

ST JOHN'S UNIVERSITY OF TANZANIA



MASTERS OF SCIENCE IN FINANCE PROGRAMME

**IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON FIRMS'
FINANCIAL PERFORMANCE: THE CASE OF CRDB BANK PLC AND
NMB BANK PLC TANZANIA**

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**A Dissertation Submitted in partial Fulfillment of the Requirements for
the Degree of masters of Science in Finance of the St John's university
of Tanzania**

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CERTIFICATION

The undersigned certifies that he has read and hereby recommended for acceptance by St John's university of Tanzania the dissertation entitled: **Impact of Corporate Social Responsibilities on Firms' Financial Performance, A Case of NMB BANK PLC and CRDB BANK PLC Dodoma Tanzania**, in partial fulfillment of the requirements for the degree of Master of science in finance at St John's university of Tanzania.

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Dr. Alex Reuben Kira

SUPERVISOR

DATE.....

DECLARATION

I **Pallangyo Cyprian J**, declare that this dissertation is my own original work and that has not been presented and will not be presented to any other University for a similar or any other degree award.

Signature.....

Date.....

DEDICATION

This work is dedicated to my mother (Tabitha Julius Pallangyo), my sisters Glory, Norah and Miriam.

ACKNOWLEDGEMENT

First and foremost I owe a great many thanks to the Almighty God for granting health during the period of my study. It is because of the glory of God that I managed to accomplish this task.

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ABSTRACT

This study focused on the impact of corporate social responsibility on firm's financial performance. Specifically the study aimed to determine grounds for the companies to engage in corporate social responsibility, to determine types of corporate social responsibility which are mostly practiced by the firms and lastly to examine relationship between corporate social responsibility practices and firm's financial performance.

This study adopted a case study research design where by CRDB BANK PLC and NMB BANK PLC located at Dodoma was selected. Data were collected through questionnaire, interview and documentary source such as journals, books and various organizations reports for secondary information for the year 2011-2014. A total of 44 respondents were selected and data collected were analyzed both qualitatively and quantitatively with the help of computer software programme called Statistical Package for Social Sciences (SPSS).

The outcome of the study revealed that, the companies' motives to engage in CSR include preserving or improving reputation and give profit back to community. The main type of CSR practiced by companies is philanthropic. The relationship between CSR and financial performance reveals that companies practicing CSR increase financial performance at moderate level.

Above all, the analysis revealed that there is a significant relationship between CSR and profitability and the hypothesis that was formulated was tested and the result shows that there is positive significant relationship between corporate social responsibility and firm's financial performance in case of CRDB BANK PLC AND NMB BANK PLC.

Finally the study recommended companies may promote sales, expand the branches in the region which will result into increase on the amount of profit hence uplift the amount of percentage to CSR for the social, economic and environmental benefits to the beneficiaries.

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LIST OF ABBREVIATIONS AND ACRONYMS

CRDB	Coorporate Rural Development Bank
CFP	Corporate Financial Performance
CSR	Corporate Social Responsibility
CSP	Corporate social performance
LTD	Limited
Msc	Masters of Science
MNCs	Multinational Corporations
NGO's	Non Government Organizations
SIDO	Small Industries Development Organization
SPSS	Statistical Package for Social Sciences
SR	Social Responsibility
NMB	National microfinance bank
PLC	Public legal company
PAT	Profit after Tax
URT	United Republic of Tanzania
UK	United Kingdoms
PR	Public Relations

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 Chapter Overview

This chapter attempts to introduce the study about the “impact of corporate social responsibility on firms’ financial performance”. This chapter has subsequent sections; description of the background of the problem, statement of the research problem, research objectives, research questions, ethical issues and significance of the study. Then it winds up with the summary of the chapter. Recent developments in Corporate Social Responsibility (CSR) operations have faced challenges and competition among companies in the process of improving firm’s financial performance and bringing social justice and equity.

1.2 Background to the Problem

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 an occurrence in corporate business culture (Holmes, 1976).

Emergence of CSR practices in developing countries is a relatively new phenomenon (Utting, 2002). The idea summarized within CSR is not at all new to most societies in developing countries, as most developing countries do have a longstanding tradition in which businesses are expected to meet certain social obligations (Blowfield and Frynas, 2005). For example, traditional 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 and Purnanik, 2004).

In African, CSR practices influenced by historical factors and cultural relationships, for example, CSR practices appear to be relatively more developed in South Africa compared to most countries in sub-Saharan Africa. (Cappellin and Giuliani, 2004).

In 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-Sahara 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, 2004).

In Tanzania, Corporate Social Responsibility is still at a nascent stage, like other countries it requires CSR to be practiced frequently by companies. It was recognized that poverty reduction and sustainable development will not be achieved through government action alone. Policy makers are paying increasing attention to the potential contribution of the private sector to such policy objectives (Tamara, 2006).

There is a strong sense that Social Responsibility should include targeted support for the government to enable it to fulfill its development planning role. More generally, large companies operating within the country and in different parts of the world or where government capacity is lacking, often find that they are expected to provide public goods such as healthcare, education or

infrastructure, therefore going back to the community usually to enhance reduction of poverty and facilitate development of the entire communities (Tamara, 2006).

Profitability is 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 and Lenoie, 2008).

Researchers consider increasing financial performance as the key motivator for firms to practice CSR. The argument is that companies which practice CSR experience increased profits, and those that do not suffer adverse effects on financial performance. Because of the uncertainty concerning the relationship between CSR and financial performance, it is important that these variables should be examined. This provides some evidence as toward the impact of CSR on financial performance of companies. While Sarah (2011), pays particular attention to how CSR has been used by multinational corporations (MNCs) to towards social dislocation and displacement of persons in Tanzania. This study intended to examine the Impact of Corporate Social Responsibilities on Firm's Financial Performance, a Case of CRDB BANK PLC and NMB BANK PLC in Tanzania.

1.3 Statement of the Problem

The relationship between Corporate Social Responsibility and financial performance represents the most questioned area of CSR while a lot of research points in favor of a mild positive relationship; this connection has not been fully established in Tanzania. 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 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, 2007).

Adopting the CSR principles also involves costs for example from 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. The shareholders invest their money in a corporation, expecting the highest possible risk adjusted return.

For that reason, being socially responsible should have end result 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 after practicing CSR. There is absence of studies directed towards exploring the

relationship between CSR and company's financial performance in Tanzania general. Therefore, the study intends to examine the impact of corporate social responsibilities on financial performance of the firm based on CRDB BANK PLC and NMB BANK PLC.

1.4 Research Objectives

1.4.1 General Objective

The main objective of this study was to analyze the consequences of corporate social responsibility on financial performance of CRDB BANK PLC and NMB BANK PLC in Tanzania.

1.4.2 Specific Objectives

The specific objectives were:-

- i). To determine grounds for the companies to engage in corporate social responsibility in CRDB BANK PLC and NMB BANK PLC.
- ii). To establish types of corporate social responsibility more practiced by the CRDB BANK PLC and NMB BANK PLC.
- iii). To examine the relationship between corporate social responsibility practices and firm's financial performance.

1.5 Research Questions

The research questions were:-

- i). Are there any motives behind CRDB BANK PLC and NMB BANK PLC to engage in corporate social responsibility?
- ii). What are the types of corporate social responsibility practiced by the firms?

- iii). Is there a relationship between corporate social responsibility practices and financial performance?

1.6 Ethical issues

The study was conducted in the light of various ethical considerations. The following research ethics were adhered while conducting the research.

- i. Confidentiality: no information given by the respondents was disclosed. This was made possible by giving code names to all respondents who participated in the study.
- ii. Informed consent was ensured through presentation of the research aims and expected results to the supervisor.
- iii. Requirement of consent were made through voluntary consent of subjects for participation in the study.

1.7 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. Since the study has been conducted in Tanzania, findings of the study contribute greatly to the body of knowledge of CSR within the country. Furthermore the study helps policy workers on formulating policies related to CSR and social benefits to the beneficiaries in development process.

1.8 Chapter summary

This chapter presented the background of CSR that emphasizes the existence of close relationship between CSR and financial performance of companies. It develops the main objective, to examine the relationship between the impact of CSR and financial performance at CRDB BANK PLC and NMB BANK PLC in Dodoma. Finally it ends with significance of the study as increasing of the body of knowledge and the organization of the report.

CHAPTER TWO

LITERATURE REVIEW

2.1 Chapter overview

This chapter presents review of previous studies regarding corporate social responsibility and financial performance. The chapter is divided into five parts namely; introduction, theoretical literatures review that includes description of concepts and theories, empirical analysis, conceptual framework, knowledge gap and summary of the chapter.

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 is the responsibility of each entity whether it is state, government, corporation, organization or individual that they are contributing to society at large, or on a smaller scale. Or Social responsibility is an ethical or ideological theory that an entity whether it is a government, corporation, organization 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 stance). Businesses can use ethical decision making to secure their businesses 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 means something, but not always the same thing to everybody. To some it means legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense; to others, it means socially responsible behavior in a causal mode; some people see it as social conscience; others simply take it as a synonym for legitimacy that is being proper or valid; still some others consider it as the fiduciary duty that requires businessmen to behave at a higher standard; while many think it is simply a charitable contribution to society (Votaw, 1972).

Although there are numerous definitions of CSR, the fundamental basis of them all is that while corporate growth and profitability are important, the company should also respond to demands that go beyond their technical, economic, and legal obligations, to achieve societal goals, especially those relating to sustainable development, the development that meets the needs of the present without compromising the ability of future generations to meet their own needs, also involvement is motivated by acquiring a license to operate.

2.2.3 Financial Performance

The classical view of performance is maximizing the wealth of agents 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. It is a concept of performance based on the design of shareholders which is often linked to the share value of company stock. 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 Company

This refers to a firm formed and registered under the Company Act or an existing company; it is an association or collection of individual real 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 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 is a times known as enterprise or business. A firm is 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 a company, although that term also has a more precise meaning (Steven, 2003).

The etymology of "business" relates to the state of being busy either as an individual or society as a whole, doing commercially viable and profitable work. The term "business" has at least three usages, depending on the scope the singular usage to mean a particular organization; the generalized usage to refer to a particular market sector, "the music business" and compound forms such as agribusiness; and the broadest meaning, which encompasses all activity by the community of suppliers of goods and services. However, the exact definition of business, like much else in the philosophy of business, is a matter of debate and complexity of meanings (Steven, op.cit).

2.3 Theoretical Framework

2.3.1 An Overview of Corporate Social Responsibility

The concept of corporate social responsibility (CSR) originated from that of social responsibility (SR), it defined that 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. Since then literature about the relationship between business and society has increasing greatly (Bowen, 1953).

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. For more 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: employment of minority groups, 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).

While early writers on Corporate Social Responsibility were preoccupied with clarifying what the social responsibility of business should be as exemplified or argued for the need for business to accept social responsibility, others focused on conceptual specificity; that is 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 researchers 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 means 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 and Wallich, 1992).

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. Therefore, they set the divide 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 (Manne and Wallich, op.cit). 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'. This later conception of CSR contributed to the emergence of the business case era (Davis, 1973).

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. He 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 (Jones, 1980).

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. Moreover, 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. 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, that is a social problem created wholly or partially by them. In other words, for negative injunction duties were a priority for the corporation (Fitch, 1976).

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 definitions 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).

It can be said that the modern academic debate on CSR started in the 1950s. The first major work on the subject, Bowen's *Social Responsibilities of the Businessman* appeared in 1953. It is considered by many to be the first definitive book on the subject and marks the modern era of CSR. Bowen (1953) defined CSR as businessmen's obligation 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 society. Because of his early seminal work, Carroll (1979) credited Howard Bowen with the title the "Father of CSR". The idea of

social responsibility assumes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations (McGuire, 1963).

