ASSESSMENT OF THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE OF THE BANKING INSTITUTIONS: CASE STUDY OF NATIONAL MICROFINANCE BANK

ANDREW KILEWELA

A DISSERTATION SUBMITTED IN PARTIAL FULFULLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF THE OPEN UNIVERSITY OF TANZANIA

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CERTIFICATION

The undersigned certify that he has read and hereby recommends for the acceptance by the Open University of Tanzania a dissertation entitled: ‘’***Assessment of the Impact of Corporate Social Responsibility on Financial Performance of the Banking Institutions: Case study of the National Microfinance Bank’’*** in partial fulfillment of the requirement for the degree of Master of Business Administration (Finance) of the Open University of Tanzania.

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Eng. Dr. Ethel D. Kasembe

(Signature)

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Date

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DECLARATION

I, **Andrew Godfrey Kilewela** do hereby declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university or institution for the similar or any other degree award.

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Date

DEDICATION

This dissertation is dedicated to my lovely family; Wife Ashura K. Kilewela, Daughter Nyla A. Kilewela and Son Ryan A. Kilewela. They inspired me very much all the way through my academic pursuit and tolerated my absence till accomplishment of my studies. Indeed all other family members contributed immeasurably and untiringly in destining support and encouragement in the entire period of my studies.

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I humbly thank Almighty God for the care and protection he has showed and granted to me in the course of my studies and life in general, I would like to give my sincere thanks to my devoted supervisor, Eng. Dr. Ethel D. Kasembe, whose professional and intellectual guidance, motivation, constant encouragement, moral support and patience from the beginning of the study enabled me to reach through this stage.

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ABSTRACT

The study assessed the impact of corporate social responsibility on the financial performance of banking institution conducted at NMB: perception of the management, employees and customers having the notion that the corporate social responsibility initiative has been one of the factors which contribute the poor financial performance of the bank. In examining the study was guided by four specific objectives aimed at evaluating perception of the customers and employees on CSR, examining the behavioral factors influenced by the CSR to employees and to assess the relationship between CSR and financial performance of the NMB bank. The study employed not only a case study design but also quantitative and qualitative approach. Additionally because the study based on the perception the use of 100 respondents was seen to be justifiable, likewise the study finds the diversity of result from the perception of the customers and employees toward CSR and FP of the bank however the study discover that there was a positive strong relationship between CSR and net profit of the bank with the level of significance of ($p<0.01$) and the increase number of the customers with the level of significance of ($p<0.007$) size of equity with ($p<0.01$) and lastly the correlation of CSR was found on company's assets with ($p<0.007$) using the company data from 2008-2013. For such result we may conclude that the poor financial performance of the bank has not only been contributed by the bank investment on CSR initiatives such as serving community, customers or employees because the bank use only 1% of its net profit on such projects but also other factors, if it is the bank intention to effective use the CSR as the means of financial source much has to be done as recommended.

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LIST OF ABBREVIATIONS

CRDB	Cooperative Rural Development Bank
CSR	Corporate Social Responsibility

FGD	Focus Group Discussion
KCMC	Kilimanjaro Christian Medical Centre
NMB	National Micro Finance Bank
OE	Organization Effectiveness
WBCSD	World Business Council Sustainable Development
CFP	Corporate Financial Performance
FP	Financial Performance
ROA	Return on Asset
ROE	Return on Equity
ROS	Return on Sales
QOL	Quality of Life
MSME	Micro, Small and Medium Enterprises
CB	Central Bank

CHAPTER ONE

1.0 INTRODUCTION

1.1 Overview

This chapter presents the background of the study, statement of the problem, objectives of the study that have been classified into two groups; general and specific objectives. The research questions have been also included. Moreover, the chapter presents the significance and scope of the study.

1.2 Background of the Study

The ideology of Corporate Social Responsibility (CSR) can be traced far back in the times of industrial revolution where the significance of business in society started to increase exponentially. However, it is stated that the magnitude of the concept was understated (Milton Friedman, 1982).

However, the concept has expanded over the years as a result of deep transformation of relations of private business especially as a result of globalization. Ogden and Watson, (1999) note that many companies are engaged in defining and implement CSR initiatives for their businesses as well as analysts, employees and all other stakeholders have been increasingly advocating for companies to be accountable for the changing approaches in CSR.

While there is no universally accepted definition of corporate social responsibility, it is usually described in terms of a company considering, managing and balancing the economic, social and environmental impacts of its activities (Windsor, 2001).

The notion of corporate social responsibility is part of the core business operations of a company, rather than a separate 'add on', and this distinguishes it from corporate philanthropy which may be funded out of operations that are damaging to the communities in which business is conducted.

Corporate Social Responsibility (CSR) is believed to yield tangible benefits to a company and among them is financial success which is considered as the most important among shareholders. Similarly, Porter and Kramer (2002) argue from a business point of view by saying that, it has been found out that CSR improves a company's competitiveness The relationship between a firm's corporate social responsibility and its financial performance has been the subject of lively debate since the 1960s (McWilliams and Siegel, 2000).

The above ideas depict CSR as a vital practice that enhances the financial performance of a company. However, there are different perspectives CSR in relation to its contribution to financial performance. According to Windsor (2001), corporate social responsibility involves costs and therefore worsens a firm's competitive position. On the other hand, McWilliams and Siegel, (2000) note that good financial performance makes available the funds with which firms can invest in ways that improve their environmental and social performance while, Huffman (2007) suggests that financial performance in general terms leads to social performance much more often than the other way round. Waddock and Graves, (1997) indicate that there is presence of a simultaneous relationship in a kind of "virtuous circle. Hence, the above arguments portray both a negative and positive link between CSR and the financial performance of a firm.

In Tanzania, corporate social responsibility is evident in a number of firms/companies. Companies such as the National Microfinance Bank of Tanzania (NMB (T) LTD performs Corporate Social Responsibility (according to its mission and vision) by promoting education, health, journalism, and disaster. Examples of CSR activities performed by NMB include; construction of a library for Angaza Secondary in 2012, donation of Tshs. 10M towards the construction of Tumaini University Dares salaam College in 2010, a donation of Tshs. 10M to Kilimanjaro Christian Medical Centre (KCMC), support to media council on its excellence in journalism awards (EJAT) event in 2011, donation of materials worth Tshs. 5.5M to bomb blasts victims of Gongolamboto. Even though the organization undergoes such activities, the gained benefits as a result of engaging into those activities are not yet clear to position the company into being the leading financial entity in Tanzania. It was therefore the intention of the study to dig deep into the impact of corporate social responsibility activities on the financial performance of firms in Tanzania with the main focus of the NMB LTD.

1.3 Statement of the problem

The concept of corporate social responsibility is now firmly rooted on the global business agenda and this comes from some notions such as, “firms must make money and keep society in mind” whereby a firm’s decisions/actions should extend beyond economic goals. In 2012, the Reputation Institute, a private global consulting firm based in New York conducted a study that ranked the world's 100 most reputable companies and it is interesting to note that majority if not all of the selected companies such as Google, Microsoft etc had CSR in their practices.

The literature on CSR in Africa in general and Tanzania in particular remains scanty and underdeveloped. Never the less, CSR awareness and practice on the African continent is increasing considerably inspite of the challenges and obstacles hindering its promotion.

In the most recent years, Tanzania has become more active in CSR through its banking, telecommunications and mining industries. Most notably are the CSR charitable activities that these institutions do offer to the communities e.g. education and health support activities. In 2010 and 2012, Bank I and M in collaboration with the East African Business Council (EABC) introduced and sponsored East African CSR Awards to recognize companies excelling in various aspects of Corporate Social Responsibility (African Development Bank, 2015).

The banking industry in Tanzania has changed tremendously in mid 1960's; the industry had only one bank, the National Microfinance Bank (NMB). Afterwards the CRDB bank was established in 1996 and therefore the industry changed from monopoly to duopoly market structure. Currently the banking industry has more than 22 full-fledged banks that all of them want to control their market share. Each player in the industry needs to consider its competitive position and reposition strategically (Hill and Knowlton, 2006).

It is therefore important to note that majority of reputable companies worldwide are looking at CSR not only as their ethical responsibility towards the communities they serve and the environment but also as a way of achieving their strategic goals and at the same time improving the world. It is upon this background that more firms like NMB with its major focus on banking are engaged in other activities such as enhancing public health, environmental safety and education projects through CSR and stakeholder involvement.

The NMB annual report of 2012 for example indicates that approximately 1% (about Tshs. 1 billion) of the firm's profits of the previous year were spent on CSR activities. These activities focused on financial literacy, school support, health wellbeing and disaster risk reduction. In addition, in May 2012, NMB launched the financial fitness program whose aim was to strengthen the capacity of their customers in making informed decisions and take appropriate actions on their financial wealth and wellbeing.

The NMB's education support reached not less than 50,000 primary school students country wide, 58 schools benefitted from the NMB donation of computers and desks. In the same way, the financial literacy trainings were conducted to more than 5,030 MSMEs through NMB business clubs. In addition, 565 farmer associations received trainings. The trainings revolved around Business Planning, book keeping, financial planning, borrowing etc. Moreover, NMB extended support to victims of flooding that occurred in Dares salaam and Arusha in 2011 (NMB Annual Report, 2012).

Notwithstanding this major contribution that has been made by the NMB through its corporate social responsibility policy but according to the banking survey cover data (2012) showed that NMB in three consecutive years, is not leading especially in its financial performance it has remained number three in world ranking, leaded by FBME bank (T) and CRDB bank plc. Perhaps several factors may have contributed to this but "Nowhere the evidence of impact of CSR is documented for the bank and many other organizations" Therefore the study's major aim is to examine the impact of CSR in relation to financial performance of the banking institutions in Tanzania: basing on the management, employees and customer's perception.

1.4 Research Objectives

1.4.1 General Objective

To assess the impact of Corporate Social Responsibility on financial performance.

1.4.2 Specific Objectives

Specifically the study intended:-

i. To assess the impact of CSR on financial performance based on the descriptive characteristics.

ii. To evaluate the impact of the corporate social responsibility on the perception of the NMB employees and customers.

iii. To find out how CSR has impacted on employee attraction, retention and motivation as well as drawing more customers ,winning their loyalty, reputation and access to capital linking with financial institutions

iv. To assess the impact of CSR basing on the financial performance indicators.

1.5 Research Questions

1.5.1 General Questions

What are the perceptions of managers, employees and customers on the impacts of corporate social responsibility on the financial performance of NMB bank?

1.5.2 Specific Questions

i. What is the impact of corporate social responsibility on financial performance from the descriptive characteristics?

ii. What is the perception of NMB bank employees and customers toward the impacts of corporate social responsibility on the financial performance?

iii. How has CSR impacted on employee attraction, retention and motivation as well as drawing more customers, winning their loyalty, reputation and access to capital linking with financial institutions?

iv. What is the impact of CSR on financial performance indicators?

1.6 Significance of the Study

There seems to be a mixture of feelings on the financial contribution of CSR initiative within the Banking institutions in Tanzania. The study was hence helpful in examining and establishing the role of CSR on the financial performance of these Banking Institutions

The findings of the study may help staff members from NMB, other private companies and members of the general public to become aware of CSR initiatives currently implemented by NMB and their beneficiaries, the impact of those CSR initiatives on the financial performance of NMB and its contribution on the general performance of the bank The study is helpful to solve the puzzle of whether if the NMB bank corporate social responsibility initiatives are contributing to the poor financial performance of the bank or is a catalyst for strong financial base of the bank or it has neither impacts.

