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COLLEGE OF BUSINESS AND ECONOMICS

A Research on

**Effect of Corporate Social Responsibility (CSR) Practice on Organizational
Performance of Large-scale Agricultural Investments (a survey on South
West Ethiopia Private investments)**

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Acronyms and abbreviations

CSR- Corporate Social Responsibility

CFP- Corporate Financial Performance

IFC-

GTP- Growth and Transformation Plan

MDG- Millennium Development Goals

MNCs- Multi National Corporations

MoFED- Ministry of Finance and Economic Development

NGO- Non-Governmental Organizations

SNNPR- Southern Nations Nationalities People Region

UNIDO- United Nations Industrial Development Organization

Abstract

Background: *Corporate social responsibility, undoubtedly, is one of the top priorities for organizations today, especially for investments where the labor accounts for a large ratio of what customers pay for. Therefore, this study aimed to examine the effect of corporate social responsibility on organizational performance of large-scale agricultural investments in Southwest Ethiopia.*

Methods: *A cross-sectional study was conducted at South west part of Ethiopia. A total of 381 study participants were recruited using proportionate random sampling technique. The data were collected using a pretested self-administered questionnaire. The collected data were entered into SPSS version 23. Descriptive statistics such as mean and standard deviation were used. Inferential statistics of multiple linear regression was done to analyze the effect of independent variables*

Results: *Among the variables identified four of the independent variables (legal responsibility, ethical responsibility, philanthropic responsibility, environmental responsibility had statistically significant effect on organizational performance with a p-value of $\alpha=0.05$).*

Conclusion: *all the explanatory variables used to explain organizational performance were found to be capable of explaining the organizational performance in the sector as well. Therefore, the investments should work on the identified explanatory variables to increase their organizational performance.*

Keywords: *Legal responsibility, ethical responsibility, philanthropic responsibility, environmental responsibility and organizational performance.*

CHAPTER ONE

INTRODUCTION

This chapter provides introductory information about the study. It includes the background and justification of the study and objectives of the study.

1.1 BACKGROUND AND JUSTIFICATION

Corporate social responsibility (CSR) seems a recent concept as a field of study but it has been practiced by business long ago. CSR has been named differently, for instance corporate responsibility, corporate accountability, corporate ethics, corporate citizenship or stewardship, responsible entrepreneurship, and “triple bottom line,” to name just a few (Hohnen, 2007). As a concept in academia corporate social responsibility has its origin in 1950 in Anglo-Saxon world but became more prevalent in 1970s with the objective of creating societal and environmental welfare (Kostyuk *et al*, 2008, Srivastava, Negi and Pandey, 2012). It is undeniable that know a days, CSR has achieved a prominent place in management practice and in the academic arena (Melo, T., and Garrido-Morgado, A., 2012)

Corporate Social Responsibility (CSR) implies that firms do something extra for their stakeholders beyond their usual expectations and requirements (Doane, 2005). CSR is centered on the idea of creating “shared value.” 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 (Kash Rangan Lisa A. Chase Sohel Karim, 2012).

In developing countries CSR concepts were highly exercised as Millennium Development Goals ‘a world with less poverty, hunger and disease, greater survival prospects for mothers and their infants, better educated children, equal opportunities for women, and a healthier environment’ (UN,2006). More specifically, our country Ethiopia has been pursuing pro-poor policies, implementing development plans and programs within which global development frameworks such as the MDGs, the Brussels Program of Action and its successor the Istanbul Program of Action for Least Developed Countries have been mainstreamed with remarkable achievements in economic growth, social development and environmental management (Commission, 2017).

Potluri and Zelalem (2008) an important issue facing today's managers is whether corporate sector has some responsibility to improve the society or only to improve their earnings. Until the last decade, particularly in developing countries a firm was generally viewed, as an economic institution to provide wanted goods and services for public consumption and a profit for the owners. Two significant developments changed all of this. The first came about as professional managers replaced title-holders in running big companies. Professional managers played more of a trustee role; they were responsible to the Board of Directors and interest of suppliers, customers, employees, and other claimants. The second development was the change in public attitude towards big businesses and their socially responsible actions.

In today's globalized world, one of the great challenges faced by firms is integration of CSR in business. Businesses are an integral part of the communities in which they operate. Businesses play a pivotal role both in job and wealth creation in society and in the efficient use of natural capital (Hohnen, 2007). More precisely, Private sector is the source of investment, employment, tax revenues in the developing world. The sector has also a potential to provide critical goods and services and is key to ensuring the efficient flow of capital in the economy (IFC, 2016). Private sector in Ethiopia plays a fundamental role in the economic growth and development by enhancing industrialization, creating massive job opportunity and transferring technology (TAK-IRDI, 2016). Report by MoFED (2013) on GTP I indicated the increased participation of Private sector on agricultural sector investment and their contribution on economic growth.

There is growing recognition of the significant effect the activities of the Private sector have on employees, customers, communities, the environment, competitors, business partners, investors, shareholders, governments and others. In developed countries, most often businesses engage themselves in construction of infrastructure, schools, hospitals, and housing. However, businesses in developing countries are considering these activities as the government's responsibility (Visser, 2008). Companies cannot currently adopt unethical business practices (e.g., environmental pollution, unfair labor practices, safety concerns, etc.) without exposing themselves to a negative reaction from their markets and from society as a whole (Windsor, 2001).

There has been a repeated call from CSR scholars for more CSR studies from this part of the developing world since there is no substantial evidence and study about CSR in the developing world based on empirical studies. Even though, empirical studies by (FATDC, 2014, (Mathias,

2016), (Birhanu, 2018) found out challenges such as lack of community participation in CSR activities, non-availability of well-organized NGOs, narrow perception towards CSR initiatives, non-availability of clear CSR guidelines, lack of consensus on implementing CSR issues, lack of enough attention in terms of societal context in the CSR literature, lack of direct involvement in terms of providing instruction and exerting pressure from the parent companies of the MNCs on the local CSR initiatives as barriers to practice CSR by businesses.

South west Ethiopia, where the study was conducted, is widely known on the production of agricultural products and there is also an increasing number of Private sector large-scale agricultural investments. A study by (Adissu, 2016), on Large-Scale agricultural investment and its impact on local community focused on pre-investment phase analysis of Large-Scale agricultural investment on social, economic and environmental impact of local communities. The study findings were no community involvement and open discussion on site selection and socio-economic and environmental impact of the investments on the community. Since, the study had a particular emphasis on Bench sheko, South west omo, Kaffa, Sheka and Majang and no studies were conducted on post-investment impact analysis of the Private sector large-scale agricultural investments in South West in general. Thus, this study examined what CSR practices and its effect on organizational performance of large-scale agricultural investments in South west part of Ethiopia.

1.2 Objectives of the study

1.2.1 The general objective of the study

The study examined the effect of CSR practices on organizational performance of Private sector large-scale agricultural investments in South West Ethiopia, SNNPR.

1.2.2 The specific objectives of the study

The following were the specific objectives of the study: these are

- To examine the effect of economic responsibility on organizational performance of large-scale agricultural investments
- To analyze the effect of legal responsibility on organizational performance of large-scale agricultural investments

- To investigate the effect of ethical responsibility on organizational performance of large-scale agricultural investments
- To examine the effect of philanthropic responsibility on organizational performance of large-scale agricultural investments
- To analyze the effect of environmental responsibility on organizational performance of large-scale agricultural investments

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical Literature Review

2.1.1 Concept and Definitions of CSR

The concept of CSR has a diverse history, in the early period CSR was more often referred to as social responsibility (SR), in 1953 Bowen defined social responsibility as the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society (as cited in Carroll, 1999, p.270).

Although the fact that CSR is a noticeable concept in the literature, there is uncertainty about how CSR should be defined in the corporate as well as academic domain (Dahlsrud, 2008). Dahlsrud concluded that since CSR is a social construction it cannot be universally defined; rather it is something best understood in its specific context. According to Van Marrewijk (2003), there is an abundance of definitions for CSR but these definitions are biased towards specific interests. Dahlsrud (2008) strengthens this argument by analyzing 37 definitions of CSR, these definitions were defined from the perspectives of environmental, social, economic, stakeholder and voluntariness.

The commission of European communities (2001) defined CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis.

The other definition of CSR which is associated with sustainable development is given by the World business council for sustainable development (1999) as the commitment of business to contribute to sustainable development, working with employees, their families, the local community, and society at large to improve their quality of life.

Kytle and Ruggie argued that CSR is not only about what companies do with their profit, but also about how they earned their profit. Accordingly, companies should embed ethical values of conducting business in their strategy. As the circle of influence of a business extends beyond the workplace and marketplace to the supply chain, community, and macroeconomic policies, the

business should critically assess not only the way they manage their economic and social impacts but also their stakeholder relations (Kytte and Ruggie, 2005).

Furthermore, literature on CSR points out three main approaches which have been followed by researchers to conceptualize CSR (Beracs & Moisescu, 2015; Moisescu, 2015). The first approach to CSR emerged from the work of Carroll (1979, 1991). Carroll developed the CSR pyramid which is built on four main dimensions; these are economic, legal, ethical, and discretionary or (philanthropic) responsibilities (Carroll, 1979, 1991).

Economic responsibility is the foundation of the pyramid on which all other responsibilities stand, and concerns with firm's performance in a manner consistent with maximizing earnings per share as well as maintaining a strong competitive position (Carroll, 1991). Economic responsibility is followed by legal responsibility, which requires a firm to operate in compliance with the laws and regulations of a country and also meet its legal obligations in the process (Carroll, 1991). The third dimension is ethical responsibility which relates to the performance of a firm in a manner consistent with expectations of societal mores and ethical norms as well as preventing ethical norms from being compromised in order to achieve corporate goals (Carroll, 1991). The fourth dimension is philanthropic responsibility, which refers to performing in a manner consistent with philanthropic and charitable expectations of society and also assists voluntarily those projects that enhance a community's quality of life (Carroll, 1991). Overall, firms with CSR should strive to make a profit, obey the law, be ethical, and be good corporate citizens (Carroll, 1991).

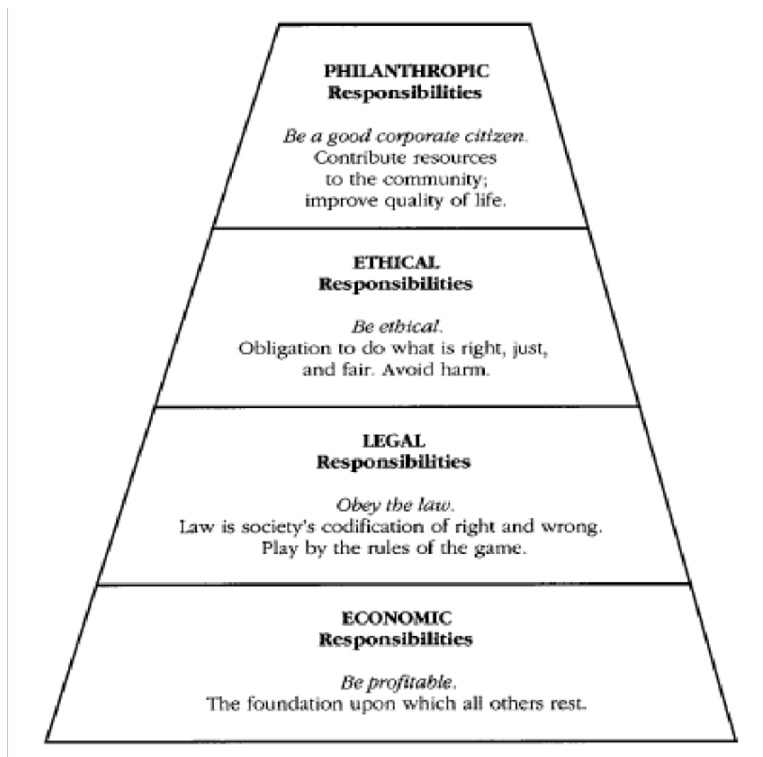


Figure 2.1 CSR dimensions

The second approach is a three-dimensional structure of CSR which includes economic, social, and environmental responsibilities (Beracs & Moisescu, 2015; Elkington, 1998; Moisescu, 2015; Slaper & Hall, 2011). Since the environment is one of the organization's stakeholders, firms focused on the environment in addition to creating economic and social values (Elkington, 1998; Slaper & Hall, 2011). In this regard, firms are responsible for protecting the environment from damage and the negative sides of business operations and managing the physical resources (Elkington, 1998; Slaper & Hall, 2011).

The third approach is related to the Stakeholder Theory. This theory claims that organizations have a relation with the stakeholders that affect and are affected by the performance and activities of organizations. It argues that the business can be understood as a system of relationships among the groups who have a stake in the tasks which make up the business (Freeman et al., 2010; Walsh, 2005). Accordingly, CSR consists of activities for shareholders, customers, employees, the environment, society, and other stakeholders (Freeman et al., 2010).

Regarding the practice of CSR, it may possibly be classified as internal and external. The concept of internal CSR is vague among researchers because most research focused on external CSR aspects like environmental protections and community involvement. However, Turker (2009) described internal CSR practices as directly related to the physical and psychological working environment of employees, such as the health and well-being of employees, their training and participation in the business, equality of opportunities, and work-life balance. ISO 26000 also provides a useful guideline for companies to respect and recognize human rights, employment, and employment relationships, conditions of work and social protection, social dialogue, health and safety at work as well as human development (ISO 26000 (2006), Guidance on Social Responsibility).

European Commission (2001) associated external CSR practice with responsibility for the local community, business partners, suppliers, customers, and the environment. These responsibilities are reflected by activities, such as philanthropy, volunteerism, and environmental protection.

Corporate philanthropy is one of the external practices of CSR, which is associated with financial and non-financial contributions, such as sponsorship of the community and donation of material or services in kind. Carroll, (1991) described philanthropic responsibilities as those actions incorporated in the response to society's expectation that makes businesses to be good corporate citizens. Actually, companies involve in corporate philanthropy for their own reasons; philanthropy can benefit top managers themselves by enhancing their reputations within their social circle or furthering their political and career agendas (Friedman,1970), (Werbel & Carter,2002), improving brand-name recognition, moderate regulatory scrutiny, and ensure community cooperation (Smith,1994). Furthermore, corporate involvement with philanthropic engagement results in a positive image and an improved reputation which enhanced employee morale and increased customer loyalty (Haley, 1991).

The contribution of human resources, time, and skills to benefit the community and non-profit organizations is associated with corporate volunteerism. It may involve the company directly volunteering to participate in community initiatives or employees themselves volunteer of their own accord. Hence, the ultimate goal of corporate volunteerism is to create goodwill in the community (Stukas, et al, 1999). In addition, companies encourage employee volunteerism because it increased employee morale, which in turn leads to higher productivity (Walker, 2007).

The other external practice of CSR is environmental protection, these days environment turns out to be one of the main areas of concern for all. Environmental protection becomes one of the core elements of CSR within the pyramid of corporate social performance (Carroll, 1991). It is a practice of protecting the environment on an organizational level for the benefit of the natural environment and humans (Wikipedia, 2009). Earlier studies conducted by Schiebel and Pochtrager (2003) show that improved organizational reputation, reduced costs, managed risks associated with environmental problems, and enhanced financial performance are the results of environmental protection.

2.1.2 Drivers of CSR

United Nations Industrial Development Organization (UNIDO) in its 2002 report identifies the basic drivers of CSR as values, strategy and public pressure.

The report elucidates value as profit maximization no longer becomes the main purpose for organizations to exist in the business; organizations now a day's aware of the need to address the negative impact of their operations on their stakeholder and sustainable development.

The report also addresses that since an organization's strategy is a function of various factors which are internal and external to the organization, CSR activities facilitate strategic development, deployment and control.

Furthermore, the report stated that public opinion is not making it easy for corporations to operate business as usual. Any act of failure in organization CSR; may lead to public opinions calling for stiffer laws and organized movements against the organization. In any case, one or the combinations of these drivers influences an organization's CSR activities.

2.1.3 Motivation for CSR: Overview of why businesses undertake CSR

Vogel (2006, p. 2) stated that there are “many reasons why some companies choose to behave more responsibly or virtuously in the absence of legal requirements. Some are strategic, others are defensive, and still others may be altruistic or public-spirited.” This indicates that even in countries where there is no a strong legal framework for CSR, companies can implement CSR for reasons other than government requirements. The point is that “CSR should make sense from the

perspective of the overall competitive strategy of a firm (and the other way around), and should be treated as an integral part of it; not only because this furthers the long-term survival of a firm, but also because this way the moral claims of stakeholders have the best chance of becoming an accepted part of the firm's decision-making structure and its organizational culture" (Van de Ven & Jeurissen, 2005, p. 300). Further, Graafland and Mazereeuw (2012) identified three motives for CSR, the first one is financial motive as an extrinsic driver and the second one is ethical (moral duty to observe) and the third is altruistic (concern over the well-being of others, it is helping others or want to contribute to the common good from a genuine concern of the well-being of others); the latter two are considered as intrinsic motives by the authors. Van de Ven and Jeurissen (2005) found that CSR needs to be treated as an integral part of companies' strategy; and Porter and Kramer (2006) also proposed that CSR can be used as a source of great social progress. Moreover, Garriga and Mele (2004) suggested that CSR motives could relate to making profit, or to responsible use of corporate power in the political arena, to serve social demands or taking social responsibilities as ethical obligation. Thus, based on the theories here, the motivation for CSR could be intrinsic- such as based on ethical duties or extrinsic focusing on external drivers such as regulatory requirements or profit motive.

2.1.4 Adoption of CSR (in developing) Countries and Challenges

According to Jamali and Neville (2011, p. 604), "empirical studies of firm adoption of CSR by MNCs demonstrate substantial variation and complexity given conflicting institutional messages regarding organizing templates, models for action and known sources of legitimacy." Besides, even though the idea of incorporating the typologies of MNCs in assessing how CSR is adopted by companies may seem like a sound idea (Bartlett & Ghoshal, 1989), CSR authors such as Harzing (2000, p. 102) assert that "up until now, however, very few studies in the international management literature have tried to derive and test comprehensive typologies of MNCs." Harzing also shared that even what may probably be considered as "the most extensive typology of MNCs," which is provided by Bartlett and Ghoshal (1989), "did not discuss the characteristics of the various types of MNCs in a systematic way" (p. 102). Nonetheless, there is a broader perspective based on the notion of global vs. local CSR that companies may consider in their attempt to adopt CSR, particularly in territories away from the host country; this notion is based on whether to centralize a company's CSR engagement or decentralize it (Bustamante, 2011; Cruz & Boehe, 2010; Husted & Allen, 2006; Muller, 2006).

In brief, CSR authors such as Jackson and Apostolakou (2010, p. 374) suggest that “largely instrumental motives may drive the adoption of CSR practices, in an effort to reduce reputational risk and improve financial performance. However, other motives may be more normative or moral in nature. Companies may develop CSR as a response to wider social and institutional pressures.” Similarly, Levis (2006) stated that there are several mechanisms that companies may rely on in the adoption of CSR. The author indicated that company values, maintaining a company’s reputation and isomorphism and peer/partner pressure are the factors that favor the adoption of CSR.

Yet there are challenges to CSR adoption, particularly in the developing world. Wanderley, Lucian, Farache, and de Sousa Filho (2008) indicated that various factors inhibit the adoption of CSR in developing countries. The authors outline some of the challenging factors: Civil societies are not well organized, governments do not strongly promote CSR practices, businesses do not face strong and constant pressure, and the press has yet to play the role of watchdog; and as a result, most developing countries face a range of obstacles to CSR. As Kemp (2001) put it, this is primarily due to the fact that there are several practical problems that hinder the successful adoption of CSR especially in many developing countries, where “the institutions, standards and appeals systems, which give some life to CSR in North America and Europe, are relatively weak.”

2.1.5 A review of extant literature on CSR practices in developing countries

Making a contribution to bridging the gap in academic literature on developing countries’ CSR practices is an important objective of this research. In view of this, it is necessary to provide here a review of extant literature on CSR practices in developing countries. CSR has witnessed an astonishing dominance and global resonance in recent years (Jamali & Neville, 2011).

“The notion of CSR, which now dominates thinking about corporate behavior among a section of academics and practitioners alike, is prevalent in the US, and lately, Europe has taken the lead in shaping global CSR debates” (Arora & Puranik, 2004, p. 93). It is noted that there is far more empirical research on CSR in developed than in developing countries, despite the fact that there is greater need for CSR in the developing countries since there are gaps in social provision and governance; in other words, there are generally fewer establishments providing social goods in developing countries than in the developed countries (Dobers & Halme, 2009).

Similarly, Idemudia (2011, p. 1) argued that “the criticism that the mainstream corporate social responsibility (CSR) agenda was largely driven by the concerns and priorities of western countries and therefore tends to be insensitive to local priorities as well as inadvertently harm prospects for sustainable livelihood in developing countries set the tone for the emergence of a South - centered CSR agenda.” However, recently “many leading MNCs have turned to the discourse and practice of ‘corporate social responsibility’ or ‘corporate citizenship’ as a strategy to maximize opportunities that come with operating in developing countries as well as to manage associated risks” (Muthuri, Moon, and Idemudia, 2012, p. 2). Further, these authors stated that companies that operate in developing countries are expected to play a vital role in addressing typical problems including high levels of poverty, illiteracy, homelessness, unemployment, disease, poor governance, and lack of infrastructure. In connection, Prieto Carron, Lund-Thomsen, Chan, Muro, and Bhushan (2006, p. 977) explained that “CSR has broadened its scope to include not only aspects of corporate conduct that impinge on social, environmental and human rights issues, but also the role of business in relation to poverty reduction in the developing world.” These points illustrate that while “general assessments of CSR focus on discrete aspects such as environmental management, working conditions, labour rights, business-community relations, and the so-called business case for CSR” (Utting, 2007, p. 698); assessments of CSR issues in the developing world need to encompass those issues that relate not only to these general focus areas identified here but also concerns that are typical of developing countries – poverty, diseases, unemployment, and other socio and economic problems. Nevertheless, while there has been important progress in the theoretical understanding of CSR; empirical studies on CSR, particularly from the developing world, have generally remained scant (Jamali & Mirshak, 2007). It is reiterated that research on CSR in developing countries is still relatively underdeveloped, as most of the research on CSR until now has focused on developed country companies, mostly from North America and Europe (Blowfield & Frynas, 2005; Frynas, 2006, Visser, 2008, Muthuri & Gilbert, 2011). However, Visser (2008) has provided a summary of the peculiar features of CSR in developing countries. According to the author (Visser, 2008, pp. 492-493), CSR in developing countries has the following distinctive characteristics:

- CSR tends to be less formalized or institutionalized in terms of the CSR benchmarks commonly used in developed countries, i.e. CSR codes, standards, management systems, and reports.

- Where formal CSR is practiced, this is usually by large, high profile national and multinational companies, especially those with recognized international brands or those aspiring to global status.
- Formal CSR codes, standards, and guidelines that are most applicable to developing countries tend to be issue specific (e.g. fair trade, supply chain, HIV/AIDS) or sectorled (e.g. agriculture, textiles, mining).
- In developing countries, CSR is most commonly associated with philanthropy or charity, i.e. through corporate social investment in education, health, sports development, the environment, and other community services.
- Making an economic contribution is often seen as the most important and effective way for business to make a social impact, i.e. through investment, job creation, taxes, and technology transfer.
- Business often finds itself engaged in the provision of social services that would be seen as government's responsibility in developed countries, for example, investment in infrastructure, schools, hospitals, and housing.
- The issues being prioritized under the CSR banner are often different in developing countries, for example, tackling HIV/AIDS, improving working conditions, provision of basic services, supply chain integrity, and poverty alleviation.
- Many of the CSR issues in developing countries present themselves as dilemmas or trade-offs, for example, development versus environment, or job creation versus higher labor standards.
- The spirit and practice of CSR is often strongly resonant with traditional communitarian values and religious concepts in developing countries, for example, African humanism (ubuntu) in South Africa and harmonious society (xiaokang) in China.

Overall, reaffirming that research into CSR in developing countries is still underdeveloped, Visser (2008) concluded that “hence, there is an urgent need for further research on CSR in developing countries at the international, regional, national and sectoral levels” (p. 493).

2.1.6 Corporate Social Responsibility and Organizational Performance

Corporate social responsibility has become a necessity in this present time due to the goodwill it generates and for the fact that interdependence exist between the corporate firms and the

environment where they are operating. The purpose of establishing an enterprise is value creation that involves producing goods and services that will satisfying the demands of the society which maximizes profit for the owner and contribute in solving societal needs (Akindele, 2011).

Therefore, business has the responsibility of maximizing the wealth of the owners and other stakeholders such as the employees, the customers, the suppliers, the government and the host community. Corporate social responsibility in the words of Kreitner, 2007 cited in Omodero and Ihendinihu (2016), has become a very vital organizational function that has been given serious consideration by corporate organizations due to its importance in linking business to the society and creating cordial relationship with the government. The European Union (2011) classified CSR initiatives into two different categories: (i) The Internal Dimension-this include human resources management, health and safety at work, adaptation to change, management of environmental impacts and natural resources. (ii) The External Dimension this including local communities, business partners, suppliers and customers, human rights and global environmental concerns. Therefore, paying attention to the needs and rights of all the stakeholders in a business is a useful way of developing socially responsible behaviour by managers. Corporate social responsibility and organizational performance are implicitly related and mutually complementary and compatible (Singh et, al. 2008) several studies have tried to explain the relationship between corporate social responsibility and organizational performance in terms of profitability and competitive advantage.

Among the list, Osisioma et al. (2015) investigated the relationship between CSR and performance of selected firms in Nigeria. Their study revealed that there is a positive and significant relationship between CSR cost and corporate profitability and therefore, concluded that social responsible is vital to organizational performance. Also, Odetayo et al. (2015) examined the impact of CSR on profitability of Nigeria banks. The authors found that there exist a significant relationship between expenditure on CSR and profitability of Nigerian banks. Anyafufu (2010) examined the impact of CSR on organizational performance and found that CSR contribute to the public image of an organization and concluded that CSR increase profitability and overall performance an organization.

Similarly, Garay and Font (2011) carried out a study on the effect of CSR on company's performance. The study revealed that CSR influence customer perceptions and company

performance. In the same vein, Skare and Golja (2012) examined the relationship between corporate social responsibility and financial performance. They found that corporate responsible firms in the average enjoy better financial performance than non-corporate responsible firms. In examining the relationship between CSR and firm's competitive advantage, Filho, Wanderley, Gomez and Farache (2010) found that there is an intense association between social responsibility, corporate strategy and competitive advantage. In today's new normal in which competition is at an unpredictable speed like light, organizations' growth, visibility, sustainability and survival on the long-run depends on how socially responsible an organization is to the stakeholders.

2.2 Empirical Literature Review

2.2.1 CSR Practice vs. Financial Performance

Several arguments have been made regarding the relationship between firms' social responsibility and their financial performance. One of the arguments is that there is a trade-off between social responsibility and financial performance. Firms incur costs from socially responsible activities that will result in an economic disadvantage compared to less responsible firms (Aupperle, Carroll, & Hatfield, 1985; Ullmann, 1985; Vance, 1975). These additional costs may result from activities such as making extensive charitable contributions, promoting community development plans and establishing environmental protection procedures.

The other argument is that the explicit costs of corporate social responsibility are minimal and that firms may actually benefit from socially responsible activities in terms of employee morale and productivity (Moskowitz, 1972; Parket & Eibert, 1975; Soloman & Hansen, 1985). For instance, highly perceived firms in social responsibility may have relatively fewer employee problems and customers may favorably be willing to use their products. According to Bowman and Haire (1975), some shareholders regard CSR as a management skill, and the firm's reputation will be improved by actions to support the community, resulting in a positive influence on sales. Hence, when a company increases its costs by improving CSR, its reputation would be enhanced.

There is also another argument made by Cornell and Shapiro in Modern corporate stakeholder theory (1987), which stated that the value of a firm depends on the cost not only of explicit rights but also of implicit rights. From this perspective, the set of claimants on a firm's resources includes not only the shareholders but also includes stakeholders who have explicit rights on the firm such

as wage contracts and others with whom the firm has made implicit contracts like quality service and social responsibility. If a firm does not perform in a socially responsible manner, parties having implicit contracts concerning the social responsibility of the firm may attempt to transform those implicit agreements into explicit agreements and that will be more costly to it (Jean, Sundgren & Schneeweis, 1988). For instance, suppose a firm fails to meet promises to government officials in regards to activities that affect the environment, and then government agencies may find it necessary to pass more stringent regulations, constituting explicit contracts, to force the firm to act in a socially responsible manner (Jean et.al, 1988). Furthermore, firms with an image of high corporate social responsibility may find that they have more low-cost implicit claims than other firms and thus have higher financial performance (Cornell & Shapiro, 1987).

Basically, the relationship between CSR and corporate financial performance (hereafter, CFP) has produced mixed results with some studies concluding for a positive others negative and even others for the inexistence of such a relationship (McWilliams Siegel, 2001; Margolis, Elfenbein and Walsh, 2007; Tsoutsoura 2004).

The empirical studies conducted in developed markets on the relationship between CSR and CFP are basically of two distinct categories (Margolis and Walsh, 2007). The first category considers the short-run financial impact of whether the company is involved in a socially responsible or irresponsible manner. The results are mixed. For instance, Wright and Ferris (1997) found negative relationships, while Hall and Rieck (1998), Posnikoff (1997), and Wright and Ferris (1997) found positive relationships and also a neutral relationship was evidenced in the study conducted by Teoh et al. (1999).

The second category, examines the relationship between CSR and CFP in the long run, using accounting and market-based measurements. The findings are also mixed. Various studies report a negative relationship between CSR and CFP (Moore, 2001; Vance, 1975), while other studies reveal a neutral or no relationship (Mahoney and Roberts, 2007; McWilliams and Seigel, 2000; Patten, 1990; Alexander and Buchholz, 1978). However, most of the prior studies found a positive relationship between CSR and CFP (Simpson and Kohers, 2002; Graves and Waddock, 1994; Roberts, 1992; McGuire et al., 1988).

Some of the empirical support for the positive impact of CSR on FP was described by Keffas and Olulu-Briggs (2011), who examined the financial performance of CSR and non-CSR banks in Japan, USA and UK by using financial ratios and frontier efficiency analysis. The result showed that there is a positive relationship between CSR and financial performance (FP). Banks that incorporate CSR have better asset quality; capital adequacy; and are more efficient in managing their asset portfolios and capital. In addition, they also found that geographic location regulates the relationship between CSR and FP during an economic contraction, such that the relationship differs across relationship and transactional banking models.

The other study is conducted by Olayinka and Temitope (2011) to examine the relationship between CSR and FP in Nigeria using a qualitative research method. The study obtained data on variables that were believed to have a relationship with CSR and FP. These variables included Return on Earnings (ROE), Return on Asset (ROA), Community Performance, Employee Relations and Environment Management System. The result shows that CSR has a positive and significant relationship with financial performance measures.

Another study carried out by Amole, Adebisi and Awolaja (2012) on the impact of CSR on the profitability of Nigerian banks, made use of the ordinary least square (OLS) model of regression in testing the relationship between dependent and independent variables. The study used data on corporate social responsibility expenditure and profit after tax for the period of 2001-2010. It adopts a model of the causal relationship between CSR and a firm's financial performance (FFP). The results of the regression analysis revealed that for every unit change increment in the CSR expenditure, there will be a 95% increase in the profit after tax of the bank. The R-Square value of 0.893 obtained shows that CSR accounted for 89% of the variation in the profit after tax of the bank. The study finds that there is a positive relationship between banks CSR activities and profitability, stating the need for banks to demonstrate a high level of commitment to corporate social responsibility based on stakeholders' theory in order to enhance their profitability in the long run.

2.2.2 Empirical review of CSR Practice in Ethiopia

When we come to our country, Yeneneh 2015 conducted a study that focused on the role of private commercial banks in CSR in Ethiopia. The study employed both descriptive and qualitative

research strategies. Primary data was collected via a questionnaire from seven private commercial banks out of sixteen. The data was analyzed using Likert 5 scales, and interpreted by using mean and standard deviation. Findings of the study had shown that private commercial banks in Ethiopian had a looser attitude to support greener industries, lower lending options to low-income individuals & small businesses, less engagement in community development and less understanding of poor financial management in banking organizations which results in an adverse effect to the environment and society.

The other study conducted by Selam in 2017 explores how CSR factors influence customer satisfaction in Ethio- telecom. A quantitative research design was applied to research the causal relationship of the CSR dimensions to that of customer satisfaction and a stratified random sampling technique was conducted to select the respondents. 325 structured questionnaires were distributed. The analysis was performed using descriptive and inferential statistics by using SPSS version 20 software. The finding shows that CSR model can be applied in a monopolist company as well. Ethical Responsibility, Philanthropic Responsibility and Consumer Protection were found to be positively and significantly affecting customer satisfaction. The study concludes that there was a strong positive relationship between all the CSR dimensions and customer satisfaction.

Dagmawit (2017) carried out a study to explore the effect of CSR practice on building brand equity in the case of CBE (Commercial bank of Ethiopia). The study used both quantitative and qualitative research approaches and explanatory and descriptive types of research design were employed. The questionnaire was administered by conveniently selecting 371 samples of respondents and the data were analyzed using descriptive statistics, correlation and linear regressions models. The findings of the study showed that most of the respondents were aware of the CSR practice of the bank and it makes a significant contribution to the company's brand equity. The study further revealed that the bank's CSR practice was not well structured, it didn't disclose in Medias and it is not meant to attract customers.

Diana C. Robertson (2009) studied the nature of CSR in Ethiopia in titled, "Corporate Social Responsibility and Different Stages of Economic Development: Singapore, Turkey, and Ethiopia. She used the snowball sampling method and conducted interview with academicians, businessmen, Government leaders and NGOs in the three countries. Diana illustrated in her study that CSR

practice in Ethiopia is in an infant stage. According to her finding the private sector let alone playing a leading role in the advancement of CSR practices, is not strong enough to consider CSR.

Melese (2014) studied CSR practices of commercial banks in his Master thesis titled Corporate Social Responsibility and Commercial Banks the case of Nib International Bank S.C. He selected 90 managers and employees for his sampling by employing purposive sampling and then analyzed the collected data through questionnaires using the descriptive analysis technique. Melese's finding portrays that there exists a very low engagement of banks in social activities and the decision-making process of the Bank considers abiding by laws and regulations set by the government, not social responsibility.

Hailu and Rao (2016) studied CSR practices of Brewery firms in Ethiopia. They selected 429 samples from the five major brewery firms by employing a convenience sampling technique. The study focused on the perception of employees towards the environmental CSR initiatives of the companies. The data analysis part employed descriptive technique and inferential statistics. The study finds out that there exists a positive perception of employees towards the environmental CSR initiative of their respective firms. In addition, the study affirmed that the firms gave little attention to disclosing regular information about environmental management in general and their initiative in particular to external stakeholders (Hailu&Rao (2016).

Deyassa (2016) investigated and analyzed CSR from an Ethiopian perspective in his article titled CSR from an Ethiopian perspective. Deyassa collected data through interviews and dialogues with managers. The number of samples in the study is not mentioned in the article. Another limitation of the article is that the interview was confined to companies in two cities. Deyassa finds out in his study that CSR is a new trend in Ethiopia, which is a result of the increasing inflow of multinational companies to Ethiopia and the pressure from NGOs regarding the environmental impacts the firms are causing. According to Deyassa, the CSR practice in Ethiopia is oriented toward philanthropic activities. In addition, most companies did not develop not only a peculiar model but also a concept of CSR too.

Tedla (2013) studied the nature and practice of CSR in the Floriculture industry in his master's thesis titled "Corporate Social Responsibility Program in Ethiopian Floriculture Industry". His study is based on a qualitative approach by observing 53 flower exporting firms. He used inductive

inference to relate empirical evidence with theoretical literature. According to Tedla's finding companies in the floriculture industry have a better understanding and practice of CSR. The firms in the industry work responsibly, concerned with not only shareholders value but also the overall benefit of stakeholders. The finding depicts that the firms managed to incorporate social, economic and environmentally friendly practices into their business strategy. Quite apart from this there exist complaints from environmental protection groups and communities about the environmental sensitivity of the industry. The inorganic fertilizers, chemicals and pesticides utilized in the farmlands are causing serious problems to the environment. One thing that should be noted here is that these horticulture companies are export companies where their product destination is the global market. Hence there is a high probability that the CSR practice of this industry is highly influenced by the CSR trends in the global market than the CSR culture and driving forces of the country.

Potluri and Temesgen (2008) studied the attitude of Ethiopian firms towards CSR. They selected 50 companies and used structured questionnaires and interview to collect data. In addition, they included the views of employees; customers and the general public to cross-validate the data obtained from the companies. The finding of the study shows that there exists a positive attitude toward implementing CSR. However, this attitude doesn't reflect the CSR practices of the companies. According to the study, only 40% of the companies are positive about the disclosure of information. 69% of the employees are satisfied with the CSR practices in their respective companies while a significant 75% of the general public is displeased with the CSR practices of Ethiopian companies. In addition, 69% of customers believe that they are manipulated by the companies which reflect the dominant unethical business practices.

Moreover, it can be observed from the empirical literatures showed that so far there is no study in Ethiopia regarding CSR practice and Firm performance on large scale investments. Besides, there is no research information in South West part of Ethiopia. Therefore, the current study filled the above-mentioned research gaps.

2.3 Hypothesis of the study

- Economic responsibility has statistically significant effect on organizational performance of large-scale agricultural investments.

- Legal responsibility has statistically significant effect on organizational performance of large-scale agricultural investments.
- Ethical responsibility has statistically significant effect on organizational performance of large-scale agricultural investments.
- Philanthropic responsibility has statistically significant effect on organizational performance of large-scale agricultural investments.
- Environmental responsibility has statistically significant effect on organizational performance of large-scale agricultural investments.

CHAPTER THREE

RESEARCH METHODOLOGY

This part of the study shows the methods that were used to conduct this study and attain its objectives. For this reason, the data type and sources, the sampling technique, data collecting instrument, data processing and analysis using statistical techniques were discussed.

3.1 STUDY DESIGN

To accomplish the objectives of this study, the study employed the explanatory research design which purpose is, to examine the cause and effect relationship between CSR practice and organizational performance of Private sector large-scale agricultural investments in South West Ethiopia. For the study like this one, mix of quantitative and qualitative research approach were employed. Accordingly, this research takes both quantitative and qualitative approach, with multiple case studies and it seeks to examine the CSR practices of Private sector large-scale agricultural investments in South West Ethiopia.

3.2 SOURCES AND TYPES DATA

To collect consistent data and to reach to the targeted solution of the problem, the study used both primary and secondary sources of data to undertake this study.

3.2.1 Primary Data sources

Primary data were collected from Private sector Managers, Employees working, Farmers and Local communities that are found in South West Ethiopia.

3.2.2 Secondary Data sources

Data such as available archive records and documents related with CSR activities made by the investments, Trade and investment bureau report, Central Statistical Authority (CSA) and various books, Journals, articles will be used.

Both qualitative and quantitative data type were used for this study since the study objective is to examine CSR practices implemented by private investments and the benefits in doing of CSR activities in the particular area.

3.3 SAMPLE SIZE AND SAMPLING TECHNIQUE

The target population of the study is Private sector large-scale agricultural investments engaged in crop production. The total number of Private sector large-scale agricultural investments found in South West Ethiopia is 116. The study selected 15 investments purposively by considering their investment capital, labor forces, and date of establishment.

To select the sample from the population within the selected investments proportionate random sampling were used. This technique avoids making of biasness among samples and assigns equal chance of being selected as respondents from each stratum. The appropriate size of samples 381 were selected, sample size will be determined by using Kothari (2004) formula as follows.

$$n = \frac{pq \cdot N \cdot z^2}{(N - 1)e^2 + Z^2pq}$$

Where:

n= Sample Size of the respondents

N= Total population of the society

e= acceptable error

p = probability for success

z= probability for failure

$$n = \frac{(0.5)(0.5) * (45230) * (1.96)^2}{(45230 - 1)0.05^2 + 1.96^2(0.5)(0.5)}$$

$$n=380.93 \approx \mathbf{381}$$

Table on sample investments and sample employees

S. no	Investments name	Location	Total population	Proportion	Sample size
01	Bebeka coffee estate SC	Bench Sheko	5500	0.122	46
02	Seka Agro industry	Bench Sheko	4560	0.101	37
03	Lewwi coffee estate	Bench Sheko	3246	0.0717	27
04	Shaado plc	Bench Sheko	2116	0.0467	18
05	Hayle & Alem international agro processing	Shekka	760	0.0168	6
06	East Africa agri business	Shekka	2125	0.0469	18
07	Ethio agro safte Gemadro	Shekka	3927	0.0868	33
08	Teppi green coffee estate SC	Shekka	5575	0.123	46
09	Wushwush	Kaffaa	6251	0.138	52
10	Kaffaa genet agro industry	Kaffaa	2326	0.0514	20
11	Green coffee agro industry	Kaffaa	954	0.0211	8
12	Bitno coffee agro industry	Kaffaa	864	0.0191	7
13	Belayneh kinde integrated farm	South west omo	3222	0.0712	27
14	E/r Zelalem agro industry	South west omo	2730	0.061	23
15	Lutahh agro industry	Majang	1574	0.0347	13
Total sample size					381

To select the managers the sampling method that was used in this research is purposive sampling. Purposive sampling is referred to as judgmental sampling since it involves the researcher making a decision about who or what study units were involved in the study. The reason for using this technique is, based on their involvement on decision making the managers were purposively selected.

3.4 DATA COLLECTION INSTRUMENTS

In essence, different groups of respondents were used to this study. The respondents were drawn from the internal and external stakeholders' groups of companies. The groups are: employees working for the case companies, Farmers and Local communities: these all were participated and unlike the above data collection instrument for these groups open and close ended questionnaire were provided. To measure CSR, multi-item Likert scales were used for each dimension and informants were asked to rate each item, where "1 = strongly disagree" and "5 = strongly agree".

3.5 DATA ANALYSIS AND PRESENTATION

After the necessary data from the appropriate sources are collected data editing, coding, analysis and presentation were made. Then the edited data were coded and manually entered into statistical package for social science (SPSS) version 23. Quantitative statistics were made based on the type of data.

To analyze the questionnaire data, descriptive statistical tools such as mean, standard deviation, and multiple regression were used. The analyzed results were presented by using frequency distribution and table.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 INTRODUCTION

This section provided the analysis and presentation of the collected data. A summary of the demographic information, including gender, age, level of education and number of years served was provided. Tables and figures were used to summarize responses for further analysis and facilitate comparison. This generated quantitative reports