been indicated by the continuous growth of amount of shilling the Bank has been investing in CSR year after year. Example in the year 2013 TPB uses TZS 82,964,000 in its CSR activities whereas in the year 2014 more that TZS 150, 000,000 was set aside for CSR.

The common opinion was disagreeing (no) with the statement with mean of 2.

**FIGURE 4.12: CSR BEING A BURDEN TO TPB**



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Chapter overview**

This chapter presents the summary of how this study was done, conclusion and recommendations on influence of CSR on firm's financial performance. The chapter ends by giving out the suggestions for future research.

#### **5.2 Summary of the Findings**

The findings from justification for TPB to engage in CSR revealed that the bank undertake CSR such that 85% of respondent agreed on CSR practices being compulsory to their bank. Criteria of CSR of being compulsory indicated that TPB used CSR practices as a public relations strategy. Level of involvement in CSR demonstrated high involvement by the bank. Hence, the common opinion being high level of involvement in CSR by TPB. TPB focus more on education in its CSR while Safety has also been the other area were TPB has shown some significant interest in its CSR policy.

Moreover, there were different motives behind TPBs' involvement in CSR. The results revealed that giving profit back to community had greater mean weight of 4.42, hence being the essential motive for the company towards engaging in CSR practices.

Furthermore, the findings for types of CSR mostly practiced by TPB revealed that, among the types of CSR that is philanthropic, ethical, legal and economic,

46% of respondents indicated philanthropic as the most practiced type at TPB hence being the most effective type of CSR practiced. The justification for philanthropic being effective type of CSR is that philanthropy was used to influence the competitiveness and at the same time fulfil the needs of some of its stakeholders. On the other hand, the choice of type of CSR enhances companies to achieve their objectives at the moderate level.

Additionally, 81% of the respondents indicated that CSR improve financial performance of the company. 73% of respondents at TPB evidenced the moderate level of improving financial performance.

Moreover, advertisement had a mean weight of 3.58 greater than all other factors that enhance the improvement of financial performance in companies. Also results indicate that the bank were profitable for the last three years. For the year 2013 TPB set a budget of Tanzanian Shillings 150 million only for CSR practices. Finally, philanthropic type of CSR was the leading type of CSR that enhances TPB to improve financial performance with the mean weight of 3.65.

### **5.3 Conclusion**

Based on the findings, CSR is practiced by TPB based on the criteria of using, level of involvement and areas of focus. The intentions for using CSR at TPB aimed at giving profit back to community.

CSR mostly practiced was philanthropic and it was the most effective type of CSR that enhances good citizenship image. Furthermore, philanthropic enable

company's competitiveness and those types which were not mostly engaged like legal and ethical had the benefit of risk management for the company particularly by doing the right thing or effectively within companies. While the choice of type of CSR results into achievement of companies' objectives at moderate level

From objective three, it is concluded that the findings show clearly the positive relationship of corporate social responsibility practices and financial performance. Thus the improvement and development of the CSR activities should be conducted to have more financial benefits on the firms. Apart from financial benefits, it is also concluded that TPB lose image and potential business opportunities if it does not practice CSR. Likely, advertisements, reputations and promotion can be used as the investment techniques on CSR practices that would enable the journey of enhancing financial performance of companies.

#### **5.4 Recommendations**

For the case of objective one concerning motives towards engaging into CSR like giving profit back to community and build reputation, it is recommended that feedback from the beneficiaries of CSR in terms of needs assessment should be well thought- out in order to provide them with adequate requirements to be accomplished through CSR practices. Moreover, the bank focus more on education and youth developments, it is recommended to consider other basic needs of the community like health, environment care and food security.

For objective two, it is recommended to the management to use corporate social responsibility activities which enhance the market value of their firm, keeping in mind those different types of CSR activities that may have differing effects on firm's market value. Furthermore, the findings show the types of CSR which were not mostly engaged like ethical and legal, however these types have the benefit of managing risks that firms may face. It is also recommended that analysis may be done in regard of enabling the company to have wider choice of the correct type of CSR.