1.7 Scope and Limitation of the Study

The study focused only on financial banking institutions specifically the National Microfinance Bank (NMB). It did not involve the other non-financial institutions which practice CSR.

The study was limited to analysing the bank’s financial performance in the last five years period i.e. 2008-2013. Generally, the financial performance indicators included; Dividend per share, Earnings per share, Net asset value per share, Net interest income, Customer deposits, Non-interest income, Profit after tax, Total assets and Loans advances to customers. However, due to resources constraints such as time, the study concentrated on examining four of these indicators i.e. return on equity, net profit margin, return on investment and total profit which were considered to be the most important in relation to the study phenomenon (CSR).

1.8 Organization of the Research Report

The dissertation consists of five chapters. The first chapter includes a brief overview of the concept of corporate social responsibility as the study background. It also includes the rationale for the study, aims and objectives of the study, the research questions and significance of the study as well as the limitations of the study. Chapter two is about the literature reviewed focusing on the review of the literature. Chapter three is the methodology of the study. It explains the research design, the sampling, data collection and analysis procedures used in the study while chapter four is an account of the overall study findings. Themes are generated based on the descriptions of the study participants and their responses and Chapter five provides the recommendations and implications for CSR practice for companies/NMB and for future research based on the study findings.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Overview

This chapter consists of reviewed literature on CSR and the specific sub topics include: Definition of the Key Terms (i.e. Corporate Social Responsibility, Financial Performance and Banking Institutions); The Concept of Corporate Social Responsibility; Evolution of Corporate Social Responsibility; Economic Drivers for Corporate Social Responsibility (i.e. Employee Recruitment, Motivation and Retention, Learning and innovation, Reputation Management, Risk Profile and Risk Management, Competitiveness and Market Positioning, Operational Efficiency, Investor Relations and Access to Capital and License to Operate); Corporate Social Responsibility and Corporate Performance CSR and FP; Measuring Corporate Social Responsibility; Measurement Problems (i.e. Measures of Corporate Social Responsibility, Measures of Financial Performance); Theories; Empirical Literature Review (i.e. Positive Relationships between CSR and Financial Performance, Negative Relationships between CSR and Financial Performance, No Relationship between CSR and Financial Performance.

2.2 Definition of the Key Terms

2.2.1 Corporate Social Responsibility

There is no universal agreed upon definition of Corporate Social Responsibility. In fact, it is argued that the conncept is often explained considering a company's management and the economic, social and environmental impacts of its activities.The term CSR is usually linked to other terms such as Corporate Citizenship and Triple Bottom Line Reporting (TBL). Such terms are used as a yardstick for measuring a firm's performance against economic, social and environmental parameters (Arthur and Little 2003).

Nevertheless, some scholars have tried to define CSR in the following ways:
According to Bueble (2009) and Capaldi (2005), Corporate Social Responsibility (CSR) involves achieving commercial success in ways that honor ethical values and respect people, communities and the natural environment. Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (Baker 2004). Hence from the two definations CSR we can see that it looks both at the internal and external environment in which businesses/firms/companies operate

2.2.2 Financial Performance

Financial Performance according to Orlitzky et al (2003) is defined as the level of performance of a business over a specified period of time expressed in terms of overall profits and losses during that time. The importance of examining the financial performance of a business is to help decision-makers to judge the results of business strategies and activities in an objective monetary term. Ogden and Watson, (1999) note that financial performance is an outcome of an action/project or process e.g. a company releases the result of its business operations when it announces its earnings.

2.2.3 Banking Institutions

According to Hufman, (2009), banking institution provide financial services to their clients/members on top of acting as financial intermediaries. In the same line, Blackburn et al (1994) adds that banking institutions are responsible for transferring funds from investors to companies in need of those of funds; in other words, financial institutions facilitate the flow of money through the economy.

2.3 The Concepts Corporate Social Responsibility

The concept of CSR stresses the involvement of community participation by business enterprises as asserted by Waddock and Graves (1997). They add that a private firm has responsibilities to society that extend beyond making a profit. This is supported by Peloza (2008) who proposes that a firm’s decision makers should make decisions and act in ways that recognize the relationship between the business and society. Hence it is crucial for a business to continue in its commitment to behave ethically and contribute to economic development while improving the quality of life of the work force and the surrounding community at large. This can be achieved through the various CSR activities that the business chooses to engage in for the benefit of its stakeholders (such as employees, suppliers, shareholders, government, community/society and customers.

There are a number of theories that have been put forward to defend CSR and among them include the social contracts theory. This theory according to Burke and Logsdon (1996) suggests that businesses must not just act in a responsible manner because it is in their commercial interest, but because it is how society expects the business to behave. Society is a series of social contracts between members of society and society itself; hence, managers should make decisions in an ethical manner To shed more light on that, Hill and Knowlton, (2006) note that since the contract is not written, businesses only get to feel its consequences when they fail to do what is expected.

Contrary to the above arguments, there is a growing debate on the legitimacy and value of CSR. Kotler, (2005) for example says that CSR tends to come in with many of the issues traditionally addressed by government, like human rights and community investing and yet, some people believe that societal problems are best solved by freely elected governments. Along the same lines, Jamali and Mirshak (2007) assert that the resources of a corporation are poorly suited for addressing those social problems and therefore they should not be misallocated.

Corporate Social Responsibility is considered to have a vital role in promoting the general business environment of a firm e.g. increase in sales, enhancing the company image and improving employee moral (Porter and Kramer 2002). This view is supported by Kotler who notes that CSR increases customer loyalty and retention, enforces legitimacy and access to markets, bolstering public image and reputation and enhanced brand value. It can be argued therefore that CSR is a necessary practice that should be incorporated within a firm’s strategy so as to gain from some of the benefits mentioned above.

Different from the above views about CSR, some scholars such as Rey and Nguyen (2005) seem to be skeptical about the role of CSR. They for example argue that in a free society, there is one and only one social responsibility of business and that is to 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. They (Rey and Nguyen) continue to note that the state addresses social problems, arguing that an executive, by taking money and resources that would otherwise go to owners, employees, and costumers, and allocating them according to the will of the minority, fails to serve the interests of her or his principal. In this way, the executive imposes a tax and spends the proceeds for ‘social’ purposes, which is intolerable, since she/he has neither the skills nor the jurisdiction to do so.

Nevertheless, the above view is opposed by a number of arguments put forward in support for CSR. Sanga and Singlar (2003) assert that although the government is mainly responsible for addressing those issues, the contribution of private firms cannot be underestimated. They give an example of a study that was conducted among 100 largest global economies as measured by GDP whose findings indicated that 51 of them are US corporations, and only 49 are nation states. So economic power has shifted to the corporations; they, therefore, should have an increasing role in and responsibility for addressing social problems. However, the government sets the regulations and the minimum standards for the workplace, but a company can further improve the work environment and the quality of living of its employees. Arthur and Little (2003) add that a firm cannot ignore the problems of the environment in which it operates. The poverty of a nation state’s citizens, political unrest, and the exhaustion of natural resources can have destructive effects for a corporation. For example, resources that are inputs in the production process and which, at the beginning of the industrial revolution, were abundant are now in many regions of the planet scarce, polluted, or diminishing

It is true that CSR may pose an extra cost to the corporations and may force them to relocate or to cease operations and yet, companies may be poorly equipped to address some of the social or environmental problems but, no matter how poorly equipped, companies may still be best positioned to ameliorate the problems.

According to Carroll (1999), adopting CSR principles involves costs. These costs might involve the purchase of new environmentally friendly equipment, the change of management structures, or the implementation of stricter quality controls. Since being socially responsible involves costs, it should generate benefits as well in order to be a sustainable business practice. The shareholders invest their money in a corporation, expecting the highest possible risk adjusted return. Therefore, being socially responsible should have bottom-line benefits in order to be sustainable.

McWilliams and Siegel (2000) identify some of the bottom line benefits associated with CSR by saying that; socially responsible companies have enhanced brand image and reputation. Consumers are often drawn to brands and companies with good reputations in CSR related issues. A company regarded as socially responsible can also benefit from its reputation within the business community by having increased ability to attract capital and trading partners. Reputation is hard to quantify and measure; it is even harder to measure how much it increases a company’s value. But since companies have developed methods to measure the benefits of their advertisement campaigns, similar methods can and should be able to be applied in the case of corporate reputation socially responsible companies also have less risk of negative rare events.

Conversely to this, overlooking negative social and environmental externalities when valuing a company might be equal to ignoring significant tail risk. The risks related to CSR could be grouped into three categories: corporate governance, environmental aspects, and social aspects as indicated by Kotler (2005).

Never the less, it is argued that companies that adopt the CSR principles are more transparent and have less risk of bribery and corruption. In addition, they may implement stricter and, thus, more costly quality and environmental controls, but they run less risk of having to recall defective product lines and pay heavy fines for excessive polluting. They also have less risk of negative social events which damage their reputation and cost millions of dollars in information and advertising campaigns. The scandals about child–labor and sweatshops that affect the clothing industry are two fine examples. Thus, socially responsible businesses should have more stable earnings growth and less downside volatility. Since companies that adopt the CSR principles carry less risk, when valuing those companies, a lower discount rate should be used. In the company valuation this lower tail risk should be taken into account (Ogden and Watson, 1999; Peloza, 2008).

In addition, Porter and Kramer (2002) say that, there are also other cases in which doing what is good and responsible converges with doing the best for the particular business. Some CSR initiatives can dramatically reduce operating costs. For example, reducing packaging material or planning the optimum route for delivery trucks not only reduces the environmental impact of a company’s operation, but it also reduces the cost. The process of adopting the CSR principles motivates executives to reconsider their business practices and to seek more efficient ways of operating.

With regards to the relationship between CSR and a firm’s employees, Waddock and Graves (1997) assert that companies perceived to have a strong CSR commitment often have an increased ability to attract and to retain employees which leads to reduced turnover, recruitment, and training costs. They continue that, employees, too, often evaluate their companies CSR performance to determine if their personal values conflict with those of the businesses at which they work.

Thus, companies that improve working conditions and labor practices also experience increased productivity and reduced error rates. Regular controls in the production facilities throughout the world ensure that all the employees work under good conditions and earn living wages. These practices are costly, but the increased productivity of the workers and improved quality of the products generate positive cash flows that cover the associated costs. Thus, firms may actually benefit from socially responsible actions in terms of employee morale and productivity (Windsor, 2001).

Tsoutoura (2004) explain that although it is rather straightforward to identify the above benefits as being socially responsible for businesses, it is an arduous task to quantify and measure them. Since CSR is integrated into the business practices, it is by definition complicated to try to measure its effects separately. Ideally, it should be possible to keep all other factors constant and measure a company's financial performance and volatility of cash flows before and after adopting the CSR principles. As this is not possible, however, empirical methods are used to identify the relationship between a company's socially responsible conduct and its financial performance).

