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**Impact of corporate social responsibility on financial performance of
Ethiopian Commercial banks (a case study at wegagen bank s.c)**

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ADDIS ABABA

ETHIOPIA

Declaration

I Sebsib Husen Usman, do hereby declare that this is my original work and that it has not been submitted partially; or in full, by any other person for an award of a degree in any other university or institution.

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This thesis has been submitted for examination with my approval as university college supervisor.

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Approval

The undersigned certify that they have read and hereby recommended to the Rift Valley university college to accept the thesis submitted by Teshale Getu (Ast.Professor), and entitled “impact of corporate social responsibility on financial performance of Ethiopian commercial banks (a case study at wegagen bank s.c) in partial fulfillment of the requirements for the award of a master’s degree in business administration, specialization in finance.

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Abstract

Corporate social responsibility has become an important area of modern corporate research theory, and the development of CSR activities all over the world is remarkable. While the relationship between corporate social responsibility and corporate financial performance is still ambiguous. This study aimed to see the impact of corporate social responsibility on financial performance of commercial banks with a case study at Wegagen Bank S.c. in the banking industry specifically. Descriptive method was employed in this study and also this study used both the quantitative and qualitative research design. The study uses a non-probability Purposive sampling technique during the process of data collection from respondents. Data were collected using both primary and secondary sources (documentary review, questionnaires and interview). Statistical Package for Social Sciences (SPSS) used to analyze data where statistical tools applied were correlation regression, percentages and trend analysis. There are different types of CSR activities that the bank is providing to the community and CSR is positively related to financial performance of the bank which implies that in order to improve financial performance organizations should engage themselves into CSR activities to the society and Industry type has strong effect on the relationship between CSR and financial performance of a given company Resource or budgets both in financial and non financial like human power, lack of researches in the area, problem of implementation and follow up and lack of credibility are challenges whereas building corporate image, increasing depositors and deposits, getting foreign currency from abroad by being partner for NGO's by donating and forcing them to open account in the bank and attracting new customers seen as an opportunity.

Key words: Corporate; Social Responsibility; bank;

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Abbreviations

ATM = Automatic teller machine

CBE= Commercial Bank of Ethiopia

CEO = Chief Executive officer

CFP = Corporate Financial Performance

CSR = Corporate Social Responsibility

DPS = Dividend per Share

EPS = Earnings per Share

GRD = Great Renascence Dam

G.C = Gregorian calendar

NGO = Non Governmental organization

POS = Point of sale

ROA= Return on Asset

ROE = Return On Equity

S.C = Share company

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CHAPTER ONE

1. 1 INTRODUCTION

1.2 Background of the study

The concept of CSR exists almost since ever but it is only in the last fifty years that scholars gave a greater attention to it. The attempts of formalizing this concept have been various, different theories have been created and different definitions have been given. All this talking about CSR contributes to create greater confusion, rather than making the concept clearer. After an accurate study of the existing literature it was possible to identify the distinctive characteristics of this concept. The main features of CSR are three: the integration of the economic dimension with the social and environmental ones; the companies' responsibilities against all the stakeholders (and not only shareholders) and the voluntary character of the introduction of CSR practices. These characteristics make easy to understand that the introduction of CSR into a business reality changes the way in which a company normally operates, as its relationships with the stakeholders: it is necessary to align this new vision with the rooted tradition of profit maximization. It is therefore essential to find a reason to push companies to venture in this complex path: generally, business organizations would not introduce CSR practices just because it is the right thing to do (Friedman, 1970).

When a company engages in CSR, it has to bear extra costs (e.g. the purchase of new environmental-friendly equipment) on the short-term. On the other side, it is nowadays accepted the idea that social responsible practices bring, on the long-term, benefits (e.g. improve of the reputation). However, this is not enough. Since the first objective of management is profit maximization, companies need more certainties about the increase in value that the introduction of CSR brings. In the last decades scholars discussed the existence of a link between CSR and

financial performance, without ever reaching an agreement. Two are the main schools of thought: the neo-classical view and the behavioral view. The first started with Milton Friedman around the '70s: he was a convinced upholder that firms, and in particular managers, have to maximize shareholders' value and that practices like CSR would just push them away from this goal (Friedman, 1970).

Managers who support this view would put up resistance against the engagement in CSR, arguing that it is not useful to fulfill their objectives. On the other side, behavioral theorists believe that it is necessary to achieve some social good, regardless of the existence of benefits. In 1976 Holmes stated that *"in addition to making a profit, business should help to solve social problems whether or not business helps to create those problems even if there is probably no short-run or long-run profit potential"*. This way of seeing business is probably too inexperienced for today's vision money is the key; organizations are mainly focused on making profits and creating value.

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. It is a public movement, which has gained more momentum as citizens demand corporations to be accountable for their impacts. Consumers, investors and employees alike are recognizing the power held by corporations and efforts are being made on several levels to create global change with the hope that earth will become a better place.

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.).

The financial performance of a company is a measure of how a firm is able to use assets from its core business to generate revenues (Dallocchio & Salvi, 2005). The measurement of corporate success has traditionally been limited to the satisfaction of and creation of wealth for only one stakeholder, the shareholder. Stakeholder is not synonymous with shareholder. The economic and social purpose of the corporation is to create and distribute increased wealth and value to all its primary stakeholders groups (M. Clarkson, 2001, p- 92-117).

1.3. Background of the organization

Commercial Banks in Ethiopia provide financial services to customers throughout the country. They provide these services under strict regulations by the national Bank of Ethiopia. Currently, there are 18 licensed commercial banks operating in Ethiopia two governments owned and 16 private owned which is very small number when compared to other African countries like Kenya and Nigeria. The dominant bank that has branches throughout the country is CBE owned by government.

Commercial Banks appear to have taken keen interest in CSR in the last few years in the world. This is evident in their annual reports and websites where they provide a statement of CSR. In most of their end of year financial reports, they nearly dedicate a whole page highlighting their contributions to CSR.

Wegagen Bank S.c is one of the private commercial bank established on June 11, 1997. It came into being thanks to 16 visionary founding members who recognized the critical role that financial institutions would play to create a sustainable economic development and raised an initial capital of Birr 30 million. As at June 30, 2016, the paid up capital of the Bank reached Birr 1.8 billion. The number of Shareholders is now 2,349. The Bank has a network of 211 branches of which 83 are in Addis Ababa and the remaining 128 are located in other cities and towns of the country. To expand its service coverage, the Bank keeps on opening additional branches both in Addis Ababa and regional towns.

Wegagen Bank is a pioneer to introduce a Core Banking System as of July 2000, thereby managing to network the Head Office & all branches. Through its versatile ISO Standard Core Banking System, the Bank is now delivering more efficient services to its customers. The system has also enabled the Bank to provide technology-based banking services such as Card payment services (through ATM & POS), internet banking as well as mobile banking services.

Vision

The vision statement is a word picture of what the Bank ultimately intends to become in the future. It answers the question, 'how would the Bank be different if the mission were fully successful?' Based on the current situation and the anticipated changes, the existing vision statement of the Bank has been revalidated as follows:

The banks Vision is:

“To be one of the ten most reputable and competent banks in Africa by the year 2025”

By taking the existing status of the Bank and the massive tasks lay ahead to fully assume the vision into consideration, ten years are set to be the time to accomplish its vision. These ten years in turn are classified into two periods (five years each) in order to measure the progress of the Bank by the end of every strategic period, which ultimately leads to its final accomplishment.

Mission Statement

The mission statement is a statement which defines the purpose of the Bank. It focuses on today; it identifies the customers; and it states the level of performance. The mission statement shall be brief, to the point, and state the reason why the Bank exists. It should also include how the Bank will operate in order to have maximum impact on its stakeholders. Accordingly, the existing mission statement of the Bank has been revalidated as follows:-

Mission of the bank is to:-

- Optimize the stockholder value through sustainable growth and profitability.
- Provide wide range of innovative and customer focused Banking products and services.
- Boost operational excellence by Employing state-of-the-art Information Technology. .
- Be the employer of choice by creating conducive working environment wherein employees achieve their career aspirations.

Core Values

Core Values are traits or qualities that are considered worthwhile; they represent an individual's highest priorities and deeply held driving forces. They are statements about how the Bank will value customers, suppliers, and the internal community and describe actions which are the living enactment of the fundamental values held by most individuals within the Bank. The following are the core values of the Bank:-

- **Honesty, Integrity and Loyalty:** We are fair, transparent, and honest. By being sincere and consistent in our behavior, we are accountable and transparent in our actions, thereby delivering our promises.
- **Service Excellence:** - We strive for excellence and quality in everything we do. We are committed to satisfy our customers by providing timely, responsive and proactive services.
- **Professionalism:** Our customers will be served by competent and highly trained employees providing professional, courteous and friendly service. We are hardworking, committed, efficient and responsible.
- **Learning and Innovation:** We encourage learning, initiatives and new ideas, recognize people for their creativity, and challenge existing practices, as well as seek and identify improvements. We enhance team spirit; share our expertise, ideas, information and knowledge to achieve our common goals.
- **Employee Satisfaction:** We consider our employees as valuable organizational resources.
- **Respect and Dignity:** We respect and value those we work with, and the contribution that they make. We act fairly, ethically and openly in all we do.
- **Social Responsiveness:** We do everything we can to contribute to the community we work in. As a good corporate citizen, we actively participate in deserving social activities.
- **Good Corporate Governance:** We comply with laws, rules, regulations of the country and international laws.
- **Equal Employment Opportunity:** We provide equal employment opportunity for all irrespective of their origin, ethnicity, religion, disability, gender, etc.