For objective three, since results showed improvement of financial performance due to CSR practices, it is recommended to upgrade the percentage of CSR, as well as increase the amount to reach the targeted value per year. Besides that; companies should promote sales and expand branches in the region which will result into increased amount of profit hence uplift the amount of percentage to CSR. Apart from urban areas, it is recommended that the company should extend the CSR to country's remote areas, in Dodoma region in particular and other regions of Tanzania.

Likewise, the government have to design policy frameworks for corporate social responsibilities in Tanzania and ensure compliance by setting mechanisms and institutions for the implementation of CSR. For example, if CSR has positive effect on the firms' financial performance, the firms should consider more on the existing CSR activities whereas if the CSR has negative effect on the firm financial performance, the firms should evaluate the ineffective CSR activities on the firm financial performance. Therefore, the study recommends on designing

the policy for the firms involving themselves in CSR activities as well as for the government that makes the regulations.

More over it is recommended that a longitudinal study be adopted. This may provide deeper insight into the relationship between CSR and financial performance, particularly the impact of CSR on employee attraction, motivation and retention, customer attraction and loyalty, reputation, access to capital and financial performance. A longitudinal study would allow assessment of the relationship between CSR and the above business benefits rather than simply assessing the relationship between them.

### **5.5 Limitation of the Study**

During data collection some respondent were not ready to co-operate, and those who co-operated took a lot of time to fill the questionnaires hence caused challenges to the researcher in the process of data collection. In this case, the researcher had to spare enough time to make the follow ups so that errors could be minimized to minimize missing of data. However, despite these limitations, relevant data were collected in order to make research findings valid and useful as planned.

## 5.6 Suggested Areas for Further Study

The study could not exhaust all issues on the CSR and financial performance and there is need to;

- i. Assess the impact of CSR on customer attraction and loyalty. Such an approach would require a lot of detailed information from organization and a case study approach may provide the best method of obtaining information.
- ii. Research could be done which compares the relationship between CSR and financial performance for Tanzania with other countries. It would be interesting to see if countries that operate in very different political, social environments have a similar relationship between CSR and financial performance.
- iii. In addition more extensive studies are needed to explore the causal mechanisms linking CSR to profitability and to determine whether or not those relationships hold consistently over time.

Therefore this study suggests the following topics for further research

- i. Assessment of the impact of Corporate Social Responsibility on customer attraction and loyalty.
- ii. Impact of Corporate Social Responsibility towards Community Development
- iii. Comparison of the relationship between CSR and financial performance of Tanzanian companies with other countries.

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## **APPENDICES**

### **APPENDIX A: ETHICAL CLEARANCE CERTIFICATE**

## **APPENDIX B: RESEARCH INTRODUCTION LETTER**

## APPENDIX C: QUESTIONNAIRE

### Introduction

Dear Respondent,

My name is Erick Mwelulila, I am currently carrying out a study an academic research on Influence of corporate social responsibilities on the firm's financial performance. This study is a partial/fulfilment of the requirement for the award of degree of Masters of Science in Finance of St. Johns University of Tanzania.

Please you are kindly required to complete this questionnaire with confidence. It is important to note that data/information collected will be strictly confident and will be used for academic purpose only.

I wish to thank you in advance for your co- operation

---

Please where appropriate put in a tick (✓) against the answer you think is correct for the question given

### Part A: Personal Details

1. Name of respondent (optional) .....
2. Sex
  - a) Male
  - b) Female

3. Qualification level of education

- a) Secondary level
- b) College Certificate
- c) College Diploma
- d) Bachelor
- e) Masters

4. Your occupation\_\_\_\_\_

5. Your current Position\_\_\_\_\_

6. Years of working experience

- a) 0-3
- b) 3-5
- c) 5-10
- d) More than 10 years

## **Part B: Corporate social responsibilities**

### **Objective no 1 *To ascertain grounds for the Tanzania Postal Bank to engage in corporate social responsibilities***