CSR is businessmen's decisions and actions taken for reasons at least partly beyond the firm's direct economic or technical interest. These extra responsibilities involved bringing corporate behavior up to a level where it is congruent with the prevailing social norms, values and expectations. Thus, CSR was initially viewed as responsibilities that extend beyond the legal obligations of the firm, in line with this; moreover social responsibility begins where the law ends. Social responsibility, it also involves taking a step beyond the law; it is a firm's acceptance of a social obligation beyond the requirements of the law (Davis, 1973).

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. The next part describes the Motivations followed by types of corporate social responsibility.

2.3.2 Motivations for Corporate Social Responsibility

CSR and public relation (PR) are interconnected in such a way that CSR has become a PR tool. For example, an oil company that its corporate social responsibility programmes were evaluated by setting clear criteria for each project, criteria includes target audience, aims of scheme, time schedule and visibility of the company. Similarly CSR can legitimately be branded an invention of PR (L'Etang, 1994).

In recent years more and more companies have been declaring themselves socially responsible, opting into CSR schemes, labeling 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 behavior such as improved customer and employee loyalty (Basu and Palazzo, 2008).

Advertising CSR has increased dramatically in recent years. The support to this argument; 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 and Ceton, 2007).

Moreover, CSR being motivated by shareholder interest is referred to as strategic CSR. A firm motivated only by profits may, adopt a practice labeled 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, 2001).

Many firms are turning away from traditional charity donations to a market-driven strategic management bottom-line approach to philanthropy. Business activities make social sense and social activities 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. This simultaneously benefits society

and the firm (Mescon and Tilson, 1987). Many firms do in fact undertake CSR to increase profits (Baron, 2007).

In addition, much of what is labeled corporate philanthropy does seek to generate and exploit an association with the cause. The traditional concept of philanthropy is founded 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, 1994).

CSR creates economic benefits through increased revenues 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 marketplaces 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 favor 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 community.

Companies can also boost their profits by reducing costs. By conserving or using alternative resources of energy, reducing wastes, emissions and recycling, companies 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 an increased efficiency (Smith, 2007).

2.3.3 Types of Corporate Social Responsibility

There are four types of corporate social responsibilities: economic, legal, ethical, and discretionary (Carroll, 1979). The first category to be delineated is a responsibility that is;

2.3.3.1 Economic in Nature

Economic responsibilities entailing 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).

2.3.3.2 The Legal Responsibility

It 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 fulfill 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 behavior, but they neither define ethics nor do they “legislate morality” (Solomon, 1994).

2.3.3.3 Ethical Responsibility

In the essence of ethical responsibility, it 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 unclear definition and the consequent difficulty for business to concretely deal with it (Carroll, 1979).

2.3.3.4 Philanthropic

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).

2.3.4 The Relationship between Corporate Social Responsibility and Corporate Financial Performance

In this section the association between Corporate Social Performance and Corporate Financial performance 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, argues that by addressing and balancing the claims of multiple stakeholders, managers can increase the efficiency of their organization’s adaption 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 corporate social responsibility (CSR) and its effects on financial performance 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 behavior toward stakeholders

or compliance with corporate code of conduct have higher financial performance measures than other firms that do not (Windsor, 2001). However, this is a 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. Windsor 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' (Windsor, op.cit).

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 (Orlitzky op.cit). In a discussion about the 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 the narrowness of Hopkins' research supports his contention that, 'Definition, measurement and data problems exist for assessing both social responsibility and financial performance' (Hopkins op.cit).

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 reputational 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'.

2.3.5 Benefits and Cost for Companies which Behave Social 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. 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 (Neal, 2008).

Companies behaving social responsible 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 commitment generates higher cost management than the incorporation. "For several decades,

researches have investigated potential benefits may be achieved by business than defined their responsibility as extending beyond of the narrow perspective of maximizing profit” and improving the competitiveness of the industry (Dane, 2004).

Cost benefit analysis as a very simple level may be regarding simply as a systematic thinking about decisions making linking that with the consequences of different courses of actions. Firms continuously make decisions that increase their benefits. Considering that CSR is a voluntary behavior, corporations have the option: to choice act only responsible or social responsible. Economics are the sciences of making decisions that can represent expected benefit or expected cost. If the expected benefits are higher than the expected cost, corporation chooses this action-shareholder oriented, being only responsible.

Beyond of that, being social irresponsible scenario there is a systemic view of making decisions: there is a framework of international principles, benefit and cost are important decisions but also corporate wealth is important. The actions are conditioned to international principles. Corporations maximize the benefits and minimize the cost for their self and for future and present generations.

From being social responsible, an important expected benefit is add value for the corporation that is represented in corporate reputations and creating value thinking in present and future generation, corporations have identity, conscience they are responsible citizens, their values and principles are alienated with international principles to maximize corporate wealth. CSR is a value asset for the firms. This social responsible citizen is perceived by various stakeholders

and “they react to the perceived reputation of a corporation and social issues in general (Dane, 2004).

Reactions could be viewed in terms of benefits of cost for the wealth of the corporation: There are studies that have shown consumers preferences product in addition. It could be a benefit positive reputation or cost negative reputation for the Corporation Wealth even though in cases in which it may not be obvious that social action has a direct impact on stakeholders (Dane, 2004).

Moreover, in the market, Corporate Social Responsible behavior has positive consequences, for instance in terms of reputation, good will, to behave responsible is an important asset for the corporation. Also these market positives consequences or rewards are reflected in employees and customer fidelity. Corporate rewards or positive consequences can be seeing from two perspectives: “*carrots for success* and *freedom from sticks* (Mainelli, 2004).

Freedom from sticks includes not being subjects to NGO attacks, not having government impositions, not being boycotted from regions of market or not losing key employees with different ethical values and *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, op.cit). Some benefits that a company can get include the following;

2.3.5.1 Positive Effects of Company Image and Reputation

Through CSR, businesses build their brand, boost their reputation and create a more favorable public image. By achieving a satisfactory level of CSR, a

business increases some of its most valuable assets: goodwill, trust and good reputation. Therefore corporate social responsibility builds customer loyalty based on distinct ethical values as well as reputation to organizations through integrity and best practice.

2.3.5.2 Competitiveness

Moreover, 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 a service from a company that they believed is not socially responsible. Bearing in mind, how difficult and time consuming is to build up a good reputation and how easily it can be ruined within seconds (Yeldor, 2004).

2.3.5.3 Positive Effects on Motivation, Retention (Permanency) and Recruiting 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 can become involved through payroll giving, fundraising activities or community volunteering.

2.3.5.4 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 labor and so on, lack of control on suppliers. Those events also can drive especial 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 (Yeldor, 2004).

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. This also applies to firms reach profits. Those operations away from their home country can make sure they stay welcome by being good corporate citizens with respect to labor standards and impact on the environment. (Davis, 1973).

The previous section provides an over view of the CSR, it cover motives, type of CSR, relationship between CSR and financial performance as well as benefit and cost when practicing CSR. This sections aims at providing an overview of the most accepted and known theories of CSR.

2.3.6 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 and Mele, 2004).

For the purpose of this study the theory enhances to determine “obligation of businessmen to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”.

2.3.6.1 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 well being 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 (Freeman, 1994).

It also argued that it is not good enough that firms cite compliance with relevant laws as part of meeting their social responsibility because they can comply with the laws and still exploit their workers, consumers and society's resources. In order therefore that they are seen to balance their needs with those of society and achieve sustainable development firms are advised by to considerably integrate their interests with those of their employees, customers, distributors and those of other stakeholders in society, which to oil companies and a host of other companies include the interest of the environment as a stakeholder.

In relation to this study, a view of corporate social responsibility can contribute to the financial performance of a company. The theory suggests that corporate decision-makers must consider a range of social and environmental matters if they are to maximize financial returns.

2.3.6.2 Stakeholder Theory

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 stakeholder's merit. 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 (Freeman, 1994).

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 (Freeman, op.cit). Stakeholder theory recommends 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 1980).

Due to that, since the theory examines when and why companies satisfy the interests of their stakeholders even in loss to their own immediate interests. It shows how corporate social responsibility contributes to establish and strengthen a relationship of trust with the main stakeholders like customers, employees and local community. Therefore, for the purpose of this study, the theory explains why good stakeholder relations bring financial gains to firms.

2.3.6.3 Competitive Advantage Theory

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 (2008) 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 (Harrison, 2008).

In this study, the theory explains 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.

2.3.6.4 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 well being 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” (Davis, 1973).

The Corporate Citizenship Research Unit of Deakin University explains the subject as “recognition that a business, corporation or business-like organization, has social, cultural and environmental responsibilities to the community in which it seeks a license to operate, as well as economic and financial ones to its shareholders or immediate stakeholders.

Corporate citizenship involves an organization coming to terms with the need for, often, radical internal and external changes, in order to better meet its responsibilities to all of its stakeholders (direct or indirect), in order to establish, and maintain, sustainable success for the organization, and, as a result of that success, to achieve long term sustainable success for the community at large.” On their own part, the Center for Corporate Citizenship at Boston College takes the subject as “the business strategy that shapes the values underpinning a company’s mission and the choices made each day by its executives, managers and employees as they engage with society” (Davis, 1973).

The theory considers firms as citizens who stand shoulder to shoulder with any other citizen that comprise the society. Thus, it clearly notes 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. The major problem with this theory is that it is said to lack conciseness. More than this, it is also difficult to 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 (Davis, 1973).

2.4 Development of Hypothesis

According to the above literature review the following hypothesis will be tested in this study. The testing will determine whether or not to accept the hypotheses, for this purpose the following hypotheses are tested to measure the relationship

between CSR initiatives represented by CSR expenditure (CSR) and the profitability of the Banks.

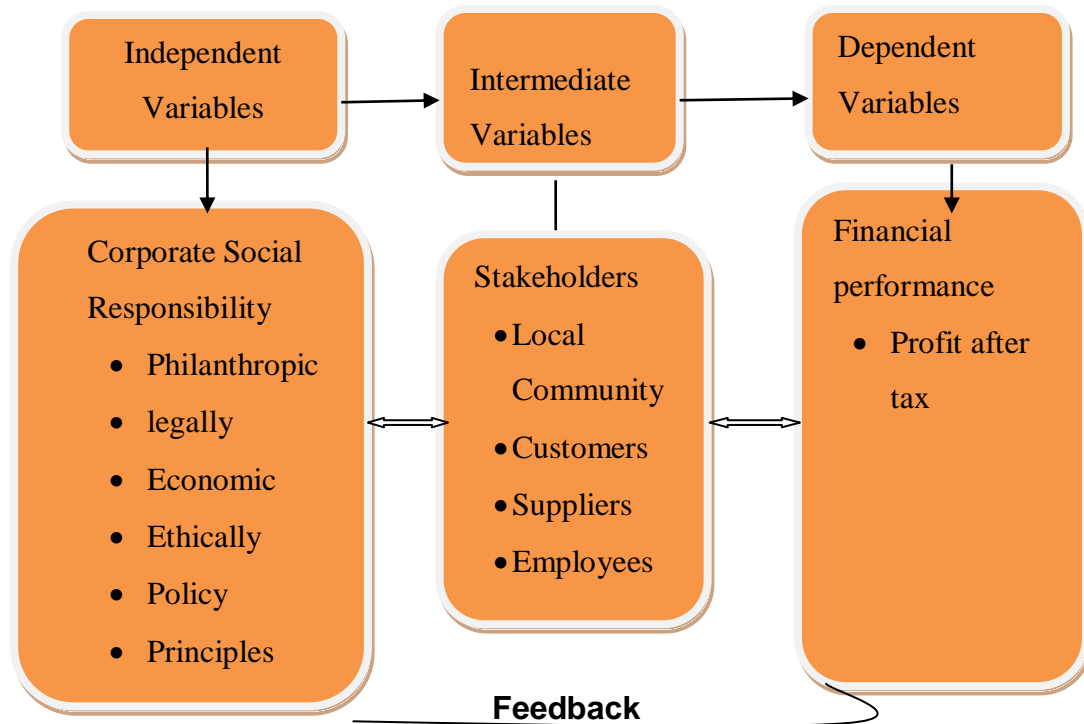
H_0 : there is significant relationship between Corporate Social Responsibility expenditure and Bank Profitability

H_1 : there is no significant relationship between Corporate Social Responsibility expenditure and Bank Profitability

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 or fact for use. The framework of this study is developed based on the literature; it has independent variables and the dependent variables. CSR as independent variable and financial performance is the dependent variable. The study presents thus attempts to bridge the gap by providing basis for a thorough and insightful discernment of CSR and financial performance. The independent variables interact with the intermediate variables to determine the direction of the dependent variables.