Main Objectives

- Maximizing profitability through increased efficiency
- Enhance growing market share
- Expanding the bank's capital base
- Ensuring excellence in customer services
- Provide differentiated, varied and value added banking services

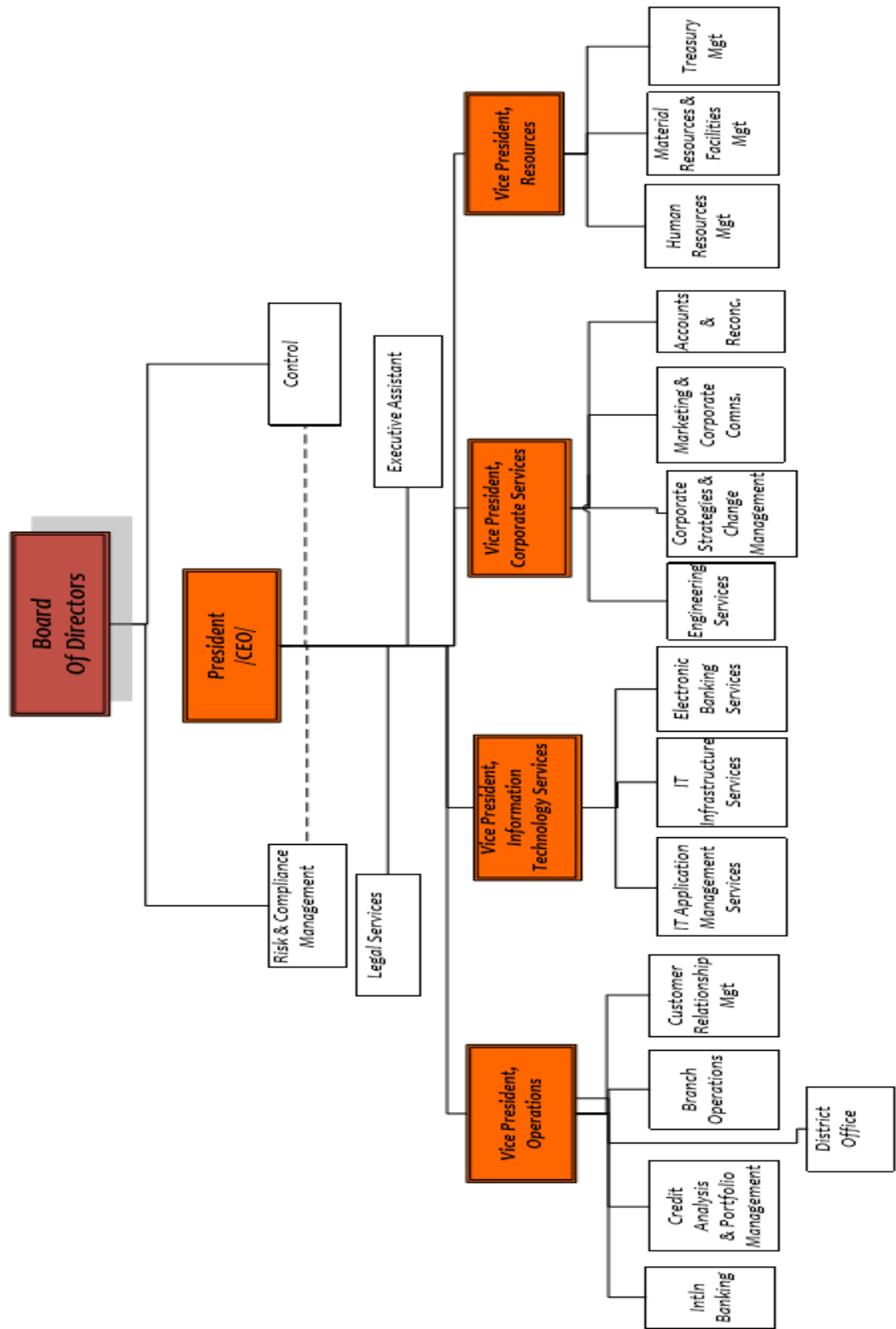
Corporate Governance

Wegagen Bank is governed by the Board of Directors consisting of a Chairperson, a Vice Chairperson and seven Directors. The overall management is entrusted to the management team which comprises the President/Chief Executive Officer, who is appointed by the Board of Directors, four Vice-Presidents and fourteen Directors as well as Manager of district offices and also there is different departments under each directorates. As at June 30, 2016, the numbers of employees of the Bank stood at 3,726, of which 343 are diploma holders, 1,720 are holding first and second degrees, while the remaining 1,663 attended high school and different levels of education. (Annual report 2015/1016.)

The bank is currently operating throughout the country with a total of above 200 Branches spread across the length & breadth of the Country. Its Headquarters together with above 85 of its Branches are located in Addis Ababa, whereas above 115 branches are located in different regional towns near and far. Since the banks also open branches today both in Addis Ababa and in different regional states due to national bank quotas it is difficult to put the exact number of branches so the above figures are not the exact numbers.

Figure 1.1 wegagen bank s.c organizational structures

Wegagen Bank SC
Organizational Structure



Source: www.wegagenbanksc.com/banks_organizational_structure.

1.4 Statement of the problem

It is known that a tremendous amount of research has been done on the relationship between CSR and the financial performance of a firm. Some attempts to explain the economic benefits of having a sound long term financial success and have explored its effect on real sector outcomes, including national economic growth and income distribution (Levine, 1991).

There are so many arguments on the relationship between corporate social responsibility and financial performance of a firm. All organizations have an impact on society and the environment through their operations, products and services and through their interaction with key stakeholders (Fox, et al. 2005).

Even though the banking industry is one of the most profitable within the economy, higher performance could be achieved by engaging in social activities (Grant, 1991). Therefore, when a company increases its costs by improving CSR in order to increase competitive advantage, such CSR activities can enhance company reputation, thus, in the long run CFP can be improved by sacrificing the short term CFP (Balabanis et al, 1998). Today, businesses that embrace CSR continue to see positive results such as; enhanced reputation, increased sales and customer loyalty, Competitive edge, Strengthened relationships and expanded market share which in turn have positive impact on its financial performance.

Different studies all over the world and also in Africa including Ethiopia have proved that there is a link between CSR and firm profitability. Okoth (2012), during his study on effect of CSR on financial performance of commercial banks in Kenya, realized that CSR has an effect on ROA and ROE. According to Okiro et al, (2013) commercial banks can use CSR to create a platform for improving their brand value and to promote themselves.

This title has been studied by different scholars and researchers but an agreement has never been reached. The results of the empirical analyses so far show the most diverse outcomes: from a negative correlation to a positive one, and neutral. Some of the main issues identified behind this wide range of results, are linked to the way in which the variables are measured, to the sampling technique and to the choice of the control variables.

Waddock & Graves (1997) shows a positive relationship between corporate social responsibility practice and firm financial performance. On the other hand, some of the studies shows negative relationship (Cordeiro & Sarkis, 1997) and still others showing that there is no relationship between the two variables McWilliams & Siegel, (2000) (Cited in Dakito, 2017). According to his finding, there is no relationship between the financial contribution for CSR activities and CFP at 1% significance level which similar to the findings of McWilliams & Siegel, (2000). He wrote his reason why researcher's outcomes differ is that measurement techniques used by them are quite different and also the industry type. Also he recommends further researchers to identify which measurement techniques are more explanatory for the study.

All the above studies have shown that there is a positive, negative or no relationship between CSR and firm's financial performance. All those studies didn't conduct their researches' in the specific industry with different variable measurements. Therefore This study aimed at filling this gap by posing the above question in the specific Ethiopian commercial banking industry at a case study with wegagen bank s.c as it is recommended by the researcher's and different scholars for further studying the relationship CSR and firms financial performance in the specific industry and to come in common conclusion.

1.5 Research objective

1.5.1 General Objective

The main objective of this study was to determine the impact of corporate social responsibility on financial performance of Ethiopian commercial banks in the specific industry type by taking a case study at wegagen bank s.c.

1.5.2 Specific Objective

To make precise, the study seek to fulfill the following enumerated objectives:

1. To examine the concept and relationship of CSR and financial performance with regards to Ethiopian commercial banks and to identify CSR activities performed by the selected bank.
2. To examine the impact of participating and not participating in CSR activities in financial performance of Wegagen Bank S.c.
3. To see why not Ethiopian commercial banks participation in CSR activities developed if it is good for them or stops their CSR activity if it has negative or no relationship in the specified industry.
4. To see whether “industry type” has an effect with the relationship between CSR and financial performance.
5. To find out whether participating in CSR activities has challenges or opportunities in the specified industry.

1.6 Research Questions

In order to achieve the above mentioned objectives of the study; impact of corporate social responsibility on financial performance of Ethiopian commercial banks, the following research questions had been developed.

1. What does it mean for Ethiopian commercial banks to be socially responsible?
2. Do more socially responsible banks have better corporate financial performance than less socially responsible?
3. Why not Ethiopian commercial banks participation in CSR activities developed or increased if it is good for them or stops their CSR activity if it has negative or no relationship?
4. Does industry type have an effect in the relationship between CSR and financial performance of Ethiopian commercial banks?
5. What are the opportunities and challenges for Ethiopian commercial banks in discharging their corporate social responsibility?

1.7 Operational Definitions of Variables

1.7.1 Corporate Social Responsibility

Carroll (1979) presented CSR as a construct that encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point of time'. With this definition he proposed that these responsibilities are equally important for the society as a whole and not just only for the firm. Furthermore, Carroll (1979) argued that an organization must always strive to achieve all the four constructs of CSR; economic, legal, ethical, and philanthropic. He defined CSR as the firm's considerations of, and response to issues beyond the narrow economic, technical, and legal requirements of the firms to accomplish social and environmental benefits along with the traditional economic gains which the firms seek (Sprinkle & Maines, 2010).

1.7.2 Financial Performance

The term "financial performance" is a composite of an organization's financial health, its ability and willingness to meet its long term financial obligations and its commitments to provide services in the foreseeable future. Long-term objectives represent the results expected from pursuing certain strategies which represent actions to be taken to accomplish long-term objectives. The time frame for objectives and strategies should be consistent, usually from two to five years (Weber, 2008). Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms

1.8 Significance of the Study

A firm cannot conduct business in a vacuum. It has to rely on the environment and society at large for it to operate profitably. Social activities help companies to be known as responsible corporate citizens with sensitivity towards social and environmental issues (Carroll, 1979). By understanding the effect of corporate social responsibility activities on financial performance, investors were

determine how to allocate their portfolio so as to maximize returns and thereafter change their assessment of companies' performance and will be making decisions based on criteria that will include ethical concerns (Carroll, 1991).

The findings from this study were beneficial not only to the bank but also the financial sector and non financial sector as a whole in the individual level, institutional level and national level.