1. Is your company socially responsible?
  - a) Yes
  - b) No
  
2. Is social responsibility compulsory for your company?
  - a) Yes
  - b) No
  
3. If it is compulsory, what are the criteria?

---
  
4. How do you rate TPB involvement in corporate social responsibilities (CSR)?
  - a) Low
  - b) Moderate
  - c) High
  
5. Which sectors you provide assistance?

- a) Youth development
- b) Education
- c) Health
- d) Environmental Sustainability
- e) Sports
- f) Ethical Marketing Practices

6. Indicate the extent to which you **agree or disagree** on each of the following factors motivated TPB to undertake CSR

*Please indicate by put a **tick** from each row*

	<b>SCALE</b>				
	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neither agree nor Disagree</b>	<b>Agree</b>	<b>Strongly agree</b>
Ethical and moral reasons	1	2	3	4	5
To improve community relations	1	2	3	4	5
To improve customer loyalty	1	2	3	4	5
To improve employee	1	2	3	4	5

motivation					
To improve relations with business partners/ investors	1	2	3	4	5
To improve economic performance	1	2	3	4	5
Pressure from third parties (e.g. clients or competitors)	1	2	3	4	5
To preserve or improve the reputation of the company	1	2	3	4	5
To give something back to the community	1	2	3	4	5

***Objective 2: To explore types of corporate social responsibilities which are more practiced by the TPB***

7. Which type (s) of CSR is engaged in by TPB?

a) Economic

‘Be profitable’

b) Legal

‘Law is society’s codification of right and wrong’

c) Ethical

‘Obligation to do what is right, just and fair.’

d) Philanthropic

‘Contribute resources to the community’

Other

.....

8. Which type of CSR appears to be most effective in your organization?

.....

9. Why do you think that using this type of CSR is the most effective of all other types?

.....

10. What are the reasons for TPB to engage in CSR projects?

a) Public Relation

b) Because they care

c) Profit

d) All of the above.

11. When did your TPB start practicing CSR?

.....

12. Are your CSR objectives measured and tracked

a) Yes

b) No

***Objective three: What is the relationship between financial performance and corporate social responsibilities?***

13. After using CSR has it improve your financial performance

a) Yes

b) No

14. If your answer is yes in question above, to what extent has CSR improve your financial performance.

a) Low

b) Moderate

c) High

15. Has your company been profitable for the last five years (or years of existence if less)?

a) Yes

b) No

16. Approximately how much money have the company invested in CSR activities?

a) Within 0 - 1 year \_\_\_\_\_

b) Within 1- 4 \_\_\_\_\_

c) Within Above 5 years \_\_\_\_\_

17. Is it a burden to a company?

a) Yes

b) No

18. Is there any other source of funding your company is receiving?

a) Yes

b) No

19. Do you consider that if a company applies the concept of social responsibility, it has to lose:

a) Yes

b) No

20. What will be lost if a company is not socially responsible?

- a) image
- b) partners credibility market share
- c) human resources
- d) potential investors/ business opportunities
- e) money

21. Do you consider that in order to be socially responsible a company should conduct activities focusing on CSR?

- a) only for community
- b) for employees
- c) only for customers and suppliers
- d) for all those mentioned above
- e) Accepting any additional responsibility related to development of society

22. How much '*percentage*' of profit will be given for these activities?.....

23. What do you think could be the main benefit of the adoption of measures for social responsibility

Please indicate by putting a **tick** from each row

	SCALE				
	Strong Disagree e	Disagre e	Neither agree nor Disagree	Agre e	Strongl y agree
Improved community relations	1	2	3	4	5
Enhanced company image	1	2	3	4	5
Improved employee attraction	1	2	3	4	5
Improved employee motivation	1	2	3	4	5
Improved employee retention	1	2	3	4	5
Increased sales (customer attraction)	1	2	3	4	5

**Thanks for your participation**