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

Looking into literature, positive CSR and financial performance 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 adaption to external demands (Freeman, 1994). Further studies reported a positive relationship while others found out no relationship between CSR and financial performance (Posnikoff, 1997). All the theories on

CSR and its relationship with financial performance have been propounded and tested in the developed world.

There are few studies, which have been conducted within African context specifically in Tanzania. Since there are a host of differences between where the theories have been developed and Tanzania, there was enough justification to actualize this study within Tanzania environment. For example, study by Sarah (2011) focused on how CSR has been used by multinational corporation (MNCs), to silence various problems such as displacement of persons. The study did not explore the close relationship between CSR and financial performance of companies, leaving out the need to explore this knowledge gap.

Therefore the knowledge gap in this study was the impact of CSR on firm's financial performance in the case of two companies CRDB BANK PLC and NMB BANK PLC Tanzania. In addition the study uses stakeholder theory in a deductive approach referring to observations of other previous study.

2.7 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 and Walsh, 2002). The first study was published in 1971 by Narver. Empirical studies of the relationship between CSR and financial performance comprises essentially two types as explained below;

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

researchers discovered a negative relationship (Wright and Ferris, 1997). Further studies reported a positive relationship while others found out no relationship between CSR and financial performance (Posnikoff, 1997). Other studies, discussed similarly inconsistency concerning the relationship between CSR and short-run financial returns (McWilliams and 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 and Wood, (1984)).

In contrast, another study found out significant positive relationships between an index of corporate social responsibility and performance measures, such as return on asset in the following year (Waddock and 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 CSR and 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 and 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 a positive and significant relationship with the financial performance measures Olayinka and Temitope (2012).

2.8 Chapter summary

This chapter presents previous research and theories as stakeholders, corporate financial performance and competitive theory concerning the concept of CSR. Moreover definition of key concepts and overview of CSR have been presented, empirical analysis, conceptual framework and finally describes the knowledge gap for the study.

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 that is, the research design and data collection methods. In this part, the study provided a detailed and precise account of how the researcher conducted the study to achieve the stated objectives. As such, the chosen research design has been justified in the right of objectives (Baradyana and Ame, 2007).

Similarly, study setting, research design, population, sampling procedure and size, data collection methods, data collection, procedure and processing, analysis and presentation, reliability and validity, ethical consideration and limitations of the study were presented in this chapter.

3.2 Study Setting

Choice of a study area needs to make the researcher have an opportunity to get required information (Krishnaswami, 2002). The study was conducted at Dodoma, specifically in two financial institutions (CRDB BANK PLC and NMB BANK PLC). The reason of choosing CRDB BANK PLC and NMB BANK PLC was not only the opportunity to learn as proposed by Stake (2000) but also convenience as it is enough reason for someone to select a setting for the study (Kothari, 2002). Being both banks practice CSR with the common aim at profit

making as the major goal of any business enterprise. Moreover, the researcher was assured accessibility of data and information.

3.3 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. Likewise, research design is a scheme, outline or plan that is used to generate answers to research problems (Orodho, 2003).

In conducting any research, there are several different research designs such as survey, experimental, ex-post-facto, historical, case study, ethnography. Each design supports a variety of methods for gathering data, and each allows the researcher a variety of analysis and interpretation approaches. A key task of the director of the research project is selecting the appropriate strategy for the research problem and study objectives. This selection task is known as the process of developing a research design (McNabb, 2002).

In this research, case study approach was selected, whereby CRDB BANK PLC and NMB BANK PLC were used as the location at Dodoma. The case study design provides an in-depth examination of a phenomenon (Yin, 2003). It also involves the study of the organization each at its own period. It is a type of design used to get detailed analysis of a single or small number of cases of a complex phenomenon so as to get reach understanding of the research questions (Olsen, 2004). Case studies help the researcher to get general picture on how data are collected, analyzed and combined in relation to the objective of

the study. Generally, aims to provide insight into a particular situation and often stresses the experiences and interpretation of those involved (Kothari, 2004).

3.3 Study Population

Population is the target group to be studied (Krishnaswami, 2002). The population for this study included staff of financial institutions (CRDB BANK PLC and NMB BANK PLC). In order to get the required information,

The target population of this study involved 50 respondents from CRDB BANK PLC and NMB BANK PLC at Dodoma.

3.3.1 Sampling procedure

The researcher used simple random sampling. It may be noted that simple random sampling is the purest form of probability sampling. Since all probability samples must provide a known non-zero probability of selection for each population element, the simple random sample is considered a special case in which each population element has a known and equal chance of selection (Cooper and Schindler, 2006).

3.3.2 Sample size

Simple random sampling was used with proposed 50 respondents but only 44 respondents participated. If the sample size is larger than 30 and less than 500, it is therefore appropriate for most research (Roscoe, 1975). On other hand Hogg and Tanis (1972) suggest that a sample size of 25 and 30 is enough for analysis and reporting. Therefore 44 respondents in this study were found out to be adequate. A sample was calculated using the formula outlined by Kothari (2004).

As, n being the sample size

N being the population, e being the confidence level of 10%

$$n = \frac{N}{1 + N(e)^2}$$

Whereby n=sample size

N=Targeted population

e= the level of precision (confidence level which is 10%)

$$n = \frac{100}{1 + 100(0.1)^2}$$

$$n = 50$$

3.4 Data Collection Procedures and 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 to develop and solidify rapport with participants as well as to establish effective communication patterns (Creswell, 2009). The pilot testing was done that discovered few weaknesses in the instruments. The researchers re-edit questionnaires by revising them and dropping questions that were not relevant. However, vital questions were given priority.

3.4.1 Data Collection Methods

This study depended on both secondary data and primary 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 were obtained through questionnaires and interview from the respondents. Also Secondary data are the data that had already been collected and analyzed by someone, and shall be obtained from various manuals, articles, reports and

other original sources which will be available to all the companies (Kothari, 2002).

In collecting the primary data questionnaire and interview methods were used while documentary source were also used to get the secondary information.

3.4.2 Questionnaire Method

Questionnaire is the data collection tool in which respondents provides written answers to questions or statements that require factual information (Best and Khan, 2003). This includes schedules of questions which were filled in by respondents. Questions included both closed and open ended. Closed ended were prepared in forms of multiple choice questions where respondents were asked to put a tick (✓) or to fill in appropriate letter, while open ended questions the respondent were required to fill in empty spaces by given their opinions. Questionnaires were designed to meet the objectives of the research study. This study employed the use of questionnaires to collect information because 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 (Best and Kahn, 2003).

3.4.3 Interview

An interview is a purposeful discussion between two or more people (Khan and Cannel, 1957). A structured interview was used to collect quantitative data from the senior directors. These data were gathered to explore more information obtained through questionnaires. Interview was conducted to the core workers due to fact that these workers were in a better position to highlight all the important factors that impede corporate social responsibility. In this study the

researcher used 10 minutes per respondents in order to gather the correct and sufficient data.

3.4.4 Documentary Review

Documentary review refers to the analysis of documents that contain information about the phenomenon we wish to study (Bailey 1994). Furthermore, it is described 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 (Payne and Payne, 2004). Documentary review was carried out in this study; it involved obtaining and reviewing information available with regards to the CSR activities and its impact on financial performance of the selected companies. Issues considered during the review included specific motivated factors to engage in CSR, types of CSR and the relationship between CSR and financial performance. The use of documentary methods and the sources used depended on the researcher's perspective, and the time available, most information was accessed through sources such as journals, books and various documents in order to make the review.

3.5 Reliability and Validity

It is important to evaluate how reliable and valid a study is. The validity of a test is a measure of how well a test measures what is supposed to measure (Saunders *et al*, 2006). The examiner's manual or technical manual for more tests would have the information on the validity of the test. In order to ensure validity in this study the researcher shall took the following measures. The tools

for data collection were tested before data collection to ensure that all required information was tested to the respondents.

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 pilot study to test the validity of the data. In doing so the researcher revised the difficult questions in the questionnaire, the important questions were given priority and few missing questions were included to ensure the reliability.

3.6 Data Analysis and presentation

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). This 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.

CSR practice has different components and for the purpose of this study, components for environmental concerns, community involvement, employee concerns, product/customer concerns and others were used to analyze CSR practice. Others constitute all those other activities of CSR which cannot be attributed to any of the identified categories. In order to achieve this objective

set, the study needs data on two variables. Data on profit after tax and data on expenditure on corporate social responsibility of the sampled banks for the period covered (2011 – 2014). The profit After Tax is dependent variable, while cost on corporate social responsibility is independent variable. The social responsibility is independent variable. The study used regression analysis to examine the relationship between corporate social responsibility practices and firm's financial performance. The relationship was explained by the following regression model;

$$PAT = \beta + \beta_1 CSR + \epsilon$$

Where PAT = Profit After Tax

CSR = Corporate Social Responsibility Cost

β_0 = Constant term

β_1 = Parameter to be estimated

ϵ = Error term.

The researcher used Statistical Package for Social Sciences (SPSS) and the results were presented in tables, frequencies and percentages with pertaining explanations. The use of SPSS facilitated statistical analysis and reporting of the data collected. This study also attempted to use the Pearson correlation analysis method consistently in line with previous studies. Descriptive statistics such as percentages were computed and factual and logical interpretation, comparison and explanation were made where appropriate

The results of data analysis were presented using tables so as to simplify interpretation of results.

3.7 Chapter summary

The chapter focuses on describing methodological ways for the study. It uses case study as the research design, study area is Dodoma where by CRDB BANK PLC and NMB BANK PLC are selected, sample of 50 respondents are used for this study. It further continues with data collection methods and instruments that questionnaires and documentary review were used, analysis was done using both qualitative and quantitative techniques with the help of SPSS, the chapter further explained the issues of data reliability and validity as well as research ethical consideration and delimitation of the study.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Chapter overview

In this chapter, results of findings have been displayed and the number of respondents is disclosed. Discussions on the findings mainly based on the general objective of the research to analyze the consequences of corporate social responsibility on financial performance of firms. whereby the Data analysed in this chapter answers the following research objectives: To determine grounds for the companies to engage in corporate social responsibility at CRDB BANK PLC and NMB BANK PLC, To establish types of corporate social responsibility more practiced by the CRDB BANK PLC and NMB BANK PLC, To examine the relationship between corporate social responsibility practices and firm's financial performance as raised in chapter one and the last part of this chapter summarizes the main findings.

4.2 Characteristics of the Respondents

The researcher involved a sample from two companies CRDB BANK PLC and NMB BANK PLC Dodoma. Employees' characteristics were categorized according to sex, education level and years of working experience.

Respondents came from two companies CRDB BANK PLC and NMB BANK PLC. The aim was to get 25 respondents from each company. But those who participated were 23 (52.3%) at CRDB BANK and 21 (47.7%) from NMB BANK PLC.

TABLE 4.1: NUMBER OF RESPONDENT BASED ON ORGANIZATION

	Frequency	Percent	Valid Percent	Cumulative Percent
CRDB BANK PLC	23	52.3	52.3	52.3
NMB BANK PLC	21	47.7	47.7	100.0
Total	44	100.0	100.0	

4.2.1 Respondents' Composition by Sex

The table 4.1 below shows the number and percentage of respondents based on their sex. At CRDB BANK PLC, there were 14(31.8%) male respondents and female respondents were 9(20.5%). It was found out that male respondents had outweighed the female respondents at CRDB BANK PLC. Low participation of female respondents in business activities in Tanzania were suggested by Kombe (1994).

For NMB BANK PLC, the findings showed that 9(20.5%) of the respondents were male while 12(27.3%) were female. And it was found out that female respondents had outweighed the male respondents at NMB BANK PLC.

TABLE 4.2: COMPOSITION OF RESPONDENTS BY SEX

	Sex of respondents		Total
	Male	Female	
CRDB BANK PLC	14(31.8%)	9(20.5%)	23(52.3%)
NMB BANK PLC	9(20.5%)	12(27.3%)	21(47.7%)
Total	23(52.3%)	21(47.7%)	44(100.0%)

4.2.2 Level of Education of the Respondents

Table 4.2 below summarizes the information on educational status of the respondents at CRDB BANK PLC as follows: the results showed that the majority 9(20.5%) had attained bachelor degree, 8(18.2%) diploma, 2(4.5%) college certificates and 4(9.1%) above.

For the case of NMB BANK PLC, the bachelor degree holders exceeded other respondents in the level of education since the company needed personnel with higher different professions so as to run the company effectively. For the company to operate smoothly under the competition it must employ competitive candidates with high education level. The findings revealed that Banking Industries need more educated employees. This can be viewed by considering the two cases which were studied.

TABLE 4.3: QUALIFICATION LEVEL OF EDUCATION

	Qualification level of education				Total
	College certificate	Diploma	Bachelor degree	Above	
CRDB BANK PLC	2(4.5%)	8(18.2%)	9(20.5%)	4(9.1%)	23(52.3%)
NMB BANK PLC	2(4.5%)	8(18.2%)	10(22.7%)	1(2.3%)	21(47.7%)
Total	4(9%)	16(36.4)	19(43.2%)	5(11.4%)	44(100%)

The results disclosed the information that workers in banking industry need bachelor degree for operation purpose. It can be evidenced through a number of respondents with diploma and college certificates which amount to (45.4%) of total respondents. The level of education of the respondents at NMB BANK

PLC, 2(4.5%)College certificate, 8(18.2%) diploma and 1(2.3%) above of respondents while the remaining 10(22.7%)of the respondents were bachelor degree holders.

4.2.3 Years of Working Experience of the Respondents

From the observation at CRDB BANK PLC it showed that less experienced staff were 7(15.9%) i.e., from 0 to 3 years, those with more experience between 3 to 5 years were 12(27.3%) while respondent with experience of more than five years were 4(9.1%). Table below shows the response rate based on years of working experience at CRDB BANK PLC and NMB BANK PLC.

TABLE 4.4: YEARS OF WORKING EXPERIENCE OF THE RESPONDENTS

	Years of working experience			Total
	0-3	3-5	More than 5 years	
CRDB BANK PLC	7(15.9%)	12(27.3%)	4(9.1%)	23(52.3%)
NMB BANK PLC	6(13.6%)	13(29.5%)	2(4.5%)	21(47.7%)
Total	13(29.5%)	25(56.8%)	6(13.6%)	44(100%)

The nature of work in banking industry needs personnel with the experiences, due to that more respondents have experience of more than 3-5 years that facilitates operation at CRDB BANK PLC.

For NMB BANK PLC, it was found out that, respondent with experience of within three years accounted for 6(13.6%), three to five years 13(29.5%) while more than five years 2(13.6%). The company needs experienced personnel in order to meet with the market competition of Banking Industry. This implies that

experienced workers are necessary for the success of a firm, for experience on the job and in the organization, workers must be stable.

4.3 Objective One; Grounds to which Companies Engage in Corporate Social Responsibility

This objective has been tested to know the company's 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 both companies NMB BANK PLC and CRDB BANK PLC were socially responsible. Both companies' agreed fully to be socially responsible. 22(50.0%) of respondents from CRDB BANK PLC said yes, they started being socially responsible since its existence, with confidence in the statement that "Responsible business is a good business". They practiced CSR within and outside the company thus included employees, customers as well as local community. While 21(47.7%) of respondents at NMB BANK PLC, a key management focus on CSR is the resolve to interact positively with society as a respectable corporate citizen. in other hand there supportive arguments from interviewee on firms involvement bases on policies where it regulates as self-regulatory mechanism of the firm as being the way through which the firm achieves a balance of economic, environmental and social imperatives and addressing shareholders expectations.

Moreover, the firms are being socially responsible when voluntarily engages in business expenditure or activity that brings marginal returns that are less than the returns from some alternative expenditure.

TABLE 4.5: BEING SOCIALLY RESPONSIBLE AT NMB BANK PLC AND CRDB BANK PLC

	Being social responsible at CRDB BANK PLC and NMB BANK PLC		Total
	Yes	No	
CRDB BANK PLC	22(50.0%)	1(2.3%)	23(52.3%)
NMB BANK PLC	21(47.7%)	0(0.0%)	21(47.7%)
Total	43(97.7%)	1(2.3%)	44(100%)

4.3.2 Social Responsibility as Compulsory in NMB BANK PLC and CRDB BANK PLC

From table 4.6, 20(45.5%) respondents of CRDB BANK PLC and NMB BANK PLC agreed on the question to determine if CSR is compulsory to the company, only 3 (6.8%) respondents showed that it is not compulsory at CRDB BANK PLC. The results of Social Responsibility as being Compulsory at NMB BANK PLC showed that 18(40.9%) of the respondents agreed CSR to be compulsory at their company, while 3(6.8%) respondents showed that it is not compulsory as shown in table 4.6

TABLE 4.6: CSR AS COMPULSORY TO NMB BANK PLC AND CRDB BANK PLC

	CSR as Compulsory to CRDB BANK PLC and NMB BANK PLC		Total
	Yes	No	
CRDB BANK PLC	20(45.5%)	3(6.8%)	23(52.3%)
NMB BANK PLC	18(40.9%)	3(6.8%)	21(47.7)
Total	38(86.4%)	6(13.6%)	44(100%)

This implied that by taking different activities that belong to part of CSR within and outside was necessary for the companies. 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.

4.3.3 Criteria of CSR Being Compulsory

Both CRDB BANK PLC and NMB BANK PLC showed that corporate social responsibility is practiced as a compulsory activity because it is one of the company’s policies. Therefore the implementation of the policy concerning CSR became part of their activities throughout its operation to enhance them winning the market to increase their sales as well as market share. As community focused activities, both firms broadly grouped them into four major pillars of society: the environment, education, health and well-being (including sports) and supporting the poor or people with special needs.

4.3.4 Level of Involvement in CSR

Table 4.7 shows that 12(27.3%) CRDB BANK PLC was highly involving itself in CSR, 8(18.2%) showed that the companies involvement in CSR was at the

moderate rate while 3(6.8%) indicated low involvement in CSR. For NMB BANK PLC results showed that, 10(22.7%) of NMB BANK PLC Company was highly involved in CSR, 10(22.7%) indicated moderate and 1(2.3%) showed low rate of company's involvement in CSR. A level of involvement implied the extent or frequencies of practicing CSR. Low level present small extent or frequencies, moderate implies average and high level shows out more frequencies or high extent of CSR activities as done by companies. This may be due to Many firms are turning away from traditional charity donations to a market-driven strategic management bottom-line approach to philanthropy.

TABLE 4.7: LEVEL OF INVOLVEMENT IN CSR

	Level of involvement in CSR at CRDB BANK PLC and NMB BANK PLC			Total
	Low	Moderate	High	
CRDB BANK PLC	3(6.8%)	8(18.2%)	12(27.3%)	23(52.3%)
NMB BANK PLC	1(2.3%)	10(22.7%)	10(22.7%)	21(47.7%)
Total	4(9.1%)	18(40.9%)	22(50.0%)	44(100%)

4.3.5 Area of Focus on CSR by Companies

CRDB BANK PLC provided assistance in education as table 4.8 shows that 9(20.5%) on education, 6 (13.6%) on conservation, 4(9.1%) on youth development, 2(4.5%) on sports and 2(4.5%) on disability. as well as NMB BANK PLC provided assistance in education as table 4.8 shows that 8(18.2%) on education, 6 (13.6%) on youth development, 4(9.1%) on sports 2(4.5%) on conservation, and 1(2.3%) on disability, for more precisely CSR has been viewed being beyond education and the welfare of the community to improve the

community as 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.

TABLE 4.8: AREA OF FOCUS ON CSR BY COMPANIES

	Area of focus on CSR					Total
	Youth development	Education	Disability	Conservation	Sports	
CRDB BANK PLC	4(9.1%)	9(20.5%)	2(4.5%)	6(13.6%)	2(4.5%)	23(52.3%)
NMB BANK PLC	6(13.6%)	8(18.2%)	1(2.3%)	2(4.5%)	4(9.1%)	21(47.7%)
Total	10(22.7%)	17(38.6%)	3(6.8%)	8(18.2%)	6(13.6%)	44(100%)

4.3.6 Main Factors that Motivated CRDB BANK PLC to Undertake CSR

The motives for CSR actions are often mixed; 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.

The following part discusses each aspect separately as shown on table 4.9. It includes the presented percentages as well as mean weight from each factor. And the common opinion was determined through the use of mean weight from each aspect.

TABLE 4.9: FACTORS MOTIVATED CRDB BANK PLC TO UNDERTAKE CSR

Factors	Response					Mean
	Strongly Disagree	Disagree	Neither agree nor Disagree	Agree	Strongly agree	
Ethical and Moral Reasons	4.5%	9.1%	31.8%	13.6%	40.9%	3.77
Community Relations	9.1%	4.5%	4.5%	50%	31.8%	3.91
Customer Loyalty	9.1%	9.1%	27.3%	31.8%	22.7%	3.50
Employee Motivation	9.1%	0%	4.5%	45.5%	40.9%	4.09
Economic Performance	4.5%	18.2%	4.5%	27.3%	45.5%	3.91
Reputation of the Company	13.6%	0%	4.5%	18.2%	63.6%	4.32
Profit Back to the Community	0%	0%	0%	13.6%	86.4%	4.86

4.3.6.1 Ethical and Moral Reasons

The outcome showed that ethical and moral reasons take part of the factor which motivates CRDB BANK PLC to undertake CSR. From the results 9(40.9%) respondents strongly agreed with this factor, 7(31.8%) respondents

neither agreed nor disagree while 3(3.6%) respondents agreed, 2(9.1%) respondents disagreed and 1(4.5 %) respondent strongly disagreed and from ethical and moral reasons being the motivated factor. Therefore, the common opinion from respondents was agreeing with mean weight of 3.77. This implies that 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.

4.3.6.2 Improve Community Relations

From table 4.9, the results revealed that 11(50%) respondents agreed with the statement, while 7(31.8%) respondents strongly agreed, 2(9.1%) respondents strongly disagreed. 1(4.5%) respondent disagreed and 1(4.5%) respondent neither agreed nor disagreed. The mean weight was 3.91 hence the common opinion from the respondents was agreeing with the statement. This implies the business strategy that shapes the values underpinning a company's mission and the choices made each day by its executives, managers and employees as they engage with society.

4.3.6.3 Improve Customer Loyalty

The results showed that 7(31.8%) respondents agreed with statement that improving customer loyalty motivated CRDB BANK PLC to undertake CSR. 6(27.3%) respondents neither agreed nor disagreed and 5(22.7%) respondents strongly agreed. 2(9.1%) respondents disagreed while 2(9.1%) respondents strongly disagreed. The common opinion from the respondents was agreeing

with the statement having the mean weight of 3.50. This implies the underlying strategy for companies to obtain a tangible return for their contributions either through enhanced corporate image, improved staff morale or enhanced customer loyalty. Thus simultaneously benefits society and the firm.

4.3.6.4 Improve Employee Motivation

From the findings it revealed that 10(45.5%) respondents agreed and 9(40.9%) respondents strongly agreed with the statement. Only 2(9.1%) respondents strongly disagreed while 1(4.5%) respondent neither agreed nor disagreed with the statement as improving employees' motivation facilitates CRDB BANK PLC to undertake CSR. The common opinion from the respondents was agreeing with the statement having a mean weight of 4.09. This implies that CSR can help to improve the perception of a company among its staff, particularly when staffs become involved through payroll giving, fundraising activities or community volunteering.

4.3.6.5 Improve Economic Performance

From the results, it showed that 10(45.5%) respondents strongly agreed with the statement that economic performance motivated CRDB BANK PLC to undertake CSR. 6(27.3%) respondents agreed, 4(18.2%) respondents disagreed, 1(4.5%) respondent strongly disagreed while 1(4.5%) respondent neither agreed nor disagreed with the statement. The mean weight was 3.91 hence the common opinion from the respondents being agreeing with the statement. This implies that CSR creates economic benefits through increased revenues and cost reduction, hence investing in social responsibility, companies receive benefits that outweigh the costs.

4.3.6.6 Preserve or Improve the Reputation and Image of the Company

From the findings, 14(63.6%) respondents strongly agreed while 3(13.6%) respondents strongly disagreed with the statement, 4(18.2%) respondents agreed and while 1(4.5%) respondent neither agreed nor disagreed with the statement that to improve reputation and image motivates CRDB BANK PLC to undertake CSR. The mean obtained was 4.32 hence the common opinion from the respondents being agreeing with statement. This implies that Through CSR, businesses build their brand, boost their reputation and create a more favorable public image. By achieving a satisfactory level of CSR, a business increases some of its most valuable assets: goodwill, trust and good reputation. Therefore corporate social responsibility builds customer loyalty based on distinct ethical values as well as reputation to organizations through integrity and best practice.

4.3.6.7 Give Profit Back to the Community

Table 4.9 showed that 19(86.4%) respondents strongly agreed and 3(13.6%) agreed that giving profit back to the community motivated CRDB BANK PLC to undertake CSR. The mean weight obtained was 4.86 hence the common opinion from the respondents being strongly agreeing with the statement. This implies the truth on the amount set for expenditure on CSR as normally the firms uses one percent of their annual profit as a return to the society. Basically 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.

4.3.7 Main Factors that Motivated NMB BANK PLC to Undertake CSR

TABLE 4.10: FACTORS MOTIVATED NMB BANK PLC TO UNDERTAKE CSR

Factors	Response					Mean
	Strongly Disagree	Disagree	Neither agree nor Disagree	Agree	Strongly agree	
Ethical and Moral Reasons	0%	5.0%	15.0%	30.0%	50.0%	4.25
Community Relations	0%	10%	0%	45.0%	45.0%	4.25
Customer Loyalty	0%	0%	15.0%	65.0%	20%	4.05
Employee Motivation	0%	0%	25%	20.0%	55.0%	4.30
Economic Performance	0%	15.0%	10.0%	15.0%	60%	4.20
Reputation of The Company	0%	0%	0%	30.0%	70.0%	4.70
Profit Back to the Community	0%	0%	30.0%	25.0%	45.0%	4.15

The next part discusses each aspect separately as shown on table 4.10. It includes the presented percentages as well as mean weight from each factor. Explanation on mean weight enhances to determine the common opinion from the respondents at NMB BANK PLC.

4.3.7.1 Ethical and Moral Reasons

The results showed that ethical and moral reasons motivated NMB BANK PLC to undertake CSR. From the results 10(50.0%) respondents strongly agreed, 6(30.0%) respondents agreed 3(15.0%) respondents neither agreed nor disagreed. Only 1(5.0%) disagreed. The mean weight was 4.25 hence the common opinion from the respondents being agreeing with the statement. This implies that 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.

4.3.7.2 Improve Community Relations

From table 4.10, the results revealed that 9(45.0%) respondents agreed and 9(45.0%) respondents strongly agreed. 2(10.0%) respondents disagreed. The mean weight was 4.25 hence the common opinion from the respondents was agreeing with the statement. This implies the business strategy that shapes the values underpinning a company's mission and the choices made each day by its executives, managers and employees as they engage with society.

4.3.7.3 Improve Customer Loyalty

The results showed that 13(65.0%) respondents agreed with statement that improving customer loyalty motivate NMB BANK PLC to undertake CSR. 4(20.0%) respondents were strongly agreed and 3(15.0%) respondents neither agreed nor disagreed. The common opinion from the respondents was agreeing with the statement having the mean weight of 4.05. This implies the underlying

strategy for companies to obtain a tangible return for their contributions either through enhanced corporate image, improved staff morale or enhanced customer loyalty. Thus simultaneously benefits society and the firm.

4.3.7.4 Improve Employee Motivation

From the findings it revealed that 11(55.0%) respondents strongly agreed and 4(20.0%) respondents agreed with the statement. Only 5(25.0%) respondents neither agreed nor disagreed with the statement as improving employees' motivation facilitate NMB BANK PLC to undertake CSR. The common opinion from the respondents was agreeing with the statement having a mean weight of 4.30. This implies that CSR can help to improve the perception of a company among its staff, particularly when staffs become involved through payroll giving, fundraising activities or community volunteering.

4.3.7.5 Improve Economic Performance

From the results, it showed that 12(60.0%) respondents strongly agree with the statement that economic performance motivated NMB BANK PLC to undertake CSR. 3(15.0%) respondents were agreed, 3(15.0%) respondents disagreed, and only 2 (10.0%) respondents neither agree nor disagree with the statement. The mean weight was 4.20 hence the common opinion from the respondents being agreeing with the statement. This implies that CSR creates economic benefits through increased revenues and cost reduction, hence investing in social responsibility companies receives benefits that outweigh the costs.

4.3.7.6 Preserve or Improve the Reputation and Image of the Company

From the findings, 14(70.0%) respondents strongly agreed while 6(30.0%) respondents agreed with the statement that improves reputation and image

motivates NMB BANK PLC to undertake CSR. The mean weight obtained was 4.70 hence the common opinion from the respondents being strongly agreeing with statement. This implies that Through CSR, businesses build their brand, boost their reputation and create a more favorable public image. By achieving a satisfactory level of CSR, a business increases some of its most valuable assets: goodwill, trust and good reputation. Therefore corporate social responsibility builds customer loyalty based on distinct ethical values as well as reputation to organizations through integrity and best practice.

4.3.7.7 Give Profit Back to the Community

Table 4.10 shows that 9(45.0%) respondents strongly agreed and 5(25.0%) agreed, while 6(30.0%) neither agree nor disagree that giving profit back to the community motivated NMB BANK PLC to undertake CSR. The mean weight obtained was 4.15 hence the common opinion from the respondents being agreeing with the statement. This implies the truth on the amount set for expenditure on CSR as normally the firms uses one percent of their annual profit as a return to the society. Basically 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.

4.4 Objective Two: Types of Corporate Social Responsibility which are Mostly Practiced by Companies

4.4.1 Types of CSR Engaged

Table 4.11 shows that at CRDB BANK PLC 11(25.0%) respondents identified philanthropic type CSR being used while 7(15.9%) respondents indicated ethical, 3(6.8%) indicated legal and 2(4.5%) respondent indicated the use of economic type of CSR.

Type of CSR as engaged at NMB BANK PLC showed that, 13(29.5%) respondents indicated philanthropic while 4(9.1%) indicated ethical, 2(4.5%) indicated economic and 2(4.5%) respondents affirmed legal types of CSR.

TABLE 4.11: TYPES OF CSR AS ENGAGED AT CRDB BANK PLC AND NMB BANK PLC

	Type of CSR				Total
	Economic	Legal	Ethical	Philanthropic	
CRDB BANK PLC	2(4.5%)	3(6.8%)	7(15.9%)	11(25.0%)	23(52.3%)
NMB BANK PLC	2(4.5%)	2(4.5%)	4(9.1%)	13(29.5%)	21(47.7%)
Total	4(9.1%)	5(11.4%)	11(25.0%)	24(54.5%)	44(100.0%)

This implies that Companies need to be in tune with the society and communities in which they make a living; this implied that going beyond economic, legal and ethical responsibility and aligning them with the community in which they operate. CSR at CRDB BANK PLC and NMB BANK PLC context was therefore, largely understood to comprise the philanthropic contributions that business firms make over and above their 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 the 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 the Companies not engage into other Types of CSR

TABLE 4.12: FACTORS FACILITATE THE COMPANIES NOT ENGAGE INTO OTHER TYPES OF CSR

Key 1= Disagree, 2= Neither Agree nor Disagree and 3= Agree

Factors	CRDB BANK PLC				NMB BANK PLC			
	1	2	3	Mean	1	2	3	Mean
Competitiveness	18.2 %	0%	81.8%	2.64	5.0%	20.0%	75.0%	2.50
Manage the Risks	77.3 %	13.6 %	9.1%	1.32	55.0%	15.0%	30.0%	1.75
Win New Business Opportunities	27.3 %	18.25	54.5%	2.27	10.0%	5.0%	85.0%	2.75
Relationship with Stakeholders	40.9 %	9.1%	50.0%	2.09	5.0%	15.0%	80.0%	2.75

4.4.2.1 Competitiveness

Table 4.12 shows that at CRDB BANK PLC 18(81.8%) 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(18.2%) respondents disagreed with the statement. The mean weight was 2.64, hence the respondents' common opinion being agreeing with the statement. For the case of NMB BANK PLC, 15(75.0%) respondents agreed while only 1(5.0%) respondent disagreed. 4(20.0%) respondents disagreed. The mean weight was 2.50, hence the common opinion from the respondents being agreeing with the statement. Therefore, findings implied that competitiveness is the crucial factor that determines the use of type of CSR to be engaged by companies.

4.4.2.2 Risk Management

The findings revealed that at CRDB BANK PLC 17(77.3%) respondents disagreed with the statement that risk management do not facilitate to engage into other types CSR. 3(13.6%) respondents either agreed nor disagreed while 2(9.1%) respondents disagreed. The common opinion from the respondents was disagreeing with mean weight of 1.32. Results from NMB BANK PLC revealed that 11(55.0%) respondents disagreed from the statement while 6(30.0%) respondents agreed. Only 3(15.0%) respondents neither agreed nor disagreed. The mean weight was 1.75 hence the common opinions being neither agree nor disagree. The implication from the findings pointed out that both companies, risk management does not facilitate not to engage into other types of CSR.

4.4.2.3 Win New Business Opportunities

The findings showed that at CRDB BANK PLC 12(54.5%) respondents agreed with the statement, 6(27.3%) respondents disagreed while 4(28.2%) respondents neither agreed nor disagreed. The common opinion from respondents was neither agrees nor disagrees with the statement. For the case of NMB BANK PLC 17(85.0%) respondents agreed while 2(10.0%) respondents disagreed and only 1(5.0%) respondent neither agreed nor disagreed. The common opinion from the respondents was agreeing with the mean weight of 2.75. Therefore, winning of business opportunities can lead into decision whether to use the concerned types of CSR or not to use it.

4.4.2.4 Relationship with Stakeholders

From the findings, it revealed that at CRDB BANK PLC 11(50.0%) respondents agreed with the statement while 9(40.9%) respondents disagreed. Only 2(9.1%) respondents neither agreed nor disagreed. The mean weight was 2.09 hence the common opinion from the respondents being neither agreeing nor disagreeing. For the case of NMB BANK PLC 16(80.0%) respondents disagreed while 1(5.0%) respondent disagreed and only 3(15.0%) respondents neither agreed nor disagreed. The common opinion from the respondents was agreeing with the mean weight of 2.75.

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 to towards decision to choose ethical and legal type of CSR.

4.4.3 Most Effective Type of CSR

The most effective type of CSR is philanthropic followed by ethical, legal and economic. The respondents in both companies chose philanthropic as the most effective type of CSR. The discretionary or philanthropic responsibilities of the business encompass those corporate actions that are in response to society's expectation that business being good corporate citizen. This includes actively engaging in acts or programs to promote human welfare or good will. For example CRDB BANK PLC at Dodoma has donated for the completion of secondary school laboratory building in the Chamwino district

PLATE 4.1: DONATION FOR THE COMPLETION OF SECONDARY SCHOOL LABORATORY BUILDING IN THE CHAMWINO DISTRICT



In the case of NMB BANK PLC has donated 22 mattresses and 422 bed sheets worth 10 million to Dodoma regional commissioner for Dodoma referral hospital during the climax midwives day in the region.

PLATE 4.2: DONATION TO DODOMA REFERRAL HOSPITAL



4.4.4 Reasons for the Type of CSR to be Most Effective to CRDB BANK PLC and NMB BANK PLC

CRDB BANK PLC used philanthropic to influence the competitive context of an organization through participation in voluntary and charitable activities within and to the local communities. Therefore philanthropic chose as the advertising tool. CRDB BANK PLC 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 can be good corporate citizens. Therefore, philanthropic type of CSR enhances CRDB BANK PLC to be in line with its guideline of Good Responsible Business.

For the case of NMB BANK PLC, it used philanthropic to create image and reputation through making community involvement directly as the voluntary promotion of human welfare.

4.4.5 Importance of Philanthropic Type of CSR

Due to the fact that the philanthropic type is the most important factor for corporate social responsibility concept because it could be a competitive advance for corporation and for the society (Porter and Kramer, 2002). However, it is seeing 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-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 the livelihood of the societies. The philanthropic activities of corporations are extremely significant to pro-social responsibility advocates for both practical and symbolic reasons.

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

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

TABLE 4.13: EXTENT OF THE TYPE OF CSR TO ACHIEVE COMPANY'S OBJECTIVE

	Extent of the type of CSR to achieve Company's objective		Total
	Moderate	High	
CRDB BANK PLC	10 (22.7%)	13(29.5%)	23(52.3%)
NMB BANK PLC	7(15.9%)	14(31.8%)	21(47.7%)
Total	17(38.6%)	27(61.4%)	44(100.0%)

The findings revealed that CRDB BANK PLC 10 (22.7%) respondents considered that all types of CSR enhance the achievement of the company's objective at moderate level, while 13(29.5%) respondents showed high level. For NMB BANK PLC, the results showed 7(15.9%) respondents identified moderate level, 14(31.8%) respondents chose high level. This implies that 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.

4.5 Objective Three: Relationship between Corporate Social Responsibility Practices and Financial Performance

TABLE 4.14: CSR PRACTICES IMPROVE FINANCIAL PERFORMANCE

	Use of CSR improve company financial performance		Total
	Yes	No	
CRDB BANK PLC	15(34.1%)	8(18.2%)	23(52.3%)
NMB BANK PLC	13(29.5%)	8(18.2%)	21(47.7%)
Total	28(63.6%)	16(36.4%)	44(100.0%)

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. Table 4:14 above show that for CRDB BANK PLC 15(34.1%) respondents affirmed that CSR improves financial performance, on other hand, 8(18.2%) respondents showed that CSR does not improve financial performance of the company. For NMB BANK PLC, it was noted 13(29.5%) respondents said CSR practices improve financial performance of the company. On the other hand 8(18.2%) respondents showed that CSR does not improve financial performance of the company.

Agreeing with the statement implied that, the companies get profit after practicing CSR, hence having the positive impact to the company, while disagreeing with the statement implied getting loss or increase of cost that affects the profit.

4.5.1 Level to which CSR Practices Improve Financial Performance

TABLE 4.15: LEVEL TO WHICH CSR PRACTICES IMPROVE FINANCIAL PERFORMANCE AT CRDB AND NMB BANK PLC

	Extent to which CSR has improved financial performance		Total
	Moderate	High	
CRDB BANK PLC	10(22.7%)	13(29.5%)	23(52.3%)
NMB BANK PLC	7(15.9%)	14(31.8%)	21(47.7%)
Total	17(38.6%)	27(61.4%)	44(100.0%)

Table 4.15 below shows that CRDB BANK PLC 10(22.7%) respondents agreed that CSR practices improve financial performance at moderate level, 13(29.5%) respondents showed that improvement is at high level. Levels of improvement implied that, amount of profit which the company earns after practices of CSR vary with the degree of fulfillment and achievement of the goal of the CSR. While high presents more profit to the company. For NMB BANK PLC shows that 7(15.9%) respondents agreed that CSR practices improve financial performance at the moderate level, while 14(31.8%) respondents illustrated that CSR practices improve financial performance at high level Therefore, the level of profit which companies get from CSR practices is moderate. For example, when CSR practices in advertisements and image building are achieved then these entire variables facilitate into increase of its sales of the company and thus higher financial performance.

4.5.2 Lose other than Financial Benefits to Company Practices CSR

TABLE 4.16: APART FROM FINANCIAL BENEFITS, IF COMPANY PRACTICES CSR, IT HAS TO LOSE

	Company practices on CSR has lose		Total
	Yes	No	
CRDB BANK PLC	10(22.7%)	13(29.5%)	23(52.3%)
NMB BANK PLC	6(13.6%)	15(34.1%)	21(47.7%)
Total	16(36.4%)	28(63.6%)	44(100.0%)

According to interview conducted the interviewee explained on how they operate their corporate social responsibility, interviewee said they use 1% of their annual profit after tax thus reveals that their no loses in involving in corporate social responsibility.

Likewise according to the questionnaires the results for CRDB BANK PLC results showed that 13(29.5%) respondents said that the company will not lose when it applies corporate social responsibility, while 10(22.7%) respondents said that the company has to lose in practicing CSR. For NMB BANK PLC 15(34.1%) respondents showed that the company will not lose if it practices CSR. Only 6(13.6%) respondents, showed that, the firm has to lose if it practices CSR.

The biggest loss that a company will suffer in the future will be linked to damaging its image. Moreover the next big injury that could have a company in not practicing CSR would be related to loss of human resources, market share and potential investors or potential business opportunities.

4.5.3 Profitability of the Company

TABLE 4.17: COMPANY BEING PROFITABLE FOR THE LAST FIVE YEARS

	Company trends for the last five years		Total
	Yes	No	
CRDB BANK PLC	20(45.5%)	3(6.8%)	23(52.3%)
NMB BANK PLC	18(40.9%)	3(6.8%)	21(47.7%)
Total	38(86.4%)	6(13.6%)	44(100.0%)

The result revealed that 20(45.5%) respondents agreed that CRDB BANK PLC was profitable for the last five years, while 3(6.8%) respondent showed that the company was not profitable. The percentage of profit which the company uses for CSR activities is equal to 1 percent per annum. While for NMB BANK PLC 18(40.9%) respondents showed that the company was profitable for the last five years. While 3(6.8%) respondent showed that the company was not profitable. The amount which was targeted for CSR accounted to be not more than 1% of its total profit per annum. The common opinion from respondents implied both companies were profitable. This implies that Law should be enacted that will fix minimum percentage out of profit of organization that should spend on corporate social responsibility.

4.5.4 The Contribution of Investment Factors of CSR on Financial Performance

TABLE 4.18: THE CONTRIBUTION OF INVESTMENT FACTORS OF CSR ON FINANCIAL PERFORMANCE

Keys 1 =Not at All, 2 =Very Little, 3 =to some extent, 4 =to Great Extent

Factors	Financial Performance									
	CRDB BANK PLC					NMB BANK PLC				
	1	2	3	4	Mean	1	2	3	4	Mean
Advertis ement	0%	0%	31.8%	68.2%	3.68	0%	0%	20%	80 %	3.80
Promotio ns	0%	18.2 %	31.8%	50.0%	3.32	0%	0%	35%	65 %	3.65
Reputati on	0%	18.2 %	22.7%	59.1%	3.41	0%	20%	40%	20 %	3.20
Custome r Loyalty	4.5%	13.6 %	36.4%	45.5%	3.32	25%	30%	45%	0%	2.20

4.5.4.1 Advertisement

For CRDB BANK PLC results showed that 15(68.2%) respondents indicated the great extent while 7(31.8%) respondents affirmed some extent with the statement that, CSR practices when used as advertisement factor increase the financial performance. The mean weight obtained was 3.68, hence the common opinion from the respondents being the great extent. In case of NMB BANK PLC, 16(80.0%) respondents indicated great extent while 4(20.0%) respondents confirmed to some extent on the increase of financial performance. The mean

weight obtained was 3.8, hence the common view from respondents being the great extent. Therefore the findings implied that, companies used advertisements as investment technique to increase their financial performance through the CSR practices. 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.

4.5.4.2 Promotion

From table 4.18 below; at CRDB BANK PLC the findings showed that 11(50.%) respondents signified great extent, 7(31.8%) respondents indicated some extent while 4(18.2%) respondents showed very little extent level on the statement that promotion through the use of CSR practices increases financial performance. The mean weight established was 3.32, hence their common opinion being some extent level on the increase of financial performance. For the case of NMB BANK PLC, 13(65.0%) respondents indicated great extent while only 7(35.0%) indicated some extent level of increased financial performance. The common opinion was great extent due to the mean weight obtained of 3.65. Therefore the findings implied that, promotions through CSR practices increases financial performance but at different levels between the two companies.

4.5.4.3 Reputation

Table 4.18 below; it shows that at CRDB BANK PLC 13(59.1%) respondents indicated great extent, 5(22.7%) respondents affirmed to some extent and 4(18.2%) indicated very little on the increase of financial performance. The common opinion of the respondents was some extent level due to the

established mean weight of 3.41. At NMB BANK PLC, great extent and some extent were indicated by 8(40.0%) respondents each, while only 4(20.0%) affirmed to very little. The mean weight obtained was 3.20 hence the common opinion from respondents being some extent. For that reason, the finding implied that reputation due to CSR practices increases financial performance to companies but in consideration of the mean weight from each company. as other studies have stipulated it implies that 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'.

4.5.4.4 Customer Loyalty

From the findings at CRDB BANK PLC it revealed 10(45.5%) respondents affirmed great extent from the statement that customer loyalty enhances the financial performance. 8(36.4%) respondents indicated some extent, 3(13.6%) indicated very little while 1(4.5%) respondent affirmed not at all. The common opinion from the respondents was some extent level with mean weight of 3.22. For NMB BANK PLC, the finding showed that 9(45%) respondents indicated some extent, 6(30%) respondents affirmed very little while only 5(25%) respondents indicated not at all. The common opinion from the respondent was very little extent level with mean weight of 2.2. Therefore, findings implied that, customer loyalty at CRDB BANK PLC enhances financial performance than NMB BANK PLC with the consideration of mean weight.

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 that it manages communications and marketing by efforts to attract new customers and increase market share. CSR tools can help a company to position itself in the competitive marketplace as a company that is more responsible and more sustainable than its competitors.

4.4.6 Types of CSR and Financial Performance

TABLE 4.19: TYPES OF CSR AND FINANCIAL PERFORMANCE

Keys 1 =Not at All, 2=Very Little, 3= To some extent, 4=To Great Extent

Type of CSR	Financial Performance									
	CRDB BANK PLC					NMB BANK PLC				
	1	2	3	4	Mean	1	2	3	4	Mean
Economic	13.6%	9.1%	54.6%	22.7%	2.41	0%	10%	35%	55%	3.45
Ethical	50.0%	40.9%	9.1%	0%	1.59	65%	10%	25%	0%	1.6
Philanthropic	0%	9.1%	22.7%	68.2%	3.59	0%	15%	20%	65%	3.50
Legal	59.1%	40.9%	0%	0%	1.41	75%	20%	5%	0%	1.30

4.4.6.1 Economic

From the findings at CRDB BANK PLC it revealed that 12(54.6%) respondents indicated some extent, 5(22.7%) respondents indicated great extent, and 3 (13.6%) respondents indicated not at all while only 2 (9.1%) respondents indicated very little extent of improving financial performance due to economic type of CSR. The mean weight obtained was 2.86 hence the common opinion from respondents being some extent. For NMB BANK PLC, the findings revealed that 14(55.0%) indicated great extent, 7(35.0%) respondents indicated

some extent while 2(10.0%) respondents affirmed to very little extent of improving financial performance due to economic type of CSR. The common opinion was some extent with the mean weight of 3.45. Therefore, the findings implied that economic type of CSR enhances the increase of financial performance of companies but it is due to variation of mean weight, NMB BANK PLC used much economic type CSR than CRDB BANK PLC.

4.4.6.2 Ethical

The findings at CRDB BANK PLC revealed that 11(50.0%) respondents affirmed to not at all on the use of ethical type of CSR toward increase of financial performance, 9(40.9%) respondents indicated very little, while 2(9.1%) respondents showed some extent level. The common opinion obtained was very little extent level on increasing financial performance due to ethical type of CSR with the mean weight of 1.59. In case of NMB BANK PLC, 13(65.0%) respondents indicated not at all, 5(25.0%) respondents indicated some extent, while 2(10.0%) respondents affirmed very little. The common opinion from the respondents showed very little with the mean weight of 1.60. Therefore the findings implied that the use of ethical type of CSR does not provide enough contribution towards financial performance.

4.4.6.3 Philanthropic

From table 4.19, it revealed that at CRDB BANK PLC 15(68.2%) respondents indicated great extent on the improvement of financial performance due to philanthropic type of CSR, 5(22.7%) indicated some extent while only 2(9.1%) respondents indicated very little. The common opinion from the respondents was great extent with the mean weight of 3.59. At NMB BANK PLC, 13(65.0%)

respondents indicated great extent, 4(20.0%) respondents affirmed some extent, while only 3(15.0%) respondents indicated very little. The common opinion from the respondents was great extent with the mean weight of 3.50. Therefore, the findings implied that, philanthropic type of CSR facilitates vast improvement of financial performance when used effectively.

4.4.6.4 Legal

From table 4.19, at CRDB BANK PLC the findings revealed that, 13(59.1%) respondents indicate not at all extent level of increasing financial performance due to the use of legal type of CSR. 9(40.9%) indicated very little. The common opinion from the respondents was not at all extent level with the mean weight of 1.41. For the case of NMB BANK PLC, 15(75.0%) respondents indicated not at all extent level, 4(20.0%) respondents indicated very little, while only 1(5.0%) respondent indicated some extent. The common opinion from the respondents was not at all extent level with the mean weight of 1.30. Due to that, the results implied that, the use of legal type of CSR does not facilitate into adequate improvement of financial performance to both companies as can be viewed from their common opinion.

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

4.4.7 CSR being a Burden to the Company

TABLE 4.20: CSR BEING A BURDEN TO THE COMPANIES

	Being a burden to the companies		Total
	Yes	No	
CRDB BANK PLC	6(13.6%)	17(38.6%)	23(52.3%)
NMB BANK PLC	6(13.6%)	15(34.1%)	21(47.7%)
Total	12(27.3%)	32(72.7%)	44(100.0%)

From table 4.20 the results revealed that 6(13.6%) respondents agreed that CSR was a burden to the company, while 17(38.6%) respondents showed that CSR was not a burden to the company. For the case of NMB BANK PLC 6(13.6%) respondents indicated that CSR was a burden to the company, while 15(34.1%) respondents indicated that CSR was not a burden to the company. “Yes” implied to agree with the statement while “no” implied to disagree with the statement. Thus by investing in social responsibility, companies receive benefits that outweigh the costs.

4.5 To examine the relationship between corporate social responsibility practices and firm’s financial performance using secondary data

The objective examines the effect of corporate social responsibility on financial performance of CRDB BANK PLC and NMB BANK PLC. Also to investigate into whether or not there is a significant relationship between corporate social responsibility and the firm’s financial performance of the banks. In order to achieve the objectives set the study needed data on two variables. Data on profit after tax and data on expenditure on corporate social responsibility of the sampled banks for the period covered (2011 – 2014). The profit After Tax is

dependent variable, while cost on corporate social responsibility is independent variable.

For this purpose the following hypotheses were tested to measure the relationship between CSR initiatives represented by CSR expenditure (CSR) and the profitability of the Banks.

H_0 : there is significant relationship between Corporate Social Responsibility expenditure and Bank Profitability

H_1 : there is no significant relationship between Corporate Social Responsibility expenditure and Bank Profitability

TABLE 4.21: Data on CSR expenditure and (PAT) of CRDB BANK PLC and NMB BANK PLC for the period of 2011-2014

YEAR	CRDB BANK PLC		NMB BANK PLC	
	CSR "000"	PAT "Million"	CSR "000"	PAT "Million"
2011	463,550	36,322	539,810	71,839
2012	363,220	77,806	718,390	97,322
2013	778,060	83,607	973,220	133,638
2014	836,070	95,304	1,336,380	155,623

Using SPSS to run the data on CSR expenditure and Profit after Tax (PAT) of CRDB BANK PLC and NMB BANK PLC for the period of 2011-2014. The output is presented in tables below. From the output the result shows high relationship between the two variables under test.

TABLE 4.22: Correlations between CSR and PAT for CRDB BANK PLC

		CSR	PTA
CSR	Pearson Correlation	1	.616
	Sig. (2-tailed)		.384
	N	4	4
PTA	Pearson Correlation	.616	1
	Sig. (2-tailed)	.384	
	N	4	4

This establishes relationship between CSR expenditure and PAT was found to be not significant. In evaluation of the impact of corporate social responsibility expenditure on profitability in CRDB BANK PLC revealed (Beta= 0.616, $p < .01$) this implies that the research shows a negative correlation between corporate social responsibility (CSR) and corporate financial performance, in this case we accept the alternative hypothesis that states that there is no significant relationship between Corporate Social Responsibility expenditure and Bank Profitability. This result opposes the findings of Orlitzky (2003) who argued 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

TABLE 4.23: Regression result on the impact of CSR on profitability model for CRDB BANK PLC

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					Sig. F Change	R Square Change	F Change	df1	df2	
1	.616(a)	.379	.068	24783084.572	.379	1.221	1	25	.384	2.359

a. Predictors: (Constant), CSR

b. Dependent Variable: PTA

The results of the Ordinary Least Square regression analysis is shown in Table 4.23. This means that for every unit change increment the CSR expenditure will lead to .616 or 61.6% increase in the profit after tax of the firm. It also shows that R-square was 0.379 which accounted for about 37.9% of the variation in the profit after tax of CRDB BANK PLC. It is also indicating that corporate social

responsibility is important in achieving effective financial performance of CRDB BANK PLC although it is not significant. The overall significance of the model is showed in the table (F-statistic= 1%, $p < .01$) and the Durbin-Watson show that the model is fit at 2.359. Over all, the model states that 61.6% of the variance of profit after tax of CRDB BANK PLC has been explained by the benefit accrued from corporate social responsibility. From the above Table 4:23, the value of (“r”= 0.616, $p < .01$) which stand for “r” calculated. This shows that there is a negative correlation between corporate social responsibility expenditure and the profit earned by the company. This means that the alternative hypothesis is accepted and leading to the rejection of the null hypothesis.

TABLE 4.24: Regression Co-efficient for CRDB BANK PLC

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta	Lower Bound	Upper Bound	B	Std. Error
1 (Constant) CSR	3170957 4.455	3959774 6.354		.801	.507	- 138665 776.98 8	202084 925.898
	68.090	61.631	.616	1.105	.384	- 197.08 8	333.268

Dependent Variable: PAT

Above are the (unstandardized) and standardized regression weights for the regression analysis of corporate social responsibilities and profitability. The

standardized regression coefficient (beta weight) for CSR is .616. What this weight means is that for every unit change in CSR, profitability will increase by a multiple of .616 standard deviations. The columns headed “95% confidence intervals” shows confidence intervals around the unstandardized regression coefficients. Thus it can be said that, with 95% confidence the value of the constant lies somewhere between -138665776.988 and 202084925.898 and the value of the regression coefficient *b* (unstandardized) lies somewhere between -197.088 and 333.268) The result of regression analysis showed that there is no significant relationship between expenditure on corporate social responsibility and profitability of two sampled banks. This study conforms to the stakeholders’ theory that explained organizations have responsibility to various groups of company stakeholders both internal and external and not just the owners of the company. Empirically the work conforms to the studies of Carlsson and Akerstom (2008), and Ojo (2010).

TABLE 4.25: Correlations between CSR and PAT for NMB BANK PLC

		CSR	PAT
CSR	Pearson Correlation	1	.979
	Sig. (2-tailed)		.021
	N	4	4
PAT	Pearson Correlation	.979	1
	Sig. (2-tailed)	.021	
	N	4	4

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

This establishes relationship between CSR expenditure and PAT was found to be significant at 0.05 or 5%. To evaluate the impact of corporate social

responsibility expenditure on profitability in NMB BANK PLC revealed (Beta= 0.979, $p < .01$), this also implies that there is a positive correlation between corporate social responsibility expenditure and the profit earned by the company which is significant, similarly to the study by Orlitzky (2003) argued 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 This means that the null hypothesis is accepted and leading to the rejection of the alternative hypothesis.

TABLE 4.26: Regression result on the impact of CSR on profitability model for NMB BANK PLC

Model	R	R Squared	Adjusted R Squared	Std. Error of the Estimate	Change Statistics					Durbin-Watson
	R Square Change	F Change	df1	df2	Sig. F Change	R Square Change	F Change	df1	df2	Sig. F Change
1 CSR	.979(a)	.958	.937	939208 6.917	.958	45.30 0	1	2	.02 1	2.269

a. Predictors: (Constant), CSR b. Dependent Variable: PAT

The results of the Ordinary Least Square regression analysis is shown in Table 4.26. This means that for every unit change increment the CSR expenditure will lead to 0.979 or 97.9% increase in the profit after tax of the firm.

It also shows that R-square was 0.958 which accounted for about 95.8% of the variation in the profit after tax of NMB BANK PLC. It is also indicating that corporate social responsibility is important in achieving effective financial performance of NMB BANK PLC. The overall significance of the model is showed in the table (F-statistic= 1%, $p < .01$) and the Durbin-Watson show that the model is fit at 2.269. Over all, the model states that 97.9% of the variance of profit after tax of NMB BANK PLC has been explained by the benefit accrued from corporate social responsibility. From the above Table 4:26, the value of (“r”= 0979, $p < .01$) which stand for “r” calculated. This shows that there is a positive correlation between corporate social responsibility expenditure and the profit earned by the company which is significant at the 0.05 level (2-tailed). This means that the null hypothesis is accepted and leading to the rejection of the alternative hypothesis.

TABLE 4.27: Regression Co-efficient for NMB BANK PLC

Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B		
	B	Std. Error	Beta	Lower Bound	Upper Bound	B	Std. Error
(Constant)	20403983.430	14763017.936		1.382	.301	-43116155.993	83924122.853
CSR	105.613	15.692	.979	6.731	.021	38.097	173.129

a. Dependent Variable: PAT

Above are the (unstandardized) and standardized regression weights for the regression analysis of corporate social responsibilities and profitability. The standardized regression coefficient (beta weight) for CSR is 0.979. What this weight means is that for every unit change in CSR, profitability will increase by a multiple of 0.979 standard deviations. Note that the beta coefficients are significant at $p < .001$. The columns headed "95% confidence intervals" shows confidence intervals around the unstandardized regression coefficients. Thus it can be said that, with 95% confidence the value of the constant lies somewhere between -43116155.993 and 83924122.853, and the value of the regression coefficient b (unstandardized) lies somewhere between -197.088 and 333.268) So the CSR expenditure provides good returns for the bank in the short run and in the long run it will provide better return surely. Hence there is a significant relationship between CSR and profitability and the null hypothesis is accepted.

4.6 Chapter summary

This chapter has focused on the analysis of data and presentation of the research findings. It starts with characteristics of respondents whereby at CRDB BANK PLC male outweighed female respondents while at NMB BANK PLC it was a vice versa. The analysis was done based on variables from each objective of the study. The next chapter (Chapter IV) describes the summary, conclusion and recommendations for this study.

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 CSR and financial performance. The chapter ends by giving out the suggestions for future study.

5.2 Summary of the Findings

The findings from grounds for companies to engage in CSR revealed that both companies undertake CSR such that 52.3% respondents at CRDB BANK PLC and 47.7% respondents at NMB BANK PLC agreed on CSR practices being compulsory to their companies. Criteria of CSR of being compulsory showed that both firms used CSR practices as a policy strategy, their Level of involvement in CSR showed high involvement by the two companies.

Moreover areas of focus were similar in education such that, CRDB BANK PLC focused on education also NMB BANK PLC focused on education as well. From the factors which determine grounds for companies to engage in CSR, the results for CRDB BANK PLC revealed that giving profit back to the community had greater mean weight than NMB BANK PLC. Hence being the essential motive towards engaging in CSR practices. On the other hand, preserve or improve the reputation of the company was the motive with the highest mean weight at NMB BANK PLC.

Furthermore, the findings from types of CSR practiced by companies revealed that, among the types of CSR that is philanthropic, ethical legal and economic, 25% respondents indicated the use of philanthropic at CRDB BANK PLC and 29.5% respondents at NMB BANK PLC hence being the most effective type of CSR. Reasons for being effective type of CSR, the results showed that, philanthropy used to influence the competitive context of an organization, which allows the organization to improve its competitiveness and at the same time fulfill 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, findings showed 34.1% of the respondents at CRDB BANK PLC and 29.5% at NMB BANK PLC that CSR improve financial performance of the companies. The level of improvement by 29.5% of respondents at CRDB BANK PLC and 31.8% of respondents at NMB BANK PLC was evidenced with the High level of improving the financial performance. On the other hand, only 22.7% of the respondents showed that the company loses if it practices CSR at CRDB BANK PLC, whereby they link the concerned loss with the company image and market share. At NMB BANK PLC 34.1% of the respondents showed that it would not lose.

Moreover, advertisement had a mean weight of 3.68 at CRDB BANK PLC and 3.80 at NMB BANK PLC greater than all other factors that enhance the improvement of financial performance in companies. Furthermore, both were also profitable for the last five years to facilitate CSR practices.

Also the findings were tested to investigate into whether or not there is a significant relationship between corporate social responsibility and the firm's financial performance of the banks. Data on profit after tax and data on expenditure on corporate social responsibility of the sampled banks for the period covered (2011 – 2014) were used where a regression analysis was computed and the results for CRDB BANK PLC were seen insignificant (negative correlation) while the data for NMB BANK PLC showed a positive correlation between CSR and PAT hence the study reveals that highly profitable institutions have heavily invested in CSR activities for many years while those that have always reported losses have been considering CSR as unnecessary expenses. Therefore, commercial institutions should operate outside their normal business activities to support the community.

5.3 Conclusion

Based on the findings of objective one, CSR was practiced by both CRDB BANK PLC and NMB BANK PLC companies also they had similar criteria of using, but they differ on the level of involvement and areas of focus. Conversely, intentions for using CSR also differ. For example CRDB BANK PLC aimed at giving profit back to the community, while NMB BANK PLC sought to preserve or improve its reputation but basically the expectations being earning more financial benefits from CSR practices.

From objective two, it is concluded that type of 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 risks 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 the companies lose image and potential business opportunities if they do not practice CSR. Moreover the amount for CSR practices differing from one company to another hence percentages set to CSR practices differ too. Likely, advertisements, reputation and promotion can be used as the investment techniques on CSR practices that would enable towards enhancing financial performance of companies.

From the above it is clear that CSR has significant impact on the profitability of NMB BANK PLC and a negative impact on profitability of CRDB BANK PLC according to the data analyzed. So the CSR expenditure provides good returns for the banks in the short run and in the long run it will provide better return surely. The study concludes that there is a significant relationship between CSR and profitability and the null hypothesis is accepted for NMB BANK PLC while in other hand study concludes that there is no significant relationship between CSR and profitability and the Alternative hypothesis is accepted for CRDB BANK PLC according to the annual reports for the year 2011-2014. It should be pointed out that this study has several limitations. First, the study is based only on the net profit after tax of the bank which is one of the major indicators of

bank's financial performance but not the only one. Second, the study considers only two banks of Tanzania which does not reflect the overall banking sectors of Tanzania.

In Tanzania, CSR initiatives by banks have risen significantly. So Tanzania Banks should carefully monitor the activities of the Banks whether they are complying the mandatory involvement in the CSR activities or new laws regarding CSR, legal restrictions, to do CSR activities for the betterment of the people not for profit making or marketing strategies will surely bring more sustainable growth in the banking sectors of Tanzania.

5.4 Recommendations

Basing from objective one, concerning motives towards engaging into CSR like giving profit back to community and build reputation, it is recommended that of 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, both companies focus on education and youth developments, it is recommended to consider other basic needs of the community like health, environment care and food security.

From 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 a firm's market value. Furthermore, since the findings show the types of CSR which were not mostly engaged like ethical and legal they have the benefit to manage risks that may be faced. It is also recommended that analysis

may be done in regard of enabling the companies to have wider choice of the correct type of CSR.

From objective three, since results showed improvement of financial performance due to CSR practices, it is recommended to upgrade the percentage of CSR from both companies, as well as increase the amount to reach the targeted value per year. Besides that companies should promote services, expand the branches in the region which will result into increase on the amount of profit hence uplift the amount of percentage to CSR. Apart from urban areas, it is recommended that the two companies should extend the CSR to remote (rural) areas of Dodoma region in particular and other regions in Tanzania.

Probable, policy framework should be planned for corporate social responsibilities by the government and ensure compliance by setting mechanisms and institutions for the implementation of CSR. For example, if CSR has encouraging effect on the firms' financial performance, the firms should consider more on the existing CSR activities whereas if the CSR has depressing 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 in CSR activities as well as for the policy makers.

Furthermore, it is recommended that a longitudinal study should be adopted. This may provide deeper insight into the relationship between CSR and financial performance, in particular the impact of CSR on employee attraction, motivation

and retention, customer attraction and loyalty, reputation, access to capital and financial performance.

5.5 Suggested Areas for Further Study

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

Assess the impact of CSR on community. Such an approach would require a lot of detailed information from the society and a case study approach may provide the best method of obtaining information.

Research could be done which compares the relationship between CSR and financial performance for Tanzanian companies with other countries. It would be interesting to see if countries that operate in very different political, social and environmental environments like Kenya, Rwanda, Burundi and Uganda for example have a similar relationship between CSR and financial performance.

Therefore this study suggests further research to evaluate the impact of CSR towards Community Developments and Comparisons of the relationship between CSR and financial performance for Tanzanian companies with other countries.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

Date _____

Questionnaire no. _____

Introduction

..... is a student at St John's university of Tanzania conducting an academic research on "Impact of corporate social responsibilities on the firm's financial performance". This study is a partial fulfillment of the requirement for Master of Science in finance.

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
 - i.) Male
 - ii.) Female
3. Qualification level of education
 - i.) Secondary level
 - ii.) College Certificate
 - iii.) Diploma
 - iv.) Bachelor Degree

- v.) Above
- 4. Your occupation_____
- 5. Your current Position_____
- 6. Years of working experience
 - i.) 0-3
 - ii.) 3-5
 - iii.) More than 5 years

Part B

Objective no 1 *Grounds to Which Companies Engage in Corporate Social Responsibility*

- 7. Is your Company Socially Responsible?
 - i.) Yes
 - ii.) No
- 8. Is social Responsibility Compulsory for your Company?
 - i.) Yes
 - ii.) No
- 9. If it is Compulsory, what are the Criteria?

- 10. How do you rate your Company Involvement in Corporate Social Responsibilities (CSR)?
 - i.) Low
 - ii.) Moderate
 - iii.) High

11. Which area does your Company Focus?

i.) Youth development

ii.) Education

iii.) Disability

iv.) Conservation

v.) Sports

12. Indicate the extent to which you **agree** or **disagree** on each of the following factors motivated your firm to undertake CSR

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

Factors	Response				
	Strongly Disagree	Disagree	Neither agree nor Disagree	Agree	Strongly agree
Ethical and Moral Reasons					
To Improve Community Relations					
To Improve Customer Loyalty					
To Improve Employee Motivation					
To Improve Economic Performance					
To Preserve or Improve The Reputation of the Company					
To Give Profit Back to the Community					

Objective Two: Types of Corporate Social Responsibilities which are More Practiced by the Company

13. Which type (s) of CSR is engage in by your firm?

i.) Economic

‘Be profitable’

ii.) Legal

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

iii.) Ethical

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

iv.) Philanthropic

‘Contribute resources to the community’

14. Factors that Facilitate the Companies not Engage into other Types of CSR

Factors	Disagree	Neither Agree nor Disagree	Agree
Competitiveness			
Risks Management			
Win New Business Opportunities			
Relationship with Stakeholders			

15. Which type of CSR Appears to be most effective in Your Company?

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

17. To what Extent does the Choice of the Type of CSR enhance to Achieve Company's Objectives?

i.) Low

ii.) Moderate

iii.) High

18. When did your Company Start Practicing CSR? _____

19. Are CSR Objectives Measured and Tracked?

a) Yes

b) No

Objective Three: *The relationship between CSR Practices and Financial Performance.*

20. After using CSR has it Improve your Company's Financial Performance?

i.) Yes

ii.) No

21. If your answer is yes in question above, to what extent have CSR practices improved your financial performance?

i.) Low

ii.) Moderate

iii.) High

22. Apart from financial benefits, do you consider that if a company Practices Corporate Social Responsibility, it has to lose?

i.) Yes

ii.) No

23. What will be lost if a company is not socially responsible?
- i.) Image
 - ii.) Partners Credibility Market Share
 - iii.) Human Resources
 - iv.) Potential Investors/ Business Opportunities
24. Has your company been profitable for the last five years (or years of existence if less)?
- i.) Yes
 - ii.) No
25. Approximately how much money have the company invested in CSR activities? _____
26. The Contribution of Investment Factors of CSR on Financial Performance
- i.) Advertisement
 - ii.) Promotions
 - iii.) Customer Loyalty
 - iv.) Reputation
27. To what extents does the Types of CSR affect Financial Performance?
- i.) Not at All
 - ii.) Very Little
 - iii.) To Some Extent
 - iv.) To Great Extent
28. Does the CSR practices being a burden to the company?
- i.) Yes
 - ii.) No

29. Is there any other source of funding your company is receiving?
- i.) Yes
- ii.) No
30. Accepting any additional responsibility related to development of society?
- i) Yes
- ii) No
31. What do you think could be the main benefit of the adoption of measures for social responsibility?

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

	SCALE				
	Strong Disagree	Disagree	Neither agree nor Disagree	Agree	Strongly agree
Improved community relations					
Enhanced company image					
Improved employee attraction					
Improved employee motivation					
Improved employee retention					
Increased sales (customer attraction)					

Thank you for completing the questionnaire, If there are any additional comments that would be relevant to this study, please include them in the space provided below.

APPENDIX 2: INTERVIEW SCHEDULE

A) Grounds for the companies to engage in corporate social responsibility

- 1) How exactly does your bank define corporate social responsibility? What seem to be the levers that you use or the pieces of it that you would use to describe how you approach corporate social responsibility?

- 2) What is the source of the corporate social responsibility effort at your bank? Where did it all begin?

- 3) How do you do corporate social responsibility at your bank (i.e. branch wise, country wise or international.) _____ -

- 4) What are the major costs and benefits that your bank gains from its corporate social responsibility effort?

5) What does it take to make it last? What kind of organizational leadership or communication systems have to be in place to ensure that the corporate social responsibility effort will last beyond the current leadership?

6) Well, it's always great to hear from a company that puts this as kind of the centerpiece to the way they run their business. I want to thank you again for your time and I want to thank you for sharing the things that are going on at Gap with regard to corporate social responsibility. How is corporate social responsibility perceived/ received by the society. What does society benefit?

B) Types of corporate social responsibility more practiced

1) Who is your real target group? _____

2) Which direction are you taking concerning corporate social responsibility? what are your upcoming objectives and goals

3) Which group have benefited

4) what is its effect (positive / negative)

C) The relationship between corporate social responsibility practices and firm's financial performance

1) Are there data that shows how they provide corporate social responsibility and the effects

they acquire _____