The results of this study were therefore valuable more too Ethiopian commercial banks, academic organization and regulators of commercial banks. By establishing the impact of CSR on financial Performance of commercial banks, managers were well informed on how their decisions on CSR policy will affect their ultimate objective of shareholder value maximization. Regulators of commercial banks uses the findings of the study to determine if it is necessary to formulate a policy framework within which commercial banks should undertake CSR activities.

It also improves the understanding of CSR, not just as a management tool or instrument that ensures informed policy making, but also as a form of social order that encourages institutional commitment to fully humanizing the business environment particularly the banking industry in Ethiopia. Finally it also serves as a reference for other researchers who aspire to make depth study about the issue under the study.

1.9 Scope of the Study

Any research problem has to be delimited in scope to manageable size. This study was targeted only Ethiopian commercial banks within a case study at wegagen Bank s.c. Then the population of this study was comprised only wegagen bank s.c staffs. In terms of content, the study focus only on the impact of CSR on financial performance of the selected bank by taking five consecutive years financial data from 2012-2016 G.C.

CHAPTER TWO

2.1 REVIEW OF RELATED LITERATURE

2.2 Introduction

The topic of corporate social responsibility has been captioned under many names, including strategic philanthropy, corporate citizenship, social responsibility and other monikers. As the names imply, each carries with it a certain perspective on the role of business in society. Regardless of the label, for now the dominant paradigm underlying corporate social responsibility is centered on the idea of creating “shared value” Carroll (1979). The role of business, according to this model, is to create value for its shareholders but in such a way that it also creates value for society, manifesting itself as a win-win proposition. In one fell swoop the idea aims to unite the critics of CSR from the left and the right, for the notion of CSR has had the questioning distinction of being criticized by both sides of the ideological spectrum.

The financial systems play the basic role in the economies of both developing and developed countries. Banks work mostly with borrowed money and it is the specificity of their activities, so they are not self-regulating organizations this sector is subject to control by the regulatory authorities to ensure stability.

These days, competition in the banking sector has a non-price nature: many banks offer similar conditions in the same markets. The necessity of searching for additional benefits is got mainly through the promotion of new products and brand development. It should be taken into account that to maintain the uniqueness in the market within the introduction of innovations is not possible in the long term financial engineering does not stand still, and competitors can always offer something similar, if the product is successful. That is why the development of brand of the bank by creating a positive image in front of the main groups of stakeholders is an important aspect of the performance in a high-competitive environment. To achieve this target, tools of socially responsible business are often used and the choice is determined by financial possibilities of banks,

the level of development of the whole system, the requirements of regulators, national peculiarities and differs in many countries.

2.3 Theoretical Review

There is no universally accepted definition of CSR; however, several models have been developed that effectively capture elements of CSR and make it a workable proposition for practitioners and researchers. The multi-dimensional construct of CSR is introduced by emphasizing the interdependence among economic, ethical, legal and philanthropic dimensions. CSR in this sense can be understood as the balancing of economic, legal, ethical and philanthropic or discretionary roles that companies play when conducting business. According to Carroll's approach (1991), CSR covered the full range of dimensions that constituted an organization's responsibility, which were four: economic, legal, ethical and philanthropic.

Economic responsibility: - The economic nature of business organisations is obvious, since they are created in order to provide goods and services at a price. Thus, the objective of maximizing profits from their activities is essential, and performance is considered the base on which the firm's other responsibilities are founded.

Legal responsibility: - Firms must act according to laws and standards that regulate the market and the society of which they form a part.

Ethical responsibility: - Reflects unwritten codes, regulations and values implicitly are derived from societies that transcend merely legal frameworks.

Philanthropic responsibility: - Society wants firms to behave as good citizens and commit part of their resources to improve common well-being.

Corporate Social Responsibility is the way businesses involve the shareholders, employees, customers, suppliers, governments, non-governmental organizations, international organizations, and other stakeholders. According to the Commission Green Paper (2001), the CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Among other things, this definition

helps to emphasize that: an important aspect of CSR is how enterprises interact with their internal and external stakeholders (i.e. suppliers, communities, employees, customers, neighbors, non-governmental organizations, public authorities, etc).

Carroll, (1991) defined CSR as encompassing the legal, ethical, economic and other discretionary responsibilities that institutions have to society. When applied to individual firms, this is consistent with (Freeman, 1984) notion of stakeholder theory, which suggests that firms have a responsibility to a number of different interests groups, including employees, customers, suppliers, environmental concern, communities and society at large. As a result, different firms may have different objectives and standards for performance, depending on who their stakeholders are. These different stakeholders should force firms to provide the greatest possible return to the specific capital that they have provided. Since this will include returns to shareholders, focusing on financial performance of firms, which is the most readily measurable source of returns, should provide the best proxy for the firm's overall performance.

CSR is an umbrella term overlapping with some and synonymous with other conceptions of business-society relations (Moon 2005). According to the World Bank, Corporate Social Responsibility (CSR) is a term describing a company's obligations to be accountable to all of its stakeholders in all its operations and activities. Social responsible companies consider the full scope of their impact on communities and the environment when they are making decisions, balancing the needs of stakeholders with their need to make profit. The main force that drives companies to adopt corporate social responsibility may be CSR's subsequent financial benefits. Although the causality between the two is not yet clear, empirical studies nevertheless indicated a simultaneous relationship/interaction between CSR and financial performance (Weber, 2008).

2.3.1 Stakeholders Approach to Corporate Social Responsibility

Stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984) or are "those groups who are vital to the survival and success of the organization". Those groups include; Customers, employees, local communities, suppliers and distributors, shareholders, the media, public in general, business partners, financiers, investors, government, regulators, policymakers and others. Obligations to society, managerial

processes, and social contracts are a few of the approaches that have been used to discuss CSR. The mainstream approach advocates that companies have obligations to stakeholders.

In stakeholder theory, the purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services or to serve as a vehicle for coordinating stakeholder interests Freeman, (1988). Stakeholder theory was first presented as managerial theory. Accordingly, the corporation ought to be managed for the benefit of its stakeholders: its customers, suppliers, owners, employees and local communities, and to maintaining the survival of the firm (Evan and Freeman, 1988). The decision making structure is based on the discretion of the top management and corporate governance, and frequently it is stated such governance should incorporate stakeholder representatives. Stakeholder theory of CSR is related to the belief that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract (Jones, 1980). Thus, stakeholder theory takes into account individuals or groups with a stake in the company including shareholders, employees, customers, supplier and local community. According to the World Business Council for Sustainable Development (2000), companies had a responsibility to the following stakeholders:

- ❖ Owners and investors—high profits;
- ❖ Employees—consistent, fairly compensated employment;
- ❖ Customers—high quality products and services;
- ❖ Business partners—fair, ethical treatment as partners;
- ❖ Suppliers—consistent customer upon which to base the supplier's business;
- ❖ Competitors—maintain industry image;
- ❖ Government regulators—meeting or exceeding regulations;
- ❖ Non-governmental organizations—meeting or exceeding their expectations;
- ❖ Communities—stable employment for community members.

2.3.2 Models of Social Responsibility

An organization may select various types of approaches to deal with the issues of social responsibility depending on a number of factors such as type of business, size of business, amount of resources available to the business and the nature of organization market. Others include the

attribute of the environment, preference of owner and manager, government legislation as well as company mission and objectives. Walton (1967) suggested some models of social conduct adoptable by top managers as a way of responding to public needs:

(1) Austere Model: Emphasis of business here is on ownership interest and profit objective. Social responsibility is non-existent;

(2) Household Model: Social responsibility is at the low ebb. Emphasis is on employee jobs and benefit;

(3) Vendor Model: This emphasizes consumer interest, taste and right; social responsibility is still low but higher than house holder model;

(4) Investment Model: This sees organization as an entity that requires long-term profit and survival. Social responsibility starts to pick up;

(5) Civil Model: Video organization as a corporate citizen that goes beyond improved obligations accepts social responsibility and makes a positive commitment to social needs. Four approaches or models of organization responses to the issue of social responsibility can also be identified. These strategies also ranged along a continuum from low to high social responsibility:

(1) Obstructionist Strategy: Here the organization pursues purely economic responsibility. It resists the social demand of the general public;

(2) Defensive Strategy: Minimum legally requires of what organizations perform. They operate within the lane and in accordance with the requirement of external regulation so as not to invite the wrought of the laws and government;

(3) Accommodative Strategy: Here the business performs ethical responsibility. The organization is not confronting to legal requirement alone but also broader values and moral expectation of society, for example, manufacturer of the consumers, which has resulted to ignorance on their parts that a business should be socially responsible to them;

(4) Proactive Strategy: The business performs some self-imposed responsibility. It is performing beyond the basic economic technical, legal and ethical expectation by performing leadership, and the role in advancing the well-being of the individual.

2.3.3 Principles of Corporate Social Responsibility

According to Crowther and Aras (2008:14), there are three basic principles, which together comprise all CSR activities. These are: sustainability, accountability, and transparency.

1. Sustainability

Sustainability implies that society must use no more of resource than can be regenerated. This can be defined in terms of the carrying capacity of the ecosystem and described with input output models of resource consumption.

2. Accountability

This is concerned with an organization recognizing that its actions affect the external environment, and therefore assuming responsibility for the effects of its actions. This concept therefore implies a quantification of the effects of actions taken, both internal to the organization and externally. More specifically the concept implies a reporting to external stakeholders of the effects of actions taken by the organization and how they affect those stakeholders.

3. Transparency

Transparency, as a principle, means that the external impact of the actions of the organization can be ascertained from that organization's reporting and pertinent facts are not disguised within that reporting. Thus all the effects of the actions of the organization, including external impacts, should be apparent to all from using the information provided by the organization's reporting mechanisms.

2.3.4 Measures of Corporate Social Responsibility

A CSR measure lacks concreteness and thus quantitative assessment is extremely difficult. A number of approaches can be used to measure corporate social responsibility. Hasan et al (2011) suggest two methods of measuring CSR. The first method is reputation index where firms are rated on the basis of one or more dimensions of social performance. The second method is content analysis whereby firms are rated on the basis of the extent to which they report various CSR activities in their annual reports.