2.4 Evolution of Corporate Social Responsibility

According to Ogden and Watson (1999), the idea of CSR first came up in 1953 when it became an academic topic in HR Bown's, Social Responsibilities of the Business Since then, there has been continuous debate on the concept and its implementation. Although the idea has been around for more than half a century, there is still no clear consensus over its definition. One of the most contemporary definitions is from the World Bank Group, stating, "Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development (McWilliams and Siegel, 2000).

Worldwide, it is believed that integrating social, environmental and ethical responsibilities into the governance of businesses ensures their long term success, competitiveness and sustainability (Peloza, 2008). This approach also reaffirms the view that businesses are an integral part of society, and have a critical and active role to play in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity, and in upholding the essentials of ethical practices and good governance. In the same way, Sangar and Singla (2003) affirm that such a practice makes business sense as companies with effective CSR, have image of socially responsible companies, achieve sustainable growth in their operations in the long run and their products and services are preferred by the customers.

Indian entrepreneurs and business enterprises for example have a long tradition of working within the values that have defined our nation's character for millennia. India's ancient wisdom, which is still relevant today, inspires people to work for the larger objective of the well-being of all stakeholders. These sound and all-encompassing values are even more relevant in current times, as organizations grapple with the challenges of modern-day enterprise, the aspirations of stakeholders and of citizens eager to be active participants in economic growth and development

2.5 Economic Drivers for Corporate Social Responsibility

Hill and Knowlton (2006) present a number of economic drivers as they were identified by the World Economic Forum and Business Community in the explaining of voluntary adoption of corporate social responsibility by companies across the world.

These economic drivers include:

2.5.1 Employee Recruitment, Motivation and Retention

Researchers have found out that corporate social responsibility is increasingly an important factor in attracting and retaining a talented and diverse workforce Jamali, and Mirshak (2007). In addition, companies that account for the interests of their employees by offering good working conditions will achieve better performance in terms of quality and delivery, and, therefore, experience higher levels of productivity

2.5.2 Learning and innovation

Learning and innovation are critical to the long-term survival of any business. Corporate social responsibility can be a vehicle for business to respond to environmental and societal risks and turn these into business opportunities.

2.5.3 Reputation Management

Managing a company's reputation is an important factor for business growth. Fitzgerald and Moon (1996) assert that how companies are judged by customers, suppliers and the broader community will have an impact on their profitability and success. Corporate social responsibility offers a means by which companies can manage and influence the attitudes and perceptions of their stakeholders, building their trust and enabling the benefits of positive relationships to deliver business advantage.

2.5.4 Risk Profile and Risk Management

Fitzgerald and Moon (1996) note that CSR offers more effective management of risk, helping companies to reduce avoidable losses, identify new emerging issues and use positions of leadership as a means to gain competitive advantage.

2.5.5 Competitiveness and Market Positioning

Bueble (2009) puts forward the view that corporate social responsibility branding can draw consumers away from competitors and thereby improving profitability

2.5.6 Operational Efficiency

According to Huffman (2007), CSR can offer opportunities that reduce present and future costs to the business thereby increasing operational efficiency.

2.5.7 Investor Relations and Access to Capital

Corporate Social Responsibility has been identified as one of the ways of long-term risk management and good governance practices hence the investment community is increasingly taking interest and investing in it (Hill and Knowltown, 2006).

2.5.8 License to Operate

A legitimate company/business should in essence be issued with a license for its operations. Hence, companies that fail to manage their responsibilities to society as a whole risk losing their license to operate.

2.6 Corporate Social Responsibility and Corporate Performance

In seeking to define CSR and Corporate Performance, the initial definition indicate that social responsibility is generally related to the corporate choice of not breaching laws and regulations when pursuing shareholders' wealth maximization goals. And, the second approach/definition considers that CSR should be more than just following the law as it also involves actions which are expected to affect positively an identifiable social stakeholder's welfare (McWilliams and Siegel, 2001).

The debate on the relevance and effects of this second type of corporate social responsibility is polarized around two opposite perspectives. A first one considers CSR as a violation of manager's mandatory duties, when it materializes into arbitrary management of "free cash flow" and higher expenditures which reduce shareholders' wealth (Huffman, 2007). The reasoning of Huffman implies an efficient balance of powers between profit maximizing firms and social welfare maximizing institutions, which is far from the reality of our economic systems. Asymmetric information, agency costs and conflicts of interests are so widespread in our imperfect economic environment and institutions are distant from the benevolent planners depicted by theoretical models of some decades ago. All this considered, an important argument for the relevance of CSR comes from the observation that, in a society riddled by conflicts of interests and informational asymmetries, with weak institutions and incomplete contracts, the tenet of shareholders wealth maximization may be socially and environmentally untenable if corporate power is not offset by proper checks and balances from institutional action.

Ogden and Watson (1999) explains that In the current “three-pillar” (institutions, corporations and the civil society) system what is observed are stakeholders creating bottom-up pressures on corporations in order to compensate institutional weaknesses in designing rules which should align firm behaviour to the goal of socially and environmentally sustainable development. This pressure induces corporations to signal their social responsibility in order to minimize attrition with stakeholders. In this framework, CSR often originates not from an autonomous decision of managers, but from external pressures from consumers or institutions.

Well aware of these linkages between corporations, institutions and consumers, a different and broader view on CSR considers the social role of corporations and their relationship not just with shareholders, but with the larger set of firm stakeholders. In this perspective, Huffman (2007) emphasizes that, if stakeholders have voice, the socially responsible behaviour of corporations may be a rational strategy to minimize conflicts and optimize synergies in their complex network of relationships with various stakeholders (local communities, consumers, environmentalist associations, subcontractors/

However, Peloza (2008) notes with concern that the concept of stakeholder value recognizes that corporate activity may create negative externalities which need to be counterbalanced, either by institutional rules or by corporations themselves. In such case, creating shareholders value is not enough to maximize total welfare and management should aim at “maximizing the sum of various stakeholder surpluses.” He is though skeptical on the possibility of creating incentives which can induce managers to behave in a socially responsible way. First, he observes that the difficulty of measuring SR fosters managerial opportunistic behavior. Second, he argues that a SR company, by definition, should shifts its focus from the maximization of shareholders' wealth to a multi-stakeholders welfare approach. The consequence of this move may be a relatively lower return on equity which may make her object of a takeover from a profit maximizing raider.

But, Peloza's argument has been criticized on the pretext that several social labeling organizations have born to overcome informational asymmetries in this field. Hence, a corporation is nowadays considered as being socially responsible not just when it claims to be as such, but only if it complies with a set of externally fixed behavioral criteria. Opportunistic behavior is obviously always a temptation but external monitoring and reputational costs from being caught cheating on SR may be a strong deterrent. The second Peloza objection (takeover risk) is an interesting one and is somewhat related to our empirical research aimed at verifying whether SR firms create relatively more or less shareholder value than the rest of the economy.

In summary, an interesting issue in the above mentioned debate is that CSR may definitely be a superior corporate behaviour in terms of social welfare if the expected reduction of negative externalities is accompanied by a creation of aggregate economic value (and not merely shareholder return) equal or superior to that of non-socially responsible firms. And if so, a powerful incentive for corporations to adopt a SR attitude, beyond enlightened altruism, exists hence, the evaluation of the effects of SR on corporate performance is a relevant topic in the current literature on CSR.

Peloza (2008) explains that, before testing directly the impact of CSR on corporate performance the study briefly survey theoretical grounds which might support the hypothesis of a non-negative relationship between SR and corporate performance. As a starting point we must consider - as it will be clear from the analysis of the characteristics of Domini criteria - that SR involves the undertaking of a set of actions which are potentially cost increasing (such as higher attention to workers conditions within the firm and in subcontracting companies, adoption of more environmentally, and often more costly, productive processes.

These sources of additional costs need to be compensated by some potential benefits to be economically sustainable. A first one, already mentioned, is represented by the creation of reputational capital which may help the company to obtain more favourable terms of trade when negotiating with various stakeholders (Rey and Nguyen, 2005; Waddock and Graves, 1997).

Waddock and Graves (1997) suggest that CSR may positively affect workers productivity if we move away from the standard microeconomic approach which regards labour productivity as solely related to individual skills, human capital and expected remunerations. In this perspective, a new strand of the literature starts modelling workers productivity as being affected not just by the usual set of individual worker variables, but also by intrinsic motivation, coworker’s behaviour or working conditions, and by the workers identification with the goals of their firm In this perspective, it is possible that the move to (exit from) CSR may significantly increase (reduce) intrinsic workers motivation, thereby affecting positively (negatively) their productivity.

Financial institutions use CSR to develop and strengthen relationship with multiple stakeholders, beside customers, suppliers ,distribution channels, and competitors, including shareholder, employee, director, society, regulation producer, media, and capital market (Windsor, 2001).When CSR's target is society, the purposes are education, health, prosperity, happiness, stability, and society harmony. The success could be measured by quality of life (QOL) indicator such as health, economic, education, social, and psychology. There are reasons why financial institutions do CSR activities. First, CSR is the way to gain profit, and second, in the long run CSR creates value to the financial institution. Marketers need to know the performance of CSR activities through achievement indicator such as QOL.

Peloza (2008) asserts that the outcome of CSR is therefore good reputation and loyalty .Corporate reputation is collective judgments of a corporation based on assessment of the Financial, social, and environmental impacts attributed to the corporation over time . Additionally, Windsor (2001) notes that this reputation is a intangible asset that concern marketing and financial performance .

Ogden and Watson (1999) indicate that community perceptions positively influence financial performance of the financial institutions and customers purchase financial services with dissimilar benefits, all of which come with corresponding attributes, and hence result in different levels of community satisfaction and behavioral sequence, which is important in reinforcing communities' trust, commitment, repurchase intentions and corporate financial performance . However, the perception of community towards financial institutions can be positive or negative ways as described below:-

While poverty alleviation is perhaps the most clear perceived benefit of financial institutions in the world today, many other claims have been made regarding its indirect benefits. It is widely believed by the community that financial institutions like National Microfinance Bank (NMB) are influential forces in the empowerment of Women and men in the Community in terms of maximizing their social welfare. Peloza (2008) asserts that a community with access to financial services are likely to make financial decisions benefiting their entire families in addition to themselves, as well as become more involved in community activities and to confront communal gender inequalities.

On the other hand, there are those who doubt the ability of financial institutions to aid in development without one or more significant setbacks. It is claimed that the link between financial institution and the economic and social development of its clients has not yet been proven. Therefore, while many studies like Peloza, (2008) indicate that the presence of financial institutions has aided in the development of individuals and communities, there are those who are skeptical and are still waiting to see results that they believe are thorough and accurate. Even for those who believe that financial institution is a positive developmental force, there are certain doubts that arise regarding its efficiency e.g. whether or not financial institution that offers credit exclusively to micro, small, or medium enterprises can do so to such an extent that it may become able to exist without outside financial assistance (Ogden and Watson, 1999).

According to Kotler (2005), while financial institutions may be able to achieve their social goals, they may not be capable of doing so to such an extent as to both financially independent and sustainable. Many financial institutions attempt to combat the problem of sustainability by charging high interest rates to offset the increased cost of managing many small loans. This becomes another perceived downside of financial institutions, as the interest rate applied to microcredit worldwide is often between thirty and fifty percent on average

Yet still, Ogden and Watson (1999) confirm that with such interest rates such as these, it may be difficult for someone living in poverty to repay these loans or, even if they are able to repay, to benefit enough from them to be able to lift themselves from poverty. Even outside of the mentioned disadvantage of financial institution, there are many documented conjectures about certain circumstances which render the services of microfinance largely ineffective. For example, if there is not an adequate amount of pre-existing financial activity occurring in a given community, financial institution will not likely to have a positive effect

2.7 Corporate Social Responsibility and Financial Performance

Waddock and Graves (1997) and Tsoutsoura (2004)) put forward a number financial performance measures which are divided into three categories namely: ROA and

ROE; profitability in absolute term and multiple accounting based measure with the overall index using the score of 0 –10. The use of the measure for financial performance is based on the thought that the measure can indicate an entity's performance that is not affected by the difference of company size. The ROA measures not only profit aspect but also that related to assets employed to generate the profit. If the ROA is broken down, there will be important two measures: profitability ratio (profit margin) and asset turnover ratio. For ROE (return on equity), there will be one more measure of financial leverage in addition to having the two measures (Fitzgerald and Moon, 1996).

Waddock and Graves (1997) and Peloza (2008) raise an important question regarding which one between corporate social responsibility and financial performance come first. Two theories are put forward to explain this question: These include; the Slack resource theory and Good management theory. Under the slack resource theory, a company should have a good financial position to contribute to the corporate social performance. Conducting the social performance needs some fund resulting from the success of financial performance. According to this theory, financial performance comes first. A good management theory holds that social performance come first. Based on the theory, a company perceived by its stakeholders as having a good reputation will make the company easier (through market mechanism) to get a good financial position.

Rey and Nguyen (2005) argue that unlike the financial performance, the social performance is hard to measure. That is why some previous studies on the relationship between corporate social performance and corporate economic/financial performance used different approaches to corporate social performance. Some approaches used include: eight attributes of reputation (often called Fortune measure), Five aspect on focusing on key stakeholders and three pressure variables (often called KLD measure), quantitative measure of environmental aspect (often called TRI measure), quantitative aspect of company philanthropy (often called Corporate philanthropy measure), and return and six social measure on customer, employee, community, environment, minority, and non US stakeholder (often called best corporate citizen). For some approaches it may be possible to use similar measurement but, with different judge or evaluator, the overall CSR measurement result in different perspective

Corporate social responsibility is regarded as the consideration of nonfinancial consequences of production. Concerns about the natural environment, employees, ethics and society as a whole are thought to constitute an important part of the firm's responsible behavior (Peloza, 2008). An economic interpretation is to consider corporate social responsibility as voluntary internalization of externalities.

Research has it that empirical relation between corporate social responsibility and corporate financial performance, although studied intensively, has led to mixed results and conflicting views (McGuire et al 2008). According to a study conducted by Rey and Nguyen (2005), when treated as an independent variable, corporate social performance is found to have a positive relationship to financial performance in 42 studies (53%), no relationship in 19 studies (245), a negative relationship in 4 studies (15%) and a mixed relationship in 15 studies (19%).

When the relation between social responsibility and financial performance is studied, three measures of financial performance are commonly used: 1. the Market-to-Book ratio; 2. accounting profit ratios, such as Return on Assets; 3. stock market returns. When the results of such studies are compared, it is commonly implicitly assumed that one can use financial performance measures interchangeably. Indeed, without externalities, most financial performance measures can be expected to exhibit similar behavior. With externalities, however, changes in distinct financial performance measures must be interpreted differently (Rey and Nguyen, 2005).

(Peloza (2008) gives an example illustrating that the internalization of externalities has a strictly negative effect on accounting profits. Lower profits have a negative effect on the stock market value of the firm. Yet, if the internalization of external effects is valued by (socially responsible) stockholders, there is an additional positive effect on the stock market value. Consequently, changes in accounting profit and changes in stock market prices cannot be interpreted in the same way.

Arthur and Little (2003) explain that partial equilibrium analysis cannot reveal these opposing effects, because in a partial equilibrium model the relation between operational profits and external effects is modeled as an exogenous process. This leads to an economic model that incorporates socially responsible investment and corporate social responsibility in a full equilibrium neo-classical framework. It turns out that when the effect of corporate social responsibility on financial performance is interpreted, it makes a substantial difference which financial performance measure is used. The model shows that when externalities are internalized, various financial performance measures capture different effects, which yields paradoxical findings.

This leads us to re-evaluate the empirical literature. The study inspects what types of financial performance measures are used in 68 empirical studies of the last three decades. The group the studies according to the financial performance measure used and inspect the observed relation with the measure of social performance. The study finds that the empirical results are in line with the predictions of our general equilibrium model. Therefore, we conclude that our model is fully capable of explaining the various empirical findings on the relation between corporate social responsibility and corporate financial performance. In addition, in light of our findings, the existing empirical evidence is no longer mixed (Arthur and Little, 2003).

To model the effect of socially responsible behavior on financial performance, introduce a Diamond (1967) like general equilibrium stock market model with both heterogeneous consumers and producers. The study assumes that besides production of market-traded goods, firms generate an externality through, for example, environmental damage. Consumers have interests in firms via shareholdings and they differ with respect to their preferences over e.g. environmental damage (Carroll, 1999).

According to Carroll (1999), the traditional way of dealing with externalities is through some form of intervention, for example imposing a Pigouvian tax on the generator of the externality However, socially responsible firms demonstrate over compliance, they internalize the externalities voluntarily. Voluntary internalization is motivated by the market through socially responsible investment. Socially responsible investors acknowledge that, as owners of the firm, they are also responsible for the generation of the externality.

Effectively, such investors view the externality as their property, which affects their demand for shares. Accordingly, corporate social responsibility has an effect on the market value of the firm. The effect can be related to the argument made by Carroll (1979) that externalities can be resolved when property rights are well-defined. The study shows that a social planner’s solution coincides with the competitive stock market allocation, given that firms maximize market value. This result is in accordance with the basic argument made by Capaldi (2005) that the single objective of a firm should be to maximize its market value.

2.8 Measuring Corporate Social Responsibility

Measuring CSR has its own challenges. Kotler (2005), elaborates this by arguing that the initial challenge in testing the relationship between corporate social responsibility and financial performance is identifying those companies that have adopted corporate social responsibility because corporate social responsibility reflects an approach to internal decision making, the presence or absence of which may not easily be determined by external observers.

To overcome the above challenge, the study identified those companies that produce annual reports and treat those companies as having adopted corporate social responsibility. This is because it is believed that such a report provides information to external stakeholders about the conduct of a company, allowing consumers, employees, investors and others to make informed decisions when dealing with the company. Importantly, the preparation of a sustainability report also provides company management with information about social and environmental performance, facilitating improved decision making. In view of this, McWilliams and Siegel (2000) note that, it may be the case that it is not until information is collected for public dissemination that senior managers become aware of an issue

Meechan(2006) stress that generally sustainability reports provide information about a company’s environmental performance, such as energy efficiency, water usage and greenhouse gas emissions, as well as their social performance, such as their staff recruiting and retention policies and engagement with stakeholders. There are a number of voluntary reporting guidelines and sets of indicators available for these companies; the most widely used is the Global Reporting Initiative

However, Ogden and Watson (2009) provide some limitations of the above approach e.g. it may give more of an indication of a company’s willingness to report rather than the extent to which company decision makers considers social and environmental factors in making decisions. However, important to note that is that the strengths of sustainability reports overweigh such limitations

An alternative to measuring CSR is to draw on existing corporate social responsibility indices such as the Corporate Responsibility Index. However, this seems to require much more resources in terms of time and money yet the study time was limited hence it couldn’t be considered.

A second alternative approach would be that of measuring corporate social responsibility using socially responsible investment funds to identify appropriate investments. The Ethical Investment Association (2006) states that there are now $11.98 billion in managed investments and super funds that identify themselves as socially responsible time (Porter and Kramer, 2002). However, this approach was not used for this exercise due to the fact that the investment criteria vary across investment funds, and there is no objective means for determining which is superior.

2.9 Measurement Problems

2.9.1 Measures of Corporate Social Responsibility

The measurement and determination of CSR and financial performances is not a simple task. This is mainly due to the lack of consensus of measurement methodology as it relates to corporate social performance and in many cases, subjective indicators are used, such as a survey of business students (Kotler, 2005). Noteworthy, it is not clear what these indicators measure. In many cases, researchers employ official corporate disclosures annual reports to shareholders, CSR reports, or the like. Despite the popularity of these sources, there is no way to determine empirically whether the social performance data revealed by corporations are under-reported or over-reported.

There are some limitations with the above approach such as it may give more of an indication of a company's willingness to report, rather than the extent to which company decision makers considers social and environmental factors in making decisions. However, important to note that is that the strengths of sustainability reports overweigh such limitations (Ogden and Watson, 2009).

2.9.2 Measures of Financial Performance

Measuring financial performance has never been an easy task though it may be considered a simple task; it also has it specific complications. Here, too, there is little consensus about which measurement instrument to apply. However many researchers use market measures as a way to evaluate a company's financial performance (Waddock and Graves, 1997) and some adopt both of these (McGuire *et al. 2008*). The two measures, which represent different perspectives of how to evaluate a firm's financial performance, have different theoretical implications (Kotler, 2005) and each is subject to particular biases (Hill Knowlton, 2006). The use of different measures, needless to say, complicates the comparison of the results of different studies.

2.10 Theories

A number of theories discussing the concept of CSR have been put forward and companies especially multinational are on the leading front in coming out with the best practice for their operations in the arena of CSR. This study will however look at two CSR theories namely; instrumental theories and integrative theories.

Integrative theory looks at how business integrates social demands, arguing that business depends on society for its existence, continuity and growth. Social demands are generally considered to be the way in which society interacts with business and gives it a certain legitimacy and prestige. As a consequence, corporate management should take into account social demands, and integrate them in such a way that the business operates in accordance with social values.

Instrumental theories have a long tradition and have enjoyed a wide acceptance in business so far. With this theory, Windsor (2001) points out that the motive of wealth creation progressively dominates the managerial conception of responsibility. Similarly, Meechan (2006); Odgen and Watson (1999) affirm that, the concern for profits does not exclude taking into account the interests of all who have a stake in the firm (stakeholders). It has been argued that in certain conditions the satisfaction of these interests can contribute to maximizing the shareholder value. Hence, an adequate level of investment in philanthropy and social activities is also acceptable for the sake of profits as argued by McWilliams and Siegel (2001). Making Social Investments in a Competitive context by firms can be said to be driven by the instrumental theory. It is believed that a company will be able to achieve its strategic goals like improving the level of sales by investing in society where it operates. Investing in philanthropic activities may be the only way to improve the context of competitive advantage of a firm and usually creates greater social value than individual donors or government can. This view is supported by Burke and Lodgson (1996) who point out that when philanthropic activities are closer to the company's mission; they create greater wealth than others kinds of donations. Porter and Kramer conclude, ‘‘philanthropic investments by members of cluster, either individually or collectively, can have a powerful effect on the cluster competitiveness and the performance of all its constituents companies’’

2.11 Empirical Literature Review

Much of the available imperial literature indicates that involvement in CSR correlates positively with Organizational Effectiveness (OE). Such literature includes Olowoudejo and Aduloju (2011) in-depth studies on corporate social responsibility and organization effectiveness of insurance companies in Nigeria. They findings from these studies indicated that insurance companies were involved in all four forms of CSR activities (business ethics, urban affairs, consumer affairs and environmental affairs) with consumer affairs receiving the most active involvement and that organizational effective (OE) of the participating insurance companies was to a large extent satisfactory.

2.11.1 Positive Relationships between CSR and Financial Performance

Some scholars argue that there is a positive relation between CSR and financial performance. Spicer (2008) conducted a study on the paper and pulp industry and found a positive correlation between a firm’s economic performance and its level of pollution control. The study reveals that the higher the level of pollution control the greater the profitability and size of the firm and the lower the systematic and total risk. However, Spicer notes that the benefits seen were short lived.

Anderson and Frankle (2000) took a different approach by using a firm's market value to measure financial performance and its relationship with CSR. A positive relationship between market value and CSR was found. This meant that investors were investing more in firms who reported CSR than those who did not. This provides some evidence of the existence of the 'ethical investors.'

Cochran and Wood (2004) examined the relationship between CSR and corporate financial performance (CFP) by using new (at the time) statistical research tools to look at financial variables working as moderating variables. Cochran and Wood (2004) found that asset age was highly correlated to levels of CSR and that there was a positive relationship between CSR and CFP when asset age was removed.

Griffin and Mahon (2007) looked at the chemical industry and found that high CSR was linked to high CFP and that low amounts of CSR reporting was linked to lower CFP. Griffin and Mahon's empirical study was one of only a handful of studies that was industry-specific. Industry is a moderating variable. However, the internal validity of this empirical research was low as Griffin and Mahon only studied six firms.

2.11.2 Negative Relationships between CSR and Financial Performance

According to Vance's (2005), "an investor would be better-off investing in companies who report little or no CSR". Vance explains that companies have more reasons to be socially responsible than only how it affects the per share value of their common stock.

In relation to the above, McGuire *et al*. (2008) stress that it is a firm's financial performance that influences CSR and not the other way round contrary to what the majority of researchers think. The idea here is that firms that have 'spare cash' available are more likely to invest in society and the environment and yet firms take on the extra costs to benefit society as a whole and at the expense of their shareholders' personal wealth.

Riahi-Belkaoui (2002) found a negative relationship between external perceptions of a company's CSR activities and executive compensation schemes, providing a new angle on the relationship. The findings suggest that top management may be discouraged from undertaking CSR activities. This is due to the fact that the shareholders do not appreciate their profits being spent on activities they do not consider beneficial to them.

2.11.3 No Relationship between CSR and Financial Performance

Some studies have revealed that CSR may not necessarily affect the financial performance of a firm e.g. Fry and Hock (2006) conducted a study on Texaco Oil Company where they found out that the amount of CSR did not increase or decrease the profitability of the firm. They went further to explain that the firm's size and public image management also determine the amount of CSR reporting undertaken. Along the same lines, Chand (2006) indicates that the industry a firm operates in may have a strong effect on the results on the relationship between CSR and financial performance.

In addition, Alexander and Buchholz (2008) examined the relationship between the level of CSR and stock market performance. The empirical study did not find any significant relationship between CSR and either of these two variables. One possible explanation for this is that the market is efficient and thus any ‘positive news’ will change the share price instantly rather than over a period of time.

Similarly, Aupperle *et al*. (2005) made a large contribution to the debate at the time where critical of the research that had been carried out previously, especially in regards to what they had considered to be weak methodology applied on the relationship of CSR and financial performance. To measure financial performance the researchers used both long-term and short-term return on assets. No relationship was found between the variables, CSR and financial performance, suggesting the effect CSR has on profitability is neutral and by reporting CSR profits are neither increased nor decreased (Aupperele, *et al*. 2005). A point is raised however, that there may be some intangible benefits which arise from the reporting of CSR, and the question is raised whether this debate may ever be resolved.

Firm size may also have a significant impact on the results concerning the relationship between CSR and financial performance. Fry and Hock (2010) found no relationship and put change in financial performance down to firm size. The reason Fry and Hock think this is that larger firms have a greater ability to make profits than smaller firms. They are therefore more likely to spend money on CSR.

2.12 Research Gap

From the literature review above, it is clear that many studies have been conducted on the impact of CSR on business performance and financial performance in various countries throughout the world. However, no empirical studies have been conducted on the impact of CSR on the financial performance for commercial banks in Tanzania. It is the objective of this study to fill that gap by focusing on NMB as a case study.

2.13 Conceptual Framework:

Relation between independent variables, control variables and dependent variables.

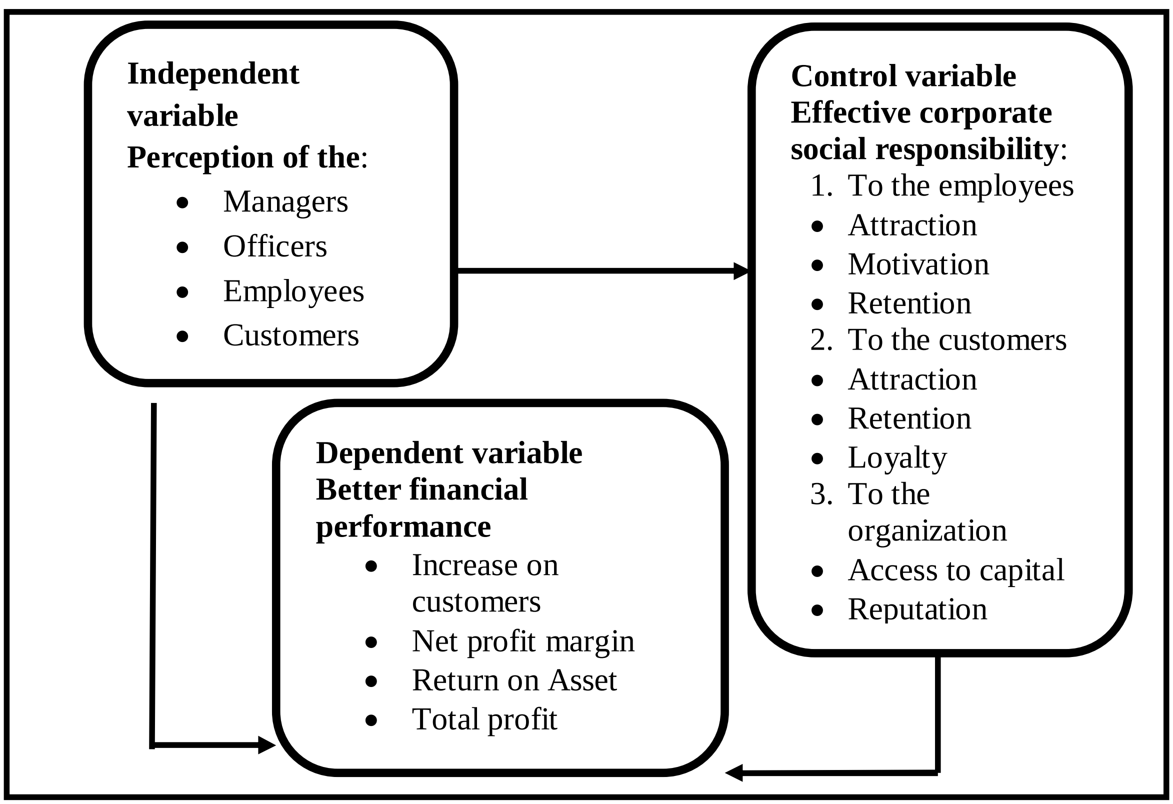

Figure 2.1: Conceptual Framework
Source: Researcher (2014)

The above conceptual frame work consists of a set of factors that are inter-related within the CSR phenomenon. These factors include; independent variables which include **Perceptions of the** Managers, Officers, Employees and Customers; dependent variables are based on the perception that **Better financial performance lead to** Increase on customers**,** Net profit margin**,** Return on Asset **and** Total profit and finally, control variables are based on the perception that **Effective corporate social responsibility** will lead to the employees attraction, motivation and retention ; to the customer Attraction, Retention and Loyalty and finally To the organization Access to capital and Reputation as indicated in the illustration above.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Overview

This chapter presents study area, research design, research approach, study population, sample and sampling procedures, data sources both primary and secondary as well as data analysis methods and techniques.

3.2 Study Area

The study was conducted at National Microfinance Bank (NMB). The area is selected due to the fact that National Microfinance Bank is among of the first leading banks which is involved in various social responsibilities in Tanzania, such as sports, support people who are in hardship and support education development

3.3 Research Design

A research design is a road map, on how a research is going to be conducted. This involves ways on how data were collected and analysed (Kothari, 2004). Case Study research design was used. This design was chosen because of the nature of the problem being studied. The case study method is an approach by which an area, institution or a phenomenon is used as a unit of analysis and an in-depth investigation is conducted on it with a view to unreeling information that would help give its relationship with other units of the same characteristics.

3.4 Research Approach

The study applied a mixed methods approach. This approach combines alternative approaches within a single research project. In this regard, two approaches were utilized in conducting the study that is; quantitative and qualitative data collection methods. According to Saunders and Thornhill, 2009, qualitative research approach refers to all non-numeric data or data that have not been quantified and can be a product of all research strategies whereas quantitative approach involves collection of quantifiable data which are normally in-terms of numbers, tables, charts etc. The qualitative approach was the main data collection approach while the quantitative approach was applied in a few instances especially where the researcher felt there was some missing gaps that could be filled with only the qualitative data.

3.5 Study Population

This is the totality of objects under investigation (Kamuzora and Adam, 2008). Since the current number of employees at the NMB (T) LTD is 1,500 the researcher deliberately selects respondents from the NMB headquarters Dar es Salaam.

3.6 Sample Size and Sampling Procedures

The sample size of the study comprised of 100 respondents. The study used both probability and non-probability sampling such as simple random sampling and purposive sampling in selecting respondents. Simple random sampling was used in selecting customers while purposive Sampling was used in selecting managers and other staffs as purposive sampling involves selecting respondents based on key positions they hold in their organization or set up.

3.6.1 Sample Distribution

Table 3.1 : Sample distribution

Sample distribution	Sample method	Sample size	Percent
Manager	Purposive sample	3	3.0
Officers	Purposive sample	6	6.0
Staff	Simple random	30	30.0
Customer	Simple random	61	61.0
Total		**100**	**100.0**

Source: Field data

3.7 Data Collection Methods

Data collection according to Saunders and Thornhill (2009 is a two way systematic conversations between the investigator and the respondent and this data consists of information, statistics, facts, figures, numbers or records. The study collected both primary and secondary data.

3.7.1 Primary Data

According to Kothari (2004) primary data are those which are collected afresh and for the first time and thus happen to be original in character. In collecting the primary data the study used structured questionnaire due to the facts that both NMB customers, staffs and managers were very busy to comply with other means of collecting data such as interviews.

3.7.1.1 Questionnaires

According to Kothari (2004), a questionnaire refers to a set of printed/typed questions in a definite order that are given to respondents to answer. The study comprised of of both open and closed ended questions. These questions were formed from the research objectives and they are attached as appendix 1.

3.7.2 Secondary Data

.Secondary data was collected through documentary review where a number of documents including official documents from NMB, reports, seminar papers etc were examined in relation to CSR to supplement the primary data collected.

3.8 Data Processing and Analysis

Data processing involves editing, coding, tabulation that was used as a key factor in whole process of research. This will be done in the area in order to make the research be accurate and effective as follows;

i. Editing was done immediately after receiving questionnaire from respondents; it involved correction of errors that might have appeared in the whole process of research writing

ii. Coding was done in order to ensure whether the response categories were appropriately classified and exhausted to the problem under the study and arrange data collected according to group or classes they base on the basis of their common characteristics.

iii. Tabulation: After organizing data into categories, it was then put into a tabular form (tabulation). This was done in order to create an orderly and systematic presentation of the research information/findings.

iv. Software package used for data analysis is the Microsoft Excel and for the correlation it is the SPSS – Statistical Package for Social Sciences.

v. After collection of both primary and secondary data, it was then subjected to data processing which involved editing, coding, tabulation and alike. Then, the data was subjected to content analysis using the Statistical Package for Social Sciences (SPSS)

CHAPTER FOUR

4.0 DATA FINDINGS, PRESENTATION AND DISCUSSION

4.1 Overview

This chapter focuses on research findings, analysis through data, discussion and interpretation based on the methodology selected in the study. This discussion and interpretation also focuses on the problem identified in chapter one and research objectives/questions posed in the first chapter of the study.

4.2 Descriptive Characteristics of the Respondents

4.2.1 Distribution of Respondents by Age

The respondents were distributed in different categories of age data show that 18-28 posses 17 (17.0%), 29-38 are of 11 (11.0%) who aged between 39-48 where 43 (43.0%) followed by those who aged 49-58 who takes 21 (21.0%) and those who were above 59 least by 8 (8.0%) cumulatively those who were between 39-59 posses 72 (72%) as shown on the Table 4.1. This does mean that most of NMB customers are very matured enough being in that manner they understand the role of the bank in supporting the community, they at the age of investments they can also support the community, having invested their money at NMB may be other reason including the reputation of the bank in saving the community life in different spheres.

Table 4 1 : Age of the respondents

Age of the respondents	**Frequency**	**Percentage**
18-28	17	17.0
29-38	11	11.0
39-48	43	43.0
49-58	21	21.0
Above 59	8	8.0
Total	100	100.0

Source: field data (2015)

4.2.2 Distribution of the respondents by sex

Most of the respondents were male 69 (69.0%) followed by female who were 31 (31.0%). This implies that males are more dominant in investing than females. It is argued that always males are so aggressive in judging issues looking on economic perspectives while women tend to judge issues looking on social perspective (Arthur and Little, 2003). Perhaps the reason for male domination, the study has been influenced by lower cost of opening and operating the account, accessibility and better services and women investment may be due to the good corporate social responsibility, corporate image to the community and other factors. For such reasons NMB therefore needs to increase customers particularly women and generate more profit and in line with more investment on CSR activities.

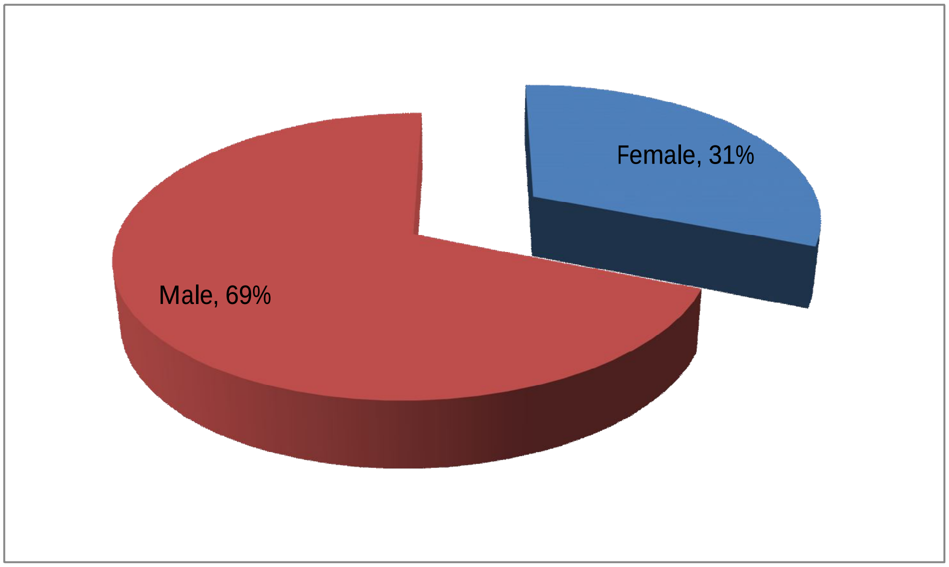

Figure 4.1 : Respondent distribution by sex

Source: Field data (2015)

4.2.3 Distribution of Respondents by Education Background

Respondents were distributed in different education category those who were primary school completed were 5 (5.0%), secondary school completed were 28 (28.0%), and certificates pose 8 (8.0%) while diploma level were 7 (7.0%) advance diploma 30 (30.0%) degree holders 17 (17.0%) lastly were others who takes 5 (5.0) out of 100 (100.0%) as it is shown on the table 4.2 below. This entail to us that most of the NMB customers in average they are educated for such reason they understand the role of the bank in serving the community. Their investments has not only been influenced by other factors but also the good corporate image of the bank, its reputation and likewise as educated man tends to judge service looking on the quality of the service rendered and the proper image of the company. Reference is made from NMB initiatives towards Education support to the communities. In December 2012, for example NMB built library in Angaza Secondary School, in July 2010; NMB donated 34 million towards construction of Tumaini University Dar Es Salaam College.

Table 4.2 : Respondents Distribution by Education Background

Education Background	**Frequency**	**Percentage**
Primary school completed	5	5.0
Secondary school completed	28	28.0
Certificates	8	8.0
Diploma	7	7.0
Advance diploma	30	30.0
Degree holders	17	17.0
Other	5	5.0
Total	**100**	**100.0**

Source: field data (2015)

4.2.4 Distribution of Respondents by Occupation

As presented in Table 4.3, most of the respondents were employed followed by business persons, small entrepreneurs and jobless (students) as data shows that those who were employed were 77 (77.0%) while business person were 11 (11.0%), self-employed (entrepreneurs) 9 (9.0%), jobless (students) were 3 (3.0%). Employee value the organization when it pays more attention support and offer services to the community.

Table 4.3 : Distribution of Respondents by Occupation

Occupation	Frequency	Percentage
Self-employed (small entrepreneur)	9	9.0
Employed	77	77.0
Business person (trader)	11	11.0
Jobless (students)	3	3.0
Total	**100**	**100.0**

Source: field data (2015)

4.2.5 Distribution of Respondents by Position

Respondents were from different positions and possess different statuses as findings shows in Table 4.4 that managers 3 (3.0%), officers 6 (6.0%), other staff were 30 (30.0%) while customers were 61 (61.0%)

Table 4.4 : Distribution of Respondents by Position

Position	Frequency	Percentage
Managers	3	3.0
Officers	6	6.0
Staff	30	30.0
Customers	61	61.0
Total	**100**	**100.0**

Source: field data (2015)

4.3 Impact of the Corporate Social Responsibility on Financial Performance basing on NMB staff and customer perspectives on CSR in relation to financial performance.

4.3.1 Perception that NMB is performing well in serving the Community

Respondents in Table 4.5 were asked to respond if NMB bank is performing well in serving the community with three different option answer such as yes, no and don’t know, those who said yes lead by 78 (78.0%) followed by those who said no 14 (14%) while 8 (8.0%) said that they don’t know whether NMB bank is doing good or not. Most of the respondents believed that NMB bank is doing well in serving the community having such customers with a particular trust builds loyalty and may perhaps retain and attracts more customers to invest at NMB bank.

Table 4.5 : NMB Bank is doing well in serving the community

NMB is doing good in serving the community		
	Frequency	**Percentage**
Yes	78	78.0
No	14	14.0
Don't know	8	8.0
Total	**100**	**100.0**

Source: field data (2015)

4.3.2 Assertion on the extent that CSR has great significance in increasing NMB Finance/Wealth

Only 5 (5.0%) of the respondents were very strongly in agreement that CSR has great significance in increasing NMB wealth, 15 (15.0%) strongly agree and 50 (50.0%) agree while 18 (18.0%) strongly disagree and 12 (12.0%) very strongly disagree on whether NMB CSR issues has great significance in increasing the NMB wealthy as shown on the Table 4.6. Despites the trust that most of NMB bank customers have towards the good of serving community but still most of the respondents they only few respondents who are very strongly agree that this initiative increase financial wealth of the bank although still most of the respondents strongly agree on the claim. Therefore from this it seems that there is relationship between CSR and financial wealthy of the bank from respondents perceptions.

Table 4.6 : CSR has Great Significance in Increasing NMB Finance/Wealth

Agree that CSR has great significance in increasing NMB finance/wealth		
	Frequency	**Percentage**
Very strongly agree	5	5.0
Strongly agree	15	15.0
Agree	50	50.0
Strongly disagree	18	18.0
Very strongly disagree	12	12.0
Total	**100**	**100.0**

Source: field data (2015)

4.3.3 Assertion on the extent that NMB is not leading financially because of its investment on CSR Initiatives.

6 (6.0%) of all respondents very strongly agreed that NMB is not a leading financial institution due to its investment on CSR initiatives, 7 (7.0%) strongly agree, 20 (20.0%) they agreed that makes an accumulation of 33 (33.0%) who agreed on such

claim, while 50 (50.0%) strongly disagreed on such claim followed by 17 (17.0%) who very strongly disagreed that NMB is not leading financial institution due to its investment in CSR that makes accumulation of 67 (67%) out of 100 (100.0%) as its been exposed on the table 4.7. As most of the respondents denied that the NMB bank is not leading financially because of its investments on the CSR projects it implies that still most of the respondents like the way the bank does in serving the community and if so there is a great chance that most of the customers and employees are very much attracted by the projects hence more customers, more profits and more return.

Table 4.7 : NMB is not a leading due to its investment in CSR

NMB is not a leading financial institution in Tanzania due to its investments in CSR		
	Frequency	**Percentage**
Very strongly agreed	6	6.0
Strongly agreed	7	7.0
Agreed	20	20.0
Strongly disagreed	50	50.0
Very strongly disagreed	17	17.0
Total	**100**	**100.0**

Source: field data (2015)

4.4 Impact of CSR on financial performance basing on the employee attraction, motivation and retention as well as customer attraction, loyalty, reputation and access to capital.

4.4.1 Extent to which NMB Bank CSR initiatives make customers proud and committed.

The question to what extent does NMB initiative in CSR makes customers more proud and committed was posed to respondents who are NMB staff. Those who said to a very large extent were 9 (23%), large extent were 17 (44%) normal extent 5 (13%) while those who responded that the CSR initiatives make customers proud and committed were 6 (15%) and very small extent were 2 (5%) constituting 39 (100%) of all respondents as it has been shown on the Table 4.8. Almost most of the respondents were pleased by the way bank does in serving the community and their commitment depends on several factors including the bank initiatives for example helping communities in education support, foods etc. From the secondary data collected for example, it was found out that in 2011 NMB provided CSR services such as the donation of Tshs.10 million to Kilimanjaro Christian Medical Centre (KCMC); support to media council on its excellence in journalism awards (EJAT) even; material support of worth Tsh.5.5 million to victims of Gongo la Mboto bomb explodes. Therefore having very committed employees influence the level of productivity for the organization (Maijer and Schuyt, 2005).

Table 4.8 : Perception That NMB Initiative in CSR makes you More Proud and Committed

The sponsored initiatives by NMB makes you more proud and committed		
	Frequency	**Percentage**
Very large extent	9	23
Large extent	17	44
Normal extent	5	13
Small extent	6	15
Very small extent	2	5
Total	**39**	**100**

Source: field data (2015)

4.4.2 Measuring general perception of the NMB employees

In the process of measuring the perception of the NMB employees on CSR different statements were posed and the respondents were also required to either agree or disagree, and the results were as follows: 39 (100%) that means all respondents agreed that they feel very proud at their company because of its offer to the community services. 19 (49%) feel that NMB bank attract great talent people with passion in order to drive success and growth while 20 (51%) disagreed. All respondents 39 (100%) agreed that NMB bank support employee volunteering action while the statement whether NMB CSR efforts have increased overall satisfaction has indicated 21(54%) do agree and 18(46%) disagree. Likewise those who feel that NMB does a good job of contributing to the communities in which we live and work are 39 (100%). On the same table respondents were asked whether the community services offered by NMB have led to its decline in financial performance 9 (23%) agreed while 30 (77%) disagreed, and on the statement CSR policy is merely wastage of time and money 4 (10%) agreed while 35 (90%) disagreed. Only 14 (36%) out of 39 were satisfied while 25(64%) were not satisfied with the general working environments of the NMB Bank as displayed on the Table 4.9.

Table 4.9 : To Agree or disagree on the following statement

Agree or disagree on the following statement				
	Agree	**Disagree**	**Percentage**	**Percentage**
I feel very proud to work at my company because it offer community services	39	0	100	0
I feel that my company attract great talent, people with passion in order to drive success and growth	19	20	49	51
My company support employee volunteering action	39	0	100	0
my company social responsibility effort have increased my overall satisfaction	21	18	54	46
my company does a good job of contributing to the communities in which we live and work	39	0	100	0
The community service offered by my company has led to its decline in financial performance	9	30	23	77
CSR policy is the merely wastage of time and money	4	35	10	90
I am satisfied with the general working environment of the NMB	14	25	36	64

Source: Field data (2015)

From the above illustration it is clearly that there are a number of positive reactions of CSR on a company's performance. It is against this background that many MBAs in

Europe and American businesses pay attention to CSR aspects including employee relationship, environment sustainability, stakeholder relationship and ethical corporation behavior as argued by Montgomery and Ramus (2003). In the same view with this, PW Partners conducted a study in 2007 on employees about their work decisions/choices where they found out that more than 90% of the persons interviewed were willing to forgo financial benefits in order to work for an organization with a better reputation for CSR and ethics. A survey of Estonia found that many managers see CSR as a way of returning qualified employee in a tight labor market (PW Partners 2007).

4.4.3 Factors Influenced Customers to Deposit at NMB Bank

Good corporate social responsibility 9 (15%) took third position followed by better service 5(8%), corporate image 4 (7%) and other factors 1 (2%) and before lower cost of opening and operating account 19 (31%) and accessibility 23 (37%) as shown on the Table 4.10, as most of the respondents tend to judge events or phenomenon basing on its outcomes on economic aspects therefore having CSR not the leading factor among several which has influenced several customer to deposit at the bank perhaps it may be one of the reason. As most respondents were more attractive on the factor like access, cost of operating as well as better service, some were deeply concerned on the factor like corporate image and social responsibility of the company for them to invest or to engage on.

Table 4.10 : Factor influence customers to deposit at NMB bank

Which among of the following factor have influenced you to deposit at NMB		
	Frequency	**Percentage**
Good corporate social responsibility	9	15
Better service	5	8
Lower cost of opening and operating the account	19	31
Accessibility	23	37
Corporate image	4	7
Other factors	1	2
Total	**61**	**100**

Source: Field data (2015)

From the customers' perspectives, CSR and financial performance highly depends on a company's competitive strategy and market positioning. In some of the firms, CSR is an integral part of the product quality and other offered services. On the other hand if a company is mainly a cost cutter, it will be less likely to go beyond legal compliance in the social and environmental fields.

Other studies such as Maijer and Schuyt (2005) suggest that corporate social performance of producers does not motivate consumers to buy a product. They however note that CSR should meet at least a minimum acceptable level in order not to repel possible consumers. Hence, describing CSR as an hygienic factor/bottom line rather than a motivator i.e. minimum attention to CSR may be a competitive necessity rather than a competitive differentiator.

4.4.4 Employees perception that CSR has negative or positive impacts on the financial performance

Corporate social responsibility initiatives offered by NMB bank has neither positive nor negative impact on the financial performance as it has been supported by 21 (54%) out of 39 (100%) NMB employees respondents while those who said it has positive impacts on the financial performance were 14 (36%) and 4 (10%) respondents firmly responded that the CSR initiatives has negative impacts on the financial performance of the bank as it can be shown on the Table 4.11. Those who said that corporate social responsibility initiative have positive impacts or implication on the productivity of the bank were adequate to justify that whatever projects or program or late it be strategy has either direct or indirect effects towards the margin return or profit especially on the business like firm as NMB bank.

Table 4.11 : Positive and negative impacts of CSR on the financial position of the bank

Does CSR have positive or negative impacts to the NMB Bank financial performance i.e. profit?(NMB employees perception)		
	Frequency	**Percentage**
Positive	14	36
Negative	4	10
Neither positive nor negative	21	54
Total	**39**	**100.0**

Source: Field data (2015)

4.4.5 Customer loyalty

Most of the NMB bank customers responded that there are been influenced at a normal degree 33 (54%), very high degree were 11 (18%) and high degree 14 (23%), those who rate lower degree were 2 (3%) and at a very lower degree 1 (2%) with the CSR offered by NMB bank such as serving the community, supporting training and by providing sponsorship to different events. Generally the finding shows that the loyalty of the customers depends on the good investments of the bank in serving the community, having such people with a particular notion of loyalty apparently brings positive outcomes to the organisation.

Table 4.12 : CSR initiatives degree of influences to customers

To which degree does NMB bank CSR i.e. serving community, supporting training etc. makes you to remain as NMB customer for a long time		
	Frequency	**Percentage**
Very high degree	11	18
High degree	14	23
Normal degree	33	54
Lower degree	2	3
Very lower degree	1	2
Total	**61**	**100.0**

Source: Field data (2015)

Previous research indicates that CSR has impact on consumer attitudes, purchase intentions, consumer company identification, loyalty and satisfaction. In their view, Dick and Basm (1994) argue that a customer is a vital objective to a firm's survival and growth hence building a loyal customer base should not only be a major marketing goal but also an important basis for developing a sustainable competitive advantage. Understanding loyalty cultivation is thus an important key element in delivering long-term corporate profitability as profits can be increased over the lifetime of a customer through his/her retention.

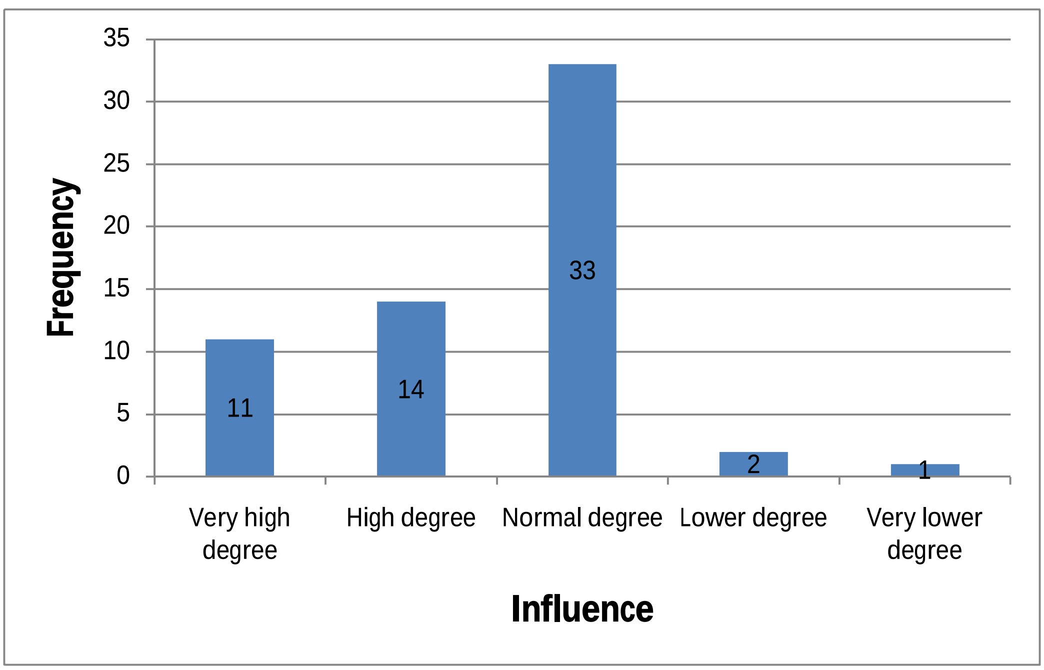

Figure 4.2 : CSR degree of influence to customer loyalty

Source: field data (2015)

4.4.6 Perception of customers towards impact of corporate social responsibility on financial performance

The same question were posed to the NMB employees on whether CSR has impact on financial performance of the company as most of the respondents 12 (20%) responded that CSR projects have positive impact while 8 (13%) said there is a negative impact to the financial performance of the company likewise most of the customers 41(67%) responded that those initiatives have neither positive nor negative impacts to the financial performance of the company, making an accumulation of 61 (100%) of all respondents involved in this study as shown on the Table 4.13.

Table 4.13 : Positive or negative impacts of CSR on FP

Does CSR have positive or negative impacts to the NMB Bank financial performance i.e. profit?(perception of the customer)		
	Frequency	**Percentage**
Positive	12	20
Negative	8	13
Neither positive nor negative	41	67
Total	**61**	**100.0**

Source: field data (2015)

4.5 Relationship between corporate social responsibility and financial performance basing on the financial performance indicators such as return on equity increase on customers, net profit and total asset

There is a strong positive correlation between corporate social responsibility and net profit of the company as shown in the Table 4:13 that (P<0.01). This implies that the greater NMB bank invests on corporate social responsibility initiatives the greater it accumulate much profit. Therefore there is a need of having more investments on corporate social responsibility if the bank needs to uproot much profit they need.

Table 4.14 : Correlation of CSR and net profit of the company

Correlations of CSR and net profit			
		Net profit	Corporate Social Responsibility
Net profit	Pearson Correlation	1	1.000**
	Sig. (2-tailed)		.000
	N	6	6
Corporate Social Responsibility	Pearson Correlation	1.000**	1
	Sig. (2-tailed)	.000	
	N	6	6
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: field data (2015)

Also the study found the positive correlation of corporate social responsibility and the increase of customers as it has been shown on the Table 4.14 that as NMB bank invest on CSR matters is the way that they attract more customers to deposit at the bank. As the data shows that relationship is very strong at the level of significance of ($p<0.007$) when they invest on CSR they also attract more customers

Table 4.15 : Correlation of CSR and increase of customers

Correlations of CSR and increase of customers			
		Corporate Social Responsibility	Increase of Customers
Corporate Social Responsibility	Pearson Correlation	1	.930**
	Sig. (2-tailed)		.007
	N	6	6
Increase of Customers	Pearson Correlation	.930**	1
	Sig. (2-tailed)	.007	
	N	6	6
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: filed data (2015)

There is relationship between the CSR and return on equity, which means as NMB bank increase on investing in CSR also the company equity increases. The Table 4.15 shows that there are very strong positive correlation between CSR and return on equity at level of significance ($p<0.01$).

Table 4.16 : Correlation of CSR and return on equity

Correlations of CSR and return on equity			
		Corporate Social Responsibility	Equity
Corporate Social Responsibility	Pearson Correlation	1	.998**
	Sig. (2-tailed)		.000
	N	6	6
Equity	Pearson Correlation	.998**	1
	Sig. (2-tailed)	.000	
	N	6	6
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: field data (2015)

CSR has no significance correlation with the company asset (P<0.078). The investment in corporate social responsibility initiatives it does not change the company asset significantly as shown on the Table 4.16.

Table 4.17: Correlation of CSR and Total Asset

Correlations of CSR and Total asset			
		Corporate social responsibility	Total asset
Corporate social responsibility	Pearson Correlation	1	.836
	Sig. (2-tailed)		.078
	N	6	6
Total asset	Pearson Correlation	.836	1
	Sig. (2-tailed)	.078	
	N	6	6

Source: field data (2015)

From the study, it was found out that CSR has positive relationship on all the four mentioned financial performance indicators i.e. return on equity, increase of customers, return on assets and profitability. Hence the study is in agreement with previous researches e.g. Cochran and Wood (2004) examined the relationship between CSR and corporate financial performance (CFP) and found out that asset age was highly correlated to levels of CSR and that there was a positive relationship between CSR and CFP when asset age was removed.

CHAPTER FIVE

5.0 RECOMMENDATION AND CONCLUSION

5.1 Overview

This chapter discusses the implications of the CSR on a company's financial performance and draws conclusion based on the findings emerged. Recommendations for further improvements have also been included in the same chapter and areas for further research.

5.2 General Summary

The study set out to assess the impact of CSR on the financial performance of NMB Tanzania. The study gathered perceptions of the bank management, employees and customers in relation to the study topic.

The study was guided by four research objectives and four research questions

5.2.1 Summary of findings

i. Descriptive Statistics

The findings show that most of the respondents who did involve in this study were males who were customers with moderate age 38-49. Also the findings shows that most of the respondents were employed only few were jobless having a moderate level of education, generally this implies that respondents who involved in this they have satisfactory age, knowledge of the issues surrounding there environment as well as experience therefore if they decided to invest or deposit their capital in the bank several factors may involve including CSR initiatives of the bank.

ii. General Perception of customers and NMB Staffs about the significance of CSR

Most of the respondents accept that the NMB bank do well in serving community through its social corporate social responsibility initiatives, they also do assert that corporate social responsibility has a very significance effect on the company financial performance. They do denies the claim that NMB is not leading financial because of its investment on corporate social responsibility matters.

iii. The extent to which NMB bank attract, retain and motivates both customers and staffs

Also the study findings show that there is inconsistence of response about the extent to which company corporate social responsibility do motivates, attract and retains both customers and staffs. Most of the employee found to have a very good perception, positive attitude and feeling towards the NMB bank CSR initiatives as most of them agreed that they feel very good, proud and they are influenced by the way the bank do serve, help the community as well as the way bank put concern on the social affair of the community. Most of the customers although they do agree on the role that NMB bank do play in serving the community but they were very noxious that they are being influenced with such action during their investment decision.

iv. The positive or negative impacts of CSR on the financial performance of the bank

Both NMB bank employee and customers do believe that CSR neither has positive nor negative impacts to the financial performance of the bank. May be is just because that NMB only use 1% of its net profit in corporate social responsibility issues or is just because there is other factors which contributes to the financial performance of the bank other than CSR like accessibility of the bank, cost of operating, and better service the claim of most of the customers.

v. Relationship between CSR and financial performance indicators

The assessment of the relationship between these two variables obtained from the NMB bank company profile from 2008 to 2013. The financial indicators used to assess the relationship were net profit of the company, return equity, increase of customers and return on asset of the bank. The positive significance relationship between CSR and FP found on the company profit, equity and the increase of the customers but found very weak on the return of the company asset.

5.2 Recommendations and conclusion

5.2.1 Recommendations

The main recommendations that accrue from the study include:

i. Corporate social responsibility initiatives offered by the bank should reflect behavior characteristics of the respondents

Corporate social responsibility initiatives offered by the bank should reflect behavior characteristics such as gender, age, education level etc of the stakeholders. The study for example highlights the gender differences in perceptions where findings show that men are more eager to realize economical CSR implementations, while women put more importance on voluntary CSR activities. In addition, women are more bounded by the ethical standards than men. Hence the decision of the firm (NMB) before the CSR investments should put such factors in account in order to be efficient and effective well knowing what attracts, motivates and influences who if there need to use CSR as a means of increasing bank financial productivity.

ii. The use of media and other advertising agencies in promoting the initiatives and projects

This will increase the awareness to both customers and employees as the study found inconsistence results on the awareness people have towards the impacts of corporate social responsibility on the banks FP although the bank use website to display some of data and information but much has to be done to go beyond. When people informed much about in transparent manner it is easy for them to understand and perhaps will increase commitment, satisfaction to the employees and attract new customers hence productivity. The financial statement of the bank should state clearly the extent of expenses placed in the CSR issue, the use and the outcomes or result and thus shall be known by both employees and customers.

iii. The use of corporate social responsibility to increase company productivity

Most of the organization do marginalize the extent to which the company can effectively use CSR to have direct implications on the company financial performance likewise NMB do so because they only use 1% of its net profit in CSR projects. For such scenario it is very difficult to note the impacts from this least investment, there it is recommended that the bank should take seriousness account on this so that to increase company profit, asset and equity as well as customers from this intervention.

iv. The formulations of thorough corporate social responsibility policy

The bank should formulate a policy placing or prioritizing the CSR issue, stating the financial source or budget source, the expenses, report and advertisement. The policy should be intervened in the organization short and long term strategies, by so doing it will enhance the effectiveness of such intervention and the profit or outcomes will be revealed and realized by both NMB bank management employee and customers.

5.2.2 Conclusion

The study which has been set to assess the impact of corporate social responsibility on the financial performance: perception of the management, employee and customers having the notion that the corporate social responsibility initiatives has been one of the factor which contribute the poor financial performance of the bank. In examining the study was guided by four specific objectives, using case study design with quantitative and qualitative approach. Additionally because the study based on the perception of the respondents the use of 100 respondents was seen to be justifiable, likewise the study finds the diversity of result from the perception of the customers and employees toward CSR and FP of the bank however the study discover that there was a positive strong relationship between CSR and net profit of the bank, increase of the customers, equity a weak relationship on with company asset. For such result we may conclude that the financial poor performance of the bank has not only been contributed by the bank investment on CSR but also other factors, the bank has to do much if it needs to effective use the CSR as the means of financial source much has to be done as recommended.

5.3 Areas for further studies

The study in question was conducted for banking institutions in Tanzania specifically the National Microfinance Bank (NMB). Further and extensive studies need to be conducted in other different institutions to explore more the casual mechanisms linking CSR to profitability ad to determine whether or not those relationships hold consistently over time because this is hardly investigated systematically. Hence, more data on CSR should be available and reliable which is an important issue as data from different sources have significant differences regarding how to evaluate CSR performance of a firm.

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APPENDICES

Appendix I: Questionnaire

Dear sir/madam

I am a student at the Open University of Tanzania (OUT) taking Masters Degree Programme that is MBA majoring Finance, I kindly request you to complete the following questionnaire as the aim of this study is to assess the impact of Cooperate Social Responsibility on Financial performance: Management, Employees and Customer's perceptions a case study of NMB bank headquarter. The information that you will give would have value and benefits to you as a customer, to the management and to the bank as well. Note that all these information will be treated as confidential and used only for academic purposes and not otherwise, so you are requested to feel free when you fill this questionnaire.

Objective I

I. To assess the impact of CSR on financial performance based on the descriptive characteristics

1. Age of the respondents

   a) 18-28 (   )

   b) 29-38 (   )

   c) 39-48 (   )

   d) 49-58 (   )

   e) 59-above (   )

2. Sex of the respondents

a) Male ( )

b) Female ( )

3. Level of education

a) Primary ( )

b) Secondary ( )

c) Colleges ( )

d) Advanced diploma ( )

e) Bachelor degree ( )

f) Masters degree ( )

g) Others (please specify) ………………………….

4. What is your occupation?

a) Self employed ( )

b) Employed ( )

c) Business person ( )

d) Jobless ( )

5. What is your job position

a) Manager ( )

b) Officer ( )

c) Staff ( )

d) Customer ( )

Objective II

To evaluate the impact of corporate social responsibility on the perception of the NMB employees and customers.

6. Do you think that NMB is doing good in serving the community through its various projects and programs

   a) Yes ( )

   b) No ( )

   c) Don't know ( )

7. Do you agree that NMB investments on CSR initiative have great significance of the financial wealthy of the bank?

   a) Very strongly agree ( )

   b) Strongly agree ( )

   c) Agree ( )

   d) Strongly disagree ( )

   e) Very strongly disagree ( )

8. To what extent do you agree that NMB bank is not leading financially because of its investment on CSR initiatives

   a) Very strongly agree ( )

   b) Strongly agree ( )

c) Agree ( )

d) Strongly disagree ( )

e) Very strongly disagree ( )

Objectives III

To examine the impact of CSR on the employee attraction, motivation and retention as well as customer attraction, loyalty, reputation and access to capital linking with the financial performance

9. To what extent does NMB bank CSR initiatives makes you more proud and committed to the organization.

a) Very large extent ( )

b) Large extent ( )

c) Normal extent ( )

d) Small extent ( )

e) Very small extent ( )

10. Agree or disagree on the following statements by mark (X) on the correct answer

I feel very proud to work at my company because it offer community services	agree	Disagree
I feel that my company attract great talent, people with passion in order to drive success and growth		
My company support		

employee volunteering action		
my company social responsibility effort have increased my overall satisfaction		
my company does a good job of contributing to the communities in which we live and work		
The community service offered by my company has led to its decline in financial performance		
CSR policy is the merely wastage of time and money		
I am satisfied with the general working environment of the NMB		

11. Which among of the following factors influence you to invest at NMB bank?

a) Good corporate social responsibility ( )

b) Better service ( )

c) Cost of opening and operating account ( )

d) Accessibility of the NMB bank i.e. branches ( )

e) Corporate images ( )

f) Other factors ( )

12. As a customer/employee how do you perceive the impact of CSR on the financial performance of the bank such as profit making, return on asset, increase of customers etc?

a) Positive ( )

b) Negative ( )

c) Neither positive nor negative ( )

13. To what extent do NMB bank corporate social responsibility initiatives influence you to remain as NMB bank customers for a very long time?

a) Very large extent ( )

b) Large extent ( )

c) Normal extent ( )

d) Small extent ( )

e) Very small extent ( )

Thank you