Griffin & Mahon (1997) identified social audits, CSR processes and observable outcomes as another approach of measuring corporate social performance. In this approach, a firm's objective CSR behavior in such aspects as community service, environmental programs and corporate philanthropy are assessed by a third party and used to generate toxics release inventory (TRI) and Corporate philanthropy indices. Corporate philanthropy index measures the extent to which a company engages in charitable activities and compares companies against one another.

Bemhut (2002) developed a measure of corporate social performance based on managerial CSR principles and values. Under this approach, the values and principles inherent in a firm's culture are assessed by using triple bottom line reporting. Triple-bottom line reports are quantitative summaries of economic, environmental and social performance of the company during the preceding year.

2.3.5 Firm performance

Griffin and Mahon (1997) have reviewed different studies on CSR and firm's performance relationship and found that as many as different types of Financial Performance measures have been used. Firm size, ROA, ROE, EPS, asset age, and return on sales are the frequently used as Financial Performance measures. Particularly, ROA and ROE is consistently claimed to be an authentic measure of Financial Performance.

Financial performance measures are lag indicators and capture historical performance arising from mostly tangible assets. They often fail to properly record performance from intangible assets such as customer relationships, employee satisfaction, innovation, investment in research and

development, and the like that have become significant sources competitive advantage for firms in recent times (Lev,2000).

Performance measurement refers to the process of measuring the action's efficiency and effectiveness. Performance measurement is the transference of the complex reality of performance in organized symbols that can be related and relayed under the same circumstances. In the current business management, performance measurement is considered to be in a more critical role compared to quantification and accounting (Koufopoulos et, al, 2008). This is consistent with Bititci, et al. (1997) who described performance management as a process wherein the organization manages its performance to match its corporate and functional strategies and objectives.

2.3.6 Measure of Financial Performance

The rate of return on assets and the rate of return on equity are the performance measures most commonly used in studies of the relationship between corporate social responsibility and financial performance (Waddock & Graves, 1997). Return on assets measured by the annual net profit/average total assets ratio and return on equity by the net profit after preferred dividends/average total equity ratio for the previous two years.

Several control variables were taken into account. Various researchers, notably Baird *et al.* (2012), following Griffin and Mahon (1997) and Waddock and Graves (1997), argue that the relationship between corporate social responsibility and financial performance depends on interactions between many factors, in particular the specific capabilities of the company and the industrial context. The countless number of ways has been brought forward to measure financial performance.

Accounting-Based Measurements

Accounting-based measurement is generally considered as an effective indicator of the company's profitability and the business when compared to benchmark rate of return equal to the risk adjusted weighted average cost of capital. The accounting based measurement indicators to the profitability of firms on the short term in the past years such as (ROA), (ROE), (EPS), (DPS), and others.

Market-Based Measurements

The second type of measurement is the market-based measurement which is categorized as long term. The market-based measurement is characterized by its forward-looking aspect and its reflection of the expectations of the shareholders concerning the firm's future performance, which has its basis on previous or current performance. Some measurements cannot capitalize under either accounting or marketing measurement such as output per staff, cost per service provided and cost per client served; these factors were tested by Kankpang and Okonkwo (2012).

According to Richard et al. (2009) the return on equity (ROE) and return on asset (ROA) model represents a well-known approach to analyzing bank profitability using financial ratios. The procedure combines balance sheet and income statement figures to calculate ratios that compare performance over time and relative to peers. Bank managers and bank analysts generally evaluate overall bank profitability in terms of return on equity (ROE) and return on assets (ROA).

2.4 Empirical Review

There has been no consensus of studies on the relationship between financial performance and corporate social responsibility, some studies concluded negative correlation, some positive correlation, while others no correlation at all.

The idea of CSR has been challenged by scholars among them, Friedman (1970) who acknowledged that in a free society, there is one and only one social responsibility of business 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. However, Margolis & Walsh, (2002) argued that Friedman did not deny the existence of social problems, but rather in his opinion, if managers wished to pursue some social good, they should do it as individuals and not as executives, meaning that they should not use shareholders' money for their own objectives.

Waddock and Graves (1997) study hypothesized a positive relationship between CSR and financial performance using Corporate Social Performance as a measure of CSR and Expenditure Return,

Return on Assets and Return on Equity as measures of profitability or the firm's financial performance.

Yeneneh (2015) in his study on the title the Role of Private Commercial Banks on Corporate Social Responsibility in Ethiopia conclude that Corporate Social Responsibility requires more for the private commercial banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainability. So understanding the concept of corporate social responsibility in the banking sector and linking the concepts and frameworks and key elements of Corporate Social Responsibility in the banking policies and procedures is very vital to reduce risks emanate from not adhering Corporate Social Responsibility concepts. The relevance of knowing the Corporate Social Responsibility of banking has so many benefits to the bank and society at large.

Fu *et al.*, (2012) examined the relationship between CSR and corporate financial performance for listed companies in China. Their empirical research came to the conclusion that there was a negative relationship between CSR and CFP.

The study conducted by Ofori, et al. (2014) concluded that although there was a positive relationship between corporate social responsibility practices and financial performance, the financial performance of banks in Ghana did not depend significantly on their corporate social responsibility practices.

CHAPTER THREE

3. 1 RESEARCH DESIGN AND METHODOLOGY

3.2 Introductions

This chapter presents the research methodology and the methods as well as the justification of the choices and their uses. In addition, the research process and design, study population and setting, sample and sampling procedures, data collection and data analysis method and management was clearly pointed out.

3.3 Research Design

Research design involves a series of rational decision-making choices. It is the step aimed at designing the research study in such a way that the essential data can be gathered and analyzed to arrive at a solution. Explanatory Research design was employed in this study. The reason why explanatory research design used in this context is due to the nature of the research question that the researcher tries to see and the problem to be solved. Studies that establish causal relationships between variables be termed explanatory research. The emphasis here is on studying a situation or a problem in order to explain the relationships between variables (Mark .S et.al, 2009,).

This study uses both the quantitative and qualitative research design. Quantitative research uses objective measurement and statistical analysis of numeric data to understand and explain a phenomenon. Qualitative research, in contrast, focused on understanding social phenomenon from the perspective of human participants in the study. The rationale for adopting the mixed approach design was that, they can be used to execute any research activity notwithstanding the paradigm and this was supported by Tashakkori and Teddlie (1998) in their submission that the mixed approach of research design has the advantages of one compensating for the weakness of the other.

3.4 Study Population

The population of the research, the entire group of people that, the researcher wished to investigate (Sekaran 2003). Accordingly all staffs of wegagen bank s.c with a working force of 3,726 staffs was the entire population of the research includes both permanent and contract employees from the top management to the line workers.

3.5 Sample Design

Sampling design and sample size are highly relevant to establish the representativeness of the sample for generalizability (Berg, 2007). The non probability sampling design was employed in this study and to be specific the purposive sampling techniques is the most appropriate for case study research. When developing a purposive sample, researchers use their special knowledge about some group to select participants who represent their population. It was adopted to select samples in the groups in order to ensure that certain types of units displaying certain attributes are sampled.

3.6 Sample size

The bank has 980 management members, 2,623 permanent non management operational staffs and 123 contract workers giving a total of 3,726. As it is clearly noted in introduction part Wegagen Bank is governed by the Board of Directors consisting of a Chairperson, a Vice Chairperson and seven Directors. The overall management is entrusted to the management team which comprises the President/Chief Executive Officer, who is appointed by the Board of Directors, four Vice-Presidents and fourteen Directors as well as Manager of district offices.

Therefore a survey study is conducted by selecting six of the fourteen directorates; namely branch operation directorates, customer relationship management directorates, corporate strategy and change management directorates, marketing and corporate communications directorates, credit analysis and portfolio management directorates and accounts and reconciliation directorates because top management members in the selected directorates are the forerunners of the organization and the above six selected directorates directly or indirectly have relation with policies and programmes of CSR. Each directorate have nine staff under them except branch operation and accounts and reconciliation directorates have twelve staff each under the including the directorate. In each directorate office there is one director, two managers and two supervisors. The rest are senior and junior operational officers.

Survey is a popular and common strategy in business and management research and is most frequently used to answer who, what, where, how much and how many questions. It therefore tends to be used for exploratory and descriptive research. In addition, the data collected using a survey strategy can be used to suggest possible reasons for particular relationships between variables and to produce models of these relationships (Mark S et.al, 2009).

3.7 Sources of Data

Primary data are collected afresh and for the first time and thus happen to be original in character. In this study, self-administered questionnaires and semi structured interview are the research tools that were used to collect primary data from respondents. Secondary data are those data which have been already collected by someone else both published or unpublished data. In this study, Secondary data was obtained from audited annual financial reports and other publications of the bank for a period of five years from 2012 to 2016.

3.8 Data collection techniques

Both open and cloth ended self administered questionnaire and semi structured interview were the research instruments used by the researcher to collect data from the respondents. Because to use once advantage Closed ended questions allow only answers which fit into categories that have

been established in advance by the researcher while Open-ended unrestricted type of questionnaire, free response in the respondent's own words; leave the respondent to decide the wording and the length of the answer and the kind of matters to be raised in the answer. Also in the semi structured interview, the interviewer has a general plan of inquiry but not a specific set of questions that must be asked in particular words and in a particular order for unstructured interview which is Very important for exploratory research studies and characterized by its flexibility and also it is largely free to arrange, rephrase, modify, and add some new questions.

In all a total of 60 questionnaires was designed and self administered. The self administered questionnaire was employed to collect data from both selected management members and staff of the bank. The rationale for using the self administered questionnaire is to give respondents the freedom to answer the questions at their free time in the comfort of their homes and not be intimidated by the researcher or any superior.

Aside the questionnaire the study again utilizes the interview as an instrument to collect data from 2 top managements from the six directorates; specifically from corporate strategy and change management directorates and marketing and corporate communications directorate. Managements will be quizzed on issues concerning CSR policies and how best they can CSR activities to give off their optimum best. The rational for the interview is to give the researcher the opportunity to adapt the questions as and when necessary, clarify doubts or issues that are so clearly dealt with by managements and establish friendly relationship with the management.

3.9 Data Analysis

Data analysis refers to the computation of certain measures along with searching for patterns of relationship that exist among data groups. Data analysis requires a number of closely related operations such as estimation of categories, application of these categories to raw data through coding, tabulation and then drawing statistical inferences. By applying Statistical Package for Social Science (SPSS), the collected data was analyzed by using Correlation, regression, percentages and trends. Correlation analysis used to describe the strength and direction of the relationship between bank CSR activities which is the independent variable and bank financial

performance, the dependent variable (most appropriate measure for banks financial performance, pre and after tax profit, ROA and ROE) for the period of five consecutive years from 2012 to 2016. The two models represent a well-known approach to analyzing bank profitability using financial ratios. Bank managers and bank analysts generally evaluate overall bank profitability in terms of ROE and ROA (Pallant and Julie, 2005).

CHAPTER FOUR

4.1 DATA ANALYSIS AND DISCUSSION

4.2 Introduction

This chapter presents the finding and results of the study, impact of CSR on financial performance of Ethiopian commercial banks with a case study at wegagen bank s.c. The research information was obtained from questionnaires and interviews, website and bank's annual reports. Response rate of respondents were 93.33%, which means out of sixty questionnaires distributed for each respective respondents only fifty six responses were collected and the remaining four were uncollected due to different reasons. Data on financial performance (pre and after tax profit, ROA and ROE) was obtained from banks annual report from 2012 to 2016 G.C.

4.3 Background information about Respondents

This section presents demographic and socio economic information of respondents which includes their age, sex, marital status, education level, and working experience in the bank.

4.3.1 Age

As presented in table 4.1 below, it was found that in the age groups less or equal to 30 respondents were 13 in number (23.2%), number of 31-40 ages respondents were 32 (57.1%), number of 41-50 ages respondents were 9 (16.1%) and in age of 51 and above respondents were 2 (3.6%). This

indicates that majority of respondents who engaged in this study were young and it is good for the bank as it is a service giving organization for its service excellence.

Table 4.1 respondents age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 30 years and less than	13	23.2	23.2	23.2
31-40 years	32	57.1	57.1	80.4
41-50 years	9	16.1	16.1	96.4
51 years and above	2	3.6	3.6	100.0
Total	56	100.0	100.0	

Source : study findings, July 2017 G.C

4.3.2 Gender of the Respondents

The study also wanted to establish gender/sex of respondents in order to find out whether their perceptions are reliable. It was then found that majority of respondents 46 (82.1%) were males and only 10 of respondents (17.9%) were females. This indicates the fact that most men are participating in decision making process than women in the area.

Table 4.2 Gender/sex of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	46	82.1	82.1	82.1
Female	10	17.9	17.9	100.0
Total	56	100.0	100.0	

Source: Study Findings, July 2017 G.C

4.3.3 Marital Status of Respondents

The study also wanted to establish marital status of respondents in order to find out whether their perceptions are reliable in marital status. It was then found that majority of respondents 33 (58.9%) were married, and 23 (41.1%) were single and there is no widowed and divorced respondents. This implies that majority of the respondents who engaged in decision making process in this study were married.

Table 4.3 Marital status of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Married	33	58.9	58.9	58.9
Single	23	41.1	41.1	100.0
Total	56	100.0	100.0	

Source: Study Findings, July 2017

4.3.4 Education Level of Respondents.

Also the study wanted to determine education level of respondents in order to find out whether their perceptions are reliable. It was then found that majority of respondents 48 (85.7%) had tertiary education and 8 (14.3%) of respondents had masters degree in different fields. There are no respondents which have in primary or secondary educational level. The result indicates that majority of respondents involved in this study had at least tertiary educational level and they are professional.

Table 4.4 Education Level of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	Tertiary education	48	85.7	85.7	85.7
	Masters	8	14.3	14.3	100.0
	Total	56	100.0	100.0	

Source: Study Findings, July 2017

4.3.5 Respondents work experience in the bank.

The study also wanted to determine the number of years since respondent has joined the bank in order to find out whether their perceptions are reliable. It was found that majority of respondents 29 (51.8%) were joined the bank between 4-6 years back, 13 respondents (23.2%) joined for the period between 1-3 years back, 9 respondents (16.1%) joined the bank between 7-10 years back, and 5 respondents (8.9%) were 11 years and above as they have joined the bank. This indicate that 42 (75%) of all respondents joined the bank for a period of less than 6 years.

Table 4.5 Work experience of respondents in the bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-3 years	13	23.2	23.2	23.2
4-6 years	29	51.8	51.8	75.0
7-10 years	9	16.1	16.1	91.1
11 years and above	5	8.9	8.9	100.0
Total	56	100.0	100.0	

Source: Study Findings, July 2017

4.3.6 Respondents current position in the bank

The study sample was selected from directorate level because top managements have better information on the topic. As clearly shown below in the table majority of the respondents 26 in number (46.4%) were officers in directorate level/office, 12 of respondents (21.4%) were managers, 11 of respondents (19.6) were supervisors and 6 of respondents were top managements or directorates.

Table 4.6 Current position of respondents in the bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Top management / Directorate	6	10.7	10.7	10.7
Manager	12	21.4	21.4	32.1
Supervisor	11	19.6	19.6	51.8
Officer	26	46.4	46.4	98.2
Auditor	1	1.8	1.8	100.0
Total	56	100.0	100.0	

Source: study findings, July 2017 G.C

4.4 CSR activities provided by Wegagen bank s.c to the community

In order to ascertain the presence of CSR activities, types of CSR activities and respondents participation in CSR activities, the perceptions of 56 respondents are ascertained and presented in tables given below. Further in order to present the trends in CSR activities and their expenditure the records of the bank is reviewed and the related information is ascertained. The following aspects deal with the same.

4.4.1 Presence of CSR activities

In order to find whether wegagen bank s.c is participated in CSR activities in the community, the responses of 56 respondents are ascertained and presented in the following table. It is shown in the

table below clearly that all respondents agreed in the participation of banks CSR activities in the community with 100%.

Also Ato Fikru W/Tinsie, Director of marketing and corporate communication and Ato Desalegn Assefa, director of corporate strategy and change management supported this idea during their interview. They said that there is no doubt whether they are participating in CSR activities or not, but they underlined as they are not actively participated. Even though they have budget to perform such CSR activities they participated passively because there are excess request of CSR activity than the budget to participate passively in the issue. According to Carroll (1991), the multi-dimensional construct of CSR is introduced by emphasizing the interdependence among economic, ethical, legal and philanthropic dimensions. CSR in this sense can be understood as the balancing of economic, legal, ethical and philanthropic or discretionary roles that companies play when conducting business which covers the full range of dimensions that constituted an organization's responsibility, which were four: economic, legal, ethical and philanthropic. Accordingly marketing and corporate communication directorate tells that bank's reason to discharge CSR activities is from the four multidimensional construct of CSR that is the Philanthropic responsibility is the main reason to discharge its responsibilities because Society wants firms to behave as good citizens and commit part of their resources to improve common well-being as the definition and that is why most respondents answer in the questionnaire were every company has their own rules and regulation to discharge its CSR.

Table 4.7 banks participation of CSR activities in the community

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	56	100.0	100.0	100.0

Source: study finding, July 2017

From the table 4.7 above it can be inferred that wegagen bank s.c participated in CSR activities in the society as all respondents agreed which constitute 100% expresses.

4.4.2 Types of CSR activities that the bank is providing to the community.

In order to identify CSR activities that the bank is providing to the community, the responses of 56 respondents were ascertained and presented in table 4.8 below in each CSR activities.

Table 4.8 Types of CSR activities that the bank is providing to the community

1. Government projects

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	49	87.5	87.5	87.5
No	7	12.5	12.5	100.0
Total	56	100.0	100.0	

2. Donation to NGO'S

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	23	41.1	41.1	41.1
No	33	58.9	58.9	100.0
Total	56	100.0	100.0	

3. Involving in the communities activity

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	7	12.5	12.5	12.5
No	49	87.5	87.5	100.0
Total	56	100.0	100.0	

4. Sport, art and culture

	Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	Yes	28	50.0	50.0	50.0
	No	28	50.0	50.0	100.0
	Total	56	100.0	100.0	

5. Disasters and humanitarian activities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	45	80.4	80.4	80.4
	No	11	19.6	19.6	100.0
	Total	56	100.0	100.0	

6. Environmental conservation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	40	71.4	71.4	71.4
	No	16	28.6	28.6	100.0
	Total	56	100.0	100.0	

Source: Study Findings, July 2017

From analysis of table 4.8 above, the following observations can be made;

- ❖ 49 respondents constituting 87.5% of total respondents express that the bank is participated in governmental projects like the great Ethiopian renaissance dam while 7 respondents 12.5% say the bank does not participated in such a like projects.
- ❖ 23 respondents constituting 41.1% of total respondents express that the bank is participated in donating NGO's. The activities include donation of funds, Mattress, mosquito net, and bed sheets like to mekedonia and other orphanage institutions and charitable organizations and in the child fooding program in school as the marketing and corporate communication directorate describes in the interview. 33 respondents constituting 58.9% of total respondents express that as the bank is not participating in donating NGO's which is large.

- ❖ 7 (12.5%), 28 (50%), 45 (80.4%) and 40 (71.4%) of total respondents expresses that the bank is as participated in (i) involving in the community activities, (ii) in supporting and sponsoring sports, art, culture and heritage, (iii) disasters and humanitarian activities like sponsoring patients medical treatment in abroad and in (iv) environmental conservation activities by collaborating with the respective organization in different areas of the country like in protecting soil degradation and forestation activities by motivating and collaborating companies staffs respectively while 49 (87.5%), 28 (50%), 11 (19.6%) and 16 (28.6%) of total respondents respectively disagrees with the above idea.

Besides, during the interview Ato Fikru describes that the bank involves in CSR activities based on the philanthropic principles as we mention above and they participated in CSR activities like in motivating employees to donate blood and be member of Ethiopian Red Cross society. As he told wegagen bank s.c is a member of Ethiopian Red Cross society by buying ETB 50,000 membership. Based on the interview the bank participated in the following CSR activities most importantly like in repairing, maintaining and conserving different Ethiopian heritages like churches and mosques, mekedonia, Ethiopian Red Cross society, child fooding programs in school, Ethiopian women association, yenta weg, Ethiopian female lawyers, forestation, conserving soil degradation, government request for different disasters when the country faces like drought and others in different regional states by conducting researches to identify the right requests.

4.4.3 Participation of respondents in CSR activities.

In order to identify how respondents participated in CSR activities of the bank is providing to the community, the responses of 56 respondents are ascertained and presented in table 4.9 below.

Table 4.9 Participation of respondents in CSR activities

	Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	Recipient	1	1.8	1.8	1.8
	Facilitator	14	25.0	25.0	26.8
	No participation	41	73.2	73.2	100.0
	Total	56	100.0	100.0	

Source: Study Findings, July 2017

From analysis of table 4.9 presented above, the following observations can be made;

- 41 respondents constituting 72.2% of total respondents express that they are not participated in CSR activities.
- 14 respondents constituting 25% of total respondents express that they participated in CSR activities as facilitators.
- Only 1 respondent constituting 1.8% of total respondents express that they were recipients' and no respondents were observers.

4.4.4 Trends in CSR activities as per respondents and banks record

In order to ascertain trends in CSR activities and their associated expenditure for a period of six consecutive years from 2012 up to 2016, as per respondents response and banks record the following were revealed and presented in the table below.

Table 4.10 Trend in CSR activities and expenses as per respondents' and banks record

1. Banks CSR activities increasing or decreasing

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Trend increasing	51	91.1	91.1	91.1
Constant number	5	8.9	8.9	100.0
Total	56	100.0	100.0	

2 CSR activities increase or decrease

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	15	26.8	26.8	26.8
Agree	29	51.8	51.8	78.6
Neutral	8	14.3	14.3	92.9
Disagree	4	7.1	7.1	100.0
Total	56	100.0	100.0	

Source: study findings, July 2017 G.C

As it is shown above clearly out of total respondents 51 (91.1%) were agreed that banks participation in CSR activities were trend increasing while 5 (8.9%) of total respondents expresses as it is constant. Besides 29 (51.8%) of respondents agreed on that the amount of CSR activities expenses or expenditures were also increasing while 15 (26.8%), 8 (14.3%) and 4 (7.1) of respondents were strongly agreed, neutral and disagreed respectively.

Table 4.11 Banks participation in CSR activities in number and in amount (in ETB birr)

Year (G.C)	Number of CSR activities	Type of CSR activities	Amount in birr
2011/12	One	Ethiopian GRD	2,513,768.00
2012/13	Two	1, Ethiopian GRD 2, Donation and Contribution	135,793.00 5,000.00
2013/14	-	-	-
2014/15	One	Donation and Contribution	2,753,324.00

2015/16	One	Donation	549,078.00
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Source: Banks annual report 2011/12-2015/16 G.C

Marketing and corporate communication directorate Ato Fikru W/Tinsie indicates in the interview that the bank is participated on the issue passively and also the above table infers that the bank not participated in corporate social responsibility activities passively too. They only participated when asked by different bodies like government and other charity organization. Because the records indicate that total number of CSR activities that the bank performed each year was neither increasing nor decreasing or constant. In the year 2011/12 the bank provided one CSR activities in big amount of birr 2,513,768.00 in Ethiopian GRD, in 2012/13 the number increased to 2 activities while amount in birr decreases to birr 140,793.00, in 2013/14 it doesn't participated in any CSR activities, in 2014/15 the bank participates in one activity again in a big amount of birr 2,753,324.00 and in 2015/16 the number doesn't increase in number but it decreases to birr 549,078.00

Ato Fikru mentions the reason why they are participated passively in the issue. He said that they have budget and plan to participate in corporate social responsibility activities but number of corporate social responsibility activities and sponsorships requests are raised every time and they are busy on it to identifying the right request. Now new budgets and plans are ongoing for the next years to participate actively in the area by conducting different researches as the marketing and corporate communication directorate mentioned in the interview.

4.4.5 Trends on whether CSR activities presented by the bank benefits the stakeholders and improves banks financial performance

Stakeholder theory of CSR is related to the belief that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contact. Stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" or are "those groups who are vital to the survival and success of the organization". Those groups include; Customers, employees, local communities, suppliers and

distributors, shareholders, the media, public in general, business partners, financiers, investors, government, regulators, policymakers and others (Freeman, 1984). He advocated that the stakeholder theory, presented a more positive view of manager's support of CSR and he also asserted that managers must satisfy a variety of constituents (e.g. investors and shareholders, employees, customers, suppliers, government and local community organisations) who can influence firm outcomes.

In order to find whether CSR activities performed by Wegagen Bank S.C are benefited to the stakeholders (community or society at large, employees, customers and environment) the responses of 56 respondents are ascertained and presented in the following table.

Table 4.12 Trends on whether CSR activities presented by the bank benefits the stakeholders and improve banks financial performance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	5	8.9	8.9	8.9
Agree	19	33.9	33.9	42.9
Neutral	6	10.7	10.7	53.6
Disagree	24	42.9	42.9	96.4
Strongly disagree	2	3.6	3.6	100.0
Total	56	100.0	100.0	

Source: study findings, July 2017

The above table infers that out of total respondents 24 (42.9%) of them were disagree the idea, while 19 (33.9%), 6 (10.7%), 5 (8.9%) and 2 (3.6%) of the respondents agree, neutral, strongly disagree and disagree respectively.

4.4.6 The relationship between CSR activities and financial performance of the bank

In order to ascertain the relationship between expenditure on CSR activities and financial performance of the bank, the perceptions of 56 respondents are ascertain and presented in tables given below. Further in order to present trends and the relationship between CSR activities and financial performance (pre and after-tax profit, ROA and ROE) of the bank, the records of the bank is reviewed and the related information is ascertained. Trends, percentage and correlation analysis were done.

Table 4.13 Relationship between CSR activities and financial performance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	43	76.8	76.8	76.8
No	13	23.2	23.2	100.0
Total	56	100.0	100.0	

Source: Study Findings, July 2017

From the table 4.12 as presented above it can be inferred that 43 respondents which constitute 76.8% of all respondents express that there is relationship between CSR activities and financial performance of the bank.

4.4.7 Direction of the relationship between CSR activities and financial performance of the bank

In order to ascertain the direction of the relationship between CSR activities and financial performance, the responses of 56 respondents are ascertained and presented in the following table.

Table 4.14 Direction of the relationship between expenditure on CSR activities and financial performance of the bank

	Frequency	Percent	Valid Percent	Cumulative Percent
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Valid	Positive relationship	42	75.0	75.0	75.0
	No relationship	13	23.2	23.2	98.2
	Negative relationship	1	1.8	1.8	100.0
	Total	56	100.0	100.0	

Source: Study Findings, July 2017

From table 4.14 presented above it can be inferred that 42 respondents which constitute 75.0% of all respondents express that there is a positive relationship between CSR activities and financial performance, 14 respondents which constitute 23.2% of all respondents express that there is a no relationship between CSR activities and financial performance and only 1 respondents which constitute 1.8% of all respondents express that there is negative relationship between expenditure on CSR activities and financial performance.

In the interview Ato Desalegn Assefa director of corporate strategies and change management says that the bank does not participated in CSR activities to increase its profitability rather they participated to discharge its social responsibility based on the philanthropic principles of CSR as a legal company which is similar with the idea of marketing and corporate communication directorate. Both of them agreed on that participating in the area have indirect implication on the banks performance in the long run in order to build good well and good corporate image more than in the short run effect. He said that, since CSR is recent and new concept more specifically for African countries; company's especially banks do not participate in the area actively even if CRS has positive relationship with financial performance.

They also told for the researcher, for the interview questions whether industry type has an effect on the relationships between CSR and financial performance. They strongly agreed on that industry type have strong effect on the relationship between CSR and financial performance of a given company. If the company is a manufacturing firm they have high impact on the community and to compensate it they should have participated actively in the CSR activity like infrastructure

(pure water supply, road, electrification, health station, schools and others) for the community and the participation may have an effect on its profit but for banks the issue is not as such.

Different researchers and scholars also agreed on the idea. Because different researchers, writers and journals do different studies on the field independently and by group but they cannot come to with the same conclusion. Majority says that corporate social responsibility and firms financial performance have positive relationship while others says that they have negative relationship and a few agreed on they have no relationship. But finally they agreed on the reason for their different conclusion is that industry type is the main measurement factor and Marketing, accounting measure and industry size is the rest (Dakito, 2017).

4.4.8 Trends in relationship between CSR activities and financial performance as per banks record (pre and after tax profit, ROA and ROE)

In order to ascertain trends in relationship between CSR activities and financial performance (pre and after-tax profit, ROA and ROE) of the bank for a period of five consecutive years starting from 2011/12 up to 2015/16 G.C, as per the banks record the following were revealed and presented in the table below. The researcher uses those variables to see the effect because rate of return on assets and rate of return on equity are the performance measures most commonly used in studies of the relationship between corporate social responsibility and financial performance and also pre and after tax profits (Waddock & Graves, 1997).

Table 4.15 Trends in relationship between expenditure on CSR activities and variables of financial performance (in millions of ETB birr)

Years (GC)	CSR activities		Profit before tax	Profit after tax	ROA	ROE
	In number	In Birr				
2011/12	One	2.5	458	335	5.50%	39.80%
2012/13	Two	0.14	450	340	3.10%	17.80%

2013/14	-	-	414	318	3.00%	16.00%
2014/15	One	2.7	453	352	2.60%	14.60%
2015/16	One	0.55	478	375	2.50%	14.40%

Source: Study Findings from banks annual reports 2011/12-2015/16 G.C, July 2017

From analysis of table 4.15 as presented above the data indicates that; whether or not CSR activities performed by the bank both in number and in birr increased or decreases every year it is difficult to say that other variables like pre and after tax profits goes with the same direction while ROA and ROE constantly decreases each year.

For instance if we see:-

- The year 2012/13 CSR activities in number increases from one to two and decreases in amount or birr from 2.5 million to 140 thousands and profit before tax also decreases from 458 million two 450 million. But profit after tax increases from 335 million two 340 million while ROA and ROE decreases from 5.5% to 3.10% and from 39.8% to 17.8% respectively.
- Also in the year 204/15 CSR activities in birr increases dramatically from zero to 2.7 million and both profit before tax and profit after tax increases from 414 million to 453 million and from 318 million to 352 million respectively. But ROA and ROE both decreases from 3.0% to 2.6% and from 16.0% to 14.6% in that year respectively.

Generally, these trends indicate that it is difficult to say that there is significant positive or negative relationship between CSR activities and variables of financial performance (pre-tax profit and after-tax profit, ROA and ROE) of the bank. This is because as the numbers of CSR activities and its associated CSR activities are increasing or decreasing, the financial performance of a bank in terms of (pre-tax profit and after-tax profit, ROA and ROE) does not increasing or decrease in the same direction. This implies that CSR activities and the variables of financial performance are not related moving to the same direction.

Now the researcher also tries to see the effect or relationship of the two variables CSR activities and financial performance of the bank through correlational and regression analysis as follows.

Table 4.16 Correlation between CSR activity and financial performance in terms of banks pre and after tax profit, ROA and ROE

		CSR activity	Profit before tax	Profit after tax	ROA	ROE
CSR activity in birr	Pearson Correlation	1	.600	.500	.100	.100
	Sig. (2-tailed)		.285	.391	.873	.873
	N	5	5	5	5	5
Profit before tax	Pearson Correlation	.600	1	.700	.300	.300
	Sig. (2-tailed)	.285		.188	.624	.624
	N	5	5	5	5	5
Profit after tax	Pearson Correlation	.500	.700	1	.700	.700
	Sig. (2-tailed)	.391	.188		.188	.188
	N	5	5	5	5	5
ROA	Pearson Correlation	.100	.300	.700	1	1.000**
	Sig. (2-tailed)	.873	.624	.188		.000
	N	5	5	5	5	5
ROE	Pearson Correlation	.100	.300	.700	1.000**	1
	Sig. (2-tailed)	.873	.624	.188	.000	
	N	5	5	5	5	5

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

Sources: study findings from banks, five year annual financial reports July 2017 G.C

As we can clearly infer from the above table each variable is positively correlated at 0.01 significant level as one value grows up the other variable value also grows as well and CSR activities of the bank in birr is strongly correlated with pre and after tax profit while with its correlation with ROA and ROE is moderate.

Table 4.17 Linear Regression between CSR activity and financial performance in terms of banks pre and after tax profit, ROA and ROE

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.200	1.532		.783	.491
	CSR activity in birr	.600	.462	.600	1.299	.285

a. Dependent Variable: profit before tax

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.500	1.658		.905	.432
	CSR activity in birr	.500	.500	.500	1.000	.391

a. Dependent Variable: profit after tax

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.700	1.905		1.417	.251
	CSR activity in birr	.100	.574	.100	.174	.873

a. Dependent Variable: ROA

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.700	1.905		1.417	.251
	CSR activity in birr	.100	.574	.100	.174	.873

a. Dependent Variable: ROE

Sources: study findings from banks, five year annual financial reports July 2017 G.C

As shown in table 4.17 above the correlation coefficient of the regression 1.20 for profit before tax, 1.50 for profit after tax, and 2.70 for both ROA and ROE indicates strong correlation between the dependent variable CSR activities of the bank and independent variables pre and after tax profit, ROA and ROE. The correlation coefficient (R) of 2.70 represents a very strong positive relationship between CSR activities of the bank with ROA and ROE of the bank while correlation coefficient (R) of 1.20 and 1.50 represents a less strong positive relationship between banks CSR activities with pre and after tax profits of the bank. This indicates that 120%, 150% and 270% of

the variation in the pre and after tax profit, ROA and ROE respectively is explained by the changes in CSR investments.

From table 4.17 above the predictor standardized coefficients for CSR is $\beta_1=1.20$, $\beta_2 = 1.50$, $\beta_3=2.70$ and also $\beta_4=2.70$ resulting to conclusion that CSR has a positive effect on financial performance of the bank. The result indicated that for every unit change in CSR expenditure the profit before tax, profit after tax, ROA and ROE will increase by 120% , 150%, 270% and 270 % respectively and vice versa. The regression equation from the data in the above table 6 can be summarized as

$$\text{Profit before tax} = 0.60 + 1.20(\text{CSR}) \dots\dots\dots \text{i}$$

$$\text{Profit after tax} = 0.50 + 1.50(\text{CSR}) \dots\dots\dots \text{ii}$$

$$\text{ROA} = 0.10 + 2.70(\text{CSR}) \dots\dots\dots \text{iii}$$

$$\text{ROE} = 0.10 + 2.70(\text{CSR}) \dots\dots\dots \text{iv}$$

Both in the questionnaire and in the interview respondents says that participating in corporate social activities had it own challenges and opportunities. From the challenges resource or budgets both financial and non financial like human power, lack of researches in the area, problem of implementation and follow up and lack of credibility takes the major places and opportunities are building corporate image, increasing depositors and deposits, getting foreign currency from abroad by being partner for NGO's by donating and forcing them to open account in the bank and attracting new customers.

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CHAPTER FIVE

5.1 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.2 Introduction

As the name implies this chapter provides a summary of the study. It also gives a general conclusion from which it draws recommendations for policy, actions and also on areas for further research.

5.3 Conclusion

The study sought to examine the relationship between Corporate Social Responsibility and Financial Performance (pre and after-tax profit, ROA and ROE) of Ethiopian commercial banks with a case study at wegagen bank s.c. Related and empirical studies were reviewed in order to enrich the researcher's knowledge about the research problem and establish a gap that was to be

filled. It was revealed that most studies have discussed the rationale of corporate social responsibility on financial performance of the companies generally leaving aside the impacts of CSR on Bank's financial performance in the specific industry type.

Wegagen bank s.c was chosen as the study area because it is one of the first archetypes or beginner of private banks in Ethiopia like Awash bank, Dashen bank, bank of Abyssinia, United bank and Nib international bank and it is near to the researcher to access required information easily as employee of the bank. The study employed explanatory research design with both qualitative and quantitative techniques using case study. Non probability purposive sampling technique was employed in the study. A total of 56 respondents were involved in the study, including top managements, managers, supervisors, junior and senior officer's so as to generate a wide range and complimentary information useful for the study.

Bank's reason to discharge its CSR activities is from the four multidimensional construct of CSR that is the Philanthropic responsibility because Society wants firms to behave as good citizens and commit part of their resources to improve common well-being. Accordingly Through interview and review of bank documentations a list of various CSR activities were identified as being provided by the bank which includes eradicating extreme poverty and hunger, promoting gender equality and women empowerment, reducing child mortality and maternal health, ensuring environmental sustainability, employment by enhancing vocational skills, conserving land and soil degradation, forestation, maintaining and repairing heritages, participating and supporting in countries mega projects and participating in other societal activities like mekedonia and Ethiopian Red Cross society in order to surmount it's responsibility on the area by conducting researches to identify the right requests. Also types of CSR activities that are performed by the bank and how they affect bank's financial performance were identified by respondents in the study.

Wegagen bank s.c does not participated in CSR activities to increase its profitability rather they participated to discharge its social responsibility based on the philanthropic principles of CSR as a legal company. CSR is recent and new concept more specifically for African countries and company's especially banks do not participate in the area actively even if CRS has positive relationship with financial performance.

Industry type has strong effect on the relationship between CSR and financial performance of a given company. If the company is a manufacturing firm they have high impact on the community and to compensate it they should have participated actively in the CSR activity like infrastructure (pure water supply, road, electrification, health station, schools and others) for the community and the participation may have an effect on its profit but for banks the issue is not as such.

The findings revealed that most respondents 43 (76.8%) said that there is relationship between CSR activities and financial performance of a bank and findings indicated the values of r and P as: ($r_1 = 0.600$, $P = 0.285$), ($r_2 = 0.500$, $P = 0.391$), ($r_3 = 0.100$, $P = 0.873$) and ($r_4 = 0.100$, $P = 0.873$) for profit before tax, profit after tax, ROA and ROE respectively. The results are indicating that there is a significant positive correlation between independent variable (CSR activities) and dependent variables (Bank Pre and after-tax profits, ROA and ROE) at Wegagen Bank S.C. Therefore corporate social responsibility is positively related to financial performance which implies that in order to improve financial performance organizations should engage themselves into CSR activities to the society.

Despite the fact that Wegagen Bank S.C provides CSR activities to the society, there are some challenges to discharge its responsibilities. These were resource or budgets both in financial and non financial like human power, lack of researches in the area, problem of implementation and follow up and lack of credibility. Lack of enough knowledge both organizations and the society about the importance of engaging in CSR activities are also challenges for the bank whereas building corporate image, increasing depositors and deposits, getting foreign currency from abroad by being partner for NGO's by donating and forcing them to open account in the bank and attracting new customers seen as an opportunity.

5.4 Recommendations

The concept of corporate social responsibility has prevailed since time immemorial and has for a long time paved way for organizations' to have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. For a long time, corporate social responsibility has raised issues on who actually benefits from the

CSR initiatives. Business analysts have documented that CSR benefits the organization by pushing the business to the next level while at the same time benefiting the society. Linking this study with the current banking situation where competition is a key challenge, the bank's profit-making motives may revolve fundamentally around managerial beliefs that engaging in social initiatives can have a direct impact on the banks profitability hence the reason why the banks seen to increase the amount spent on CSR each year. Hence, this study recommends that the banks should have a well-planned and effective CSR approaches in order to enhance brand and company reputation as well as improve efficiency, reduce the risk of business disruptions, and open up new opportunities driving innovation. CSR helps a company's reputation by creating a positive image in the mind of customers, suppliers etc., hence, it should become a part of the culture of financial institutions in Ethiopia.

CSR contributes to the attraction of new customers thus enhancing a wide coverage will enable a large community outreach and in return will attract more customers joining the bank which in turn improves the bank performance. Government should play its role to motivate banks to spend for the welfare of the societies, nations, environment where they operate their businesses and earn profits. Government may by way of tax incentive motivate banks to actively embark on corporate socially responsibility as it will impact on their successes and reduce the burden on government in terms of provision of amenities for the society, communities and nation at large.

From the findings of this study, it is suggested that further research be carried out on the stakeholder and customer perception of CSR initiatives within the banking industry. There is a need to establish whether the CSR initiatives meet their goal and benefit their beneficiaries as well as establish their sustainability.

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Appendix

Appendix I

Akmonlink College

Department of Business Administration

QUESTIONNAIRES FOR RESPECTIVE MANAGERMENTS & EMPLOYEES

Dear sir/madam,

I, Sebsib Husen Usman a student of Rift Valley University; pursue Masters of Business Administration specialization in Finance hereby conducting a thesis paper with the title “Impact of Corporate Social Responsibility on Financial Performance of Ethiopian commercial Banks with a case study at wegagen bank s.c”. I kindly requested you to fill the following thesis questionnaires as honestly as possible to gather information for the above mentioned thesis work.

The information you will give will be treated confidentially and used solely for the purpose of this study. There is no need to disclose your name unless otherwise you specifically wish to do so.

Thank you for taking your time to complete the questionnaire and for your time and cooperation.

General instruction

Make a thick mark (√) in the appropriate box.

Part I: Personal information

1. Gender/sex

a) Male

b) Female

2. In which category does your age belong to?.

a) ≤30 year's

c) 41-50 year's

b) 31-40 year's

d) 51 years and above

3. Level of education.

a) Primary education

b) Secondary education

c) Tertiary

If any other please mention

.....

4. Marital status.

a) Married

c) Widowed

b) Single

d) Divorced

5. How long have you been the employee of wegagen bank s.c?

a) Less than 1 Year

d) 7-10 years

b) 1-3 Years

e) 11 years and above

c) 4-6 Years

6. Your current position in the bank

a) Top Management/directorate

d) Customer service officer

b) District/Branch manager

e) Other (please specify it

c) Customer service Supervisor

.....

Part II: Identification of CSR activities performed by the bank.

1. Does wegagen bank s.c participate in CSR activities in the community?

a) Yes

b) No

2. What corporate social responsibilities (CSR) activities have the bank to participate?

a) Donation to government development project

b) Donation to NGOs

c) Establishing school for the community and/or employees

d) Establishing health center for the community and/or employees

e) Infrastructure (electric, water, road.....) for the community and/or employees

- f) Supporting suppliers/farmers in transferring technology
- g) Sponsorship for Sport, arts and culture
- h) Donating the country's disasters or Humanitarian activities
- i) Environmental protection

Please mention if any other.....

(Two or more choices are possible for this question)

3. As an employee of wegagen bank s.c, how do you participate in these activities?

- a) Recipient
- b) Facilitator
- c) Observer
- d) No participation

4. Do you think that the number of CSR activities wegagen bank s.c is providing to the community is increasing as compared to previous period?

- a) Trend increasing
- b) Constant number
- c) Trend decreasing

5. If the number of CSR activities the bank is providing to the community increases annually as compared to previous period; do you agree that the associated CSR expenses incurred by the bank also increases?

- a) Strongly agree
- b) Agree
- c) Neutral
- d) Disagree
- e) Strongly disagree

6. Do you agree that CSR activities provided by the bank favorably benefits the keys stakeholders (employees, customers, community and environment) and they improve the bank's performance?

- a) Strongly agree
- b) Agree
- c) Neutral
- d) Disagree

e) Strongly disagree

7. What are the reasons for the bank in discharging its CSR?

a) Commercial code/rule and regulation of the country forces to do so

b) Every company has their own rules and regulation to discharge CSR

c) Because of competition in the industry both from domestic and international firms

d) Discharging CSR has an effect on the profitability of the company

e) Do not know

Part III; The relation between CSR activities and financial performance of bank.

1. Do you think that there is a relationship between CSR spending and banks financial performance in terms of pre-tax and after tax profits, ROE and ROA?

a) Yes

b) No

2. How do you consider the banks corporate social responsibilities impression to customers?

a) Impressive

b) Not impressive

3. Do you think that it is important for the bank to constantly engage in CSR activities to the community as this help to improve banks financial performance?

a) Yes

b) No

4. Do you think the bank's financial performance (pre-tax and after tax profits, ROE and ROA) would have been different without these activities?

a) Yes

b) No

5. How do you rate the relationship between CSR spending and banks financial performance (performance measured in by Banks pre-tax and after tax profits, ROE and ROA)?

a) Positive relationship

c) Negative relationship

b) No relationship

6. How do you rate the corporate social responsibility of the Bank to the community and to the environment?

i. Bank CSR to the Community.

a) Satisfactory

b) Unsatisfactory

ii. Bank CSR to the environment.

a) Satisfactory

b) Unsatisfactory

Part IV: Challenges in CSR activities.

1. Is there any challenge to participating in CSR activities? What are the challenges if they have?

i.

ii.

iii.

iv.

v.

2. Does participating in CSR activities create opportunities for the bank for better financial performance? Please mention if any

I.

ii.

iii.

iv.

v.

3. A) Do you think that all members of the community are aware about the CSR activities that the bank is providing to the society?

a) Yes

b) No

b) If yes/no, what the bank has to do?

a) Publicized in the media

d) Improve customer care service

b) To increase more branches

e) Assist in environment conservation

c) Involve in issues that capture community need (More CSR)

Thanks for your cooperation!

Appendix II

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Interview schedules and Questions

The following semi structured interview questions and schedules were prepared for top managements to use both the advantage of structured and unstructured interview. The interviewer has a general plan of inquiry but not a specific set of questions that must be asked in particular words and in a particular order for unstructured interview which is Very important for exploratory research studies and characterized by its flexibility and also it is largely free to arrange, rephrase, modify, and add some new questions.

1. What does it mean for Ethiopian commercial banks to be socially responsible?
2. Do more socially responsible banks have better corporate financial performance than less socially responsible?
3. Does industry type have an effect in the relationship between CSR and financial performance of Ethiopian commercial banks?
4. Does your company have budget for financial contribution to CSR?
5. How do you estimate the budgeted cost for all financial contributions to CSR?

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THESIS QUESTIONNAIRES CODE BOOK

Part I: Personal information

Q1. Gender/sex

1= Male

2= Female

Q2. In which category does your age belongs.

1 = ≤30 years

2 = 31-40 years

3 = 41-50 years

4 = 51 years and above

Q3. Level of education.

1 = Primary education

2 = Secondary education

3 = Tertiary

4 = If **any other** please mention

Q4. Marital status.

1 = Married

2 = Single

3 = Widowed

4= Divorced

Q5. How long have you been the employee of wegagen bank s.c? (Work Experience in the Bank)

1 = Less than 1 Year

2 = 1-3 Years

3= 4-6 Years

4= 7-10 years

5 = 11 years and above

Q6. Your current position in the bank

1= Top Management/directorate

2= District/Branch manager

3= Customer service Supervisor

4= Customer service officer

5= **other** (please specify it).....

Part II: Identification of CSR activities performed by the bank.

Q1. Does wegagen bank s.c participate in CSR activities in the community?

1= Yes

2= No

Q2. What corporate social responsibilities (CSR) activities have the bank to participate?

1= Donation to government development project

2= Donation to NGOs

3= Establishing school for the community and/or employees

4= Establishing health center for the community and/or employees

5= Infrastructure (electric, water, road.....) for the community and/or employees

6= Supporting suppliers/farmers in transferring technology

7= Sponsorship for Sport, arts and culture

8= Donating the country’s disasters or Humanitarian activities

9= Environmental protection

10= Please mention if **any other**.....

(Two or more choices are possible for this question **multiple variable**)

Additional categories or codes

1= Government project

- 2= Donation to NGO
- 3= Involving in the community (3-6)
- 4=Sport, art and culture
- 5=Disasters and humanitarian activities
- 6=Environmental activities
- 7=Others

Q3. As an employee of wegagen bank s.c, how do you **participate in these activities?**

- 1= Recipient
- 2= Facilitator
- 3= Observer
- 4= No participation

Q4. Do you think that the number of CSR activities wegagen bank s.c is providing to the community is **increasing** as compared to previous period?

- 1= Trend increasing
- 2= Constant number
- 3= Trend decreasing

Q5. If the number of CSR activities the bank is providing to the community increases annually as compared to previous period; do you agree that the associated CSR **expenses** incurred by the bank also increases?

- 1= strongly agree
- 2= Agree
- 3= Neutral
- 4= Disagree
- 5= strongly disagree

Q6. Do you agree that CSR activities provided by the bank favorably **benefits the keys stakeholders** (employees, customers, community and environment) and they improve the bank's performance?

- 1= strongly agree
- 2= Agree
- 3= Neutral
- 4= Disagree
- 5= strongly disagree

Q7. What are the **reasons** for the bank in **discharging its CSR?**

- 1= Commercial code/rule and regulation of the country forces to do so

2= every company has their own rules and regulation to discharge CSR

3= Because of competition in the industry both from domestic and international firms

4= Discharging CSR has an effect on the profitability of the company

5= Do not know

Part III; The relation between CSR activities and financial performance of bank.

Q1. Do you think that there is a relationship between CSR spending and banks financial performance in terms of pre-tax and after tax profits, ROE and ROA?

1= Yes

2= No

Q2. How do you consider the banks corporate social responsibilities impression to customers?

1= Impressive

2= Not impressive

Q3. Do you think that it is important for the bank to constantly engage in CSR activities to the community as this help to improve banks financial performance?

1= Yes

2= No

Q4. Do you think the bank's financial performance (pre-tax and after tax profits, ROE and ROA) would have been different without these activities?

1= Yes

2= No

Q5. How do you rate the relationship between CSR spending and banks financial performance (performance measured in by Banks pre-tax and after tax profits, ROE and ROA)?

1= Positive relationship

2= No relationship

3= Negative relationship

Q6. How do you rate the corporate social responsibility of the Bank to the community and to the environment?

i. Bank CSR to the Community.

1= Satisfactory

2= Unsatisfactory

ii. Bank CSR to the environment.

- 1= Satisfactory
- 2= Unsatisfactory

Part IV: Challenges in CSR activities.

Q1. Is there any challenge to participating in CSR activities? What are the challenges if they have?

- 1 = Yes
- 2= No

If yes

- i.
- ii.
- iii.
- iv.
- v.

Q2. Does participating in CSR activities create opportunities for the bank for better financial performance?

Please mention if any

- 1= yes
- 2= no

If yes

- I.
- ii.
- iii.
- iv.
- v.

Q3. A) Do you think that all members of the community are aware about the CSR activities that the bank is providing to the society?

- 1= Yes
- 2= No

A) If yes/no, what the bank has to do?

- 1= Publicized in the media
- 2= to increase more branches
- 3= Involve in issues that capture community need more CRS
- 4= Improve customer care service

5= Assist in environment conservation

IJSER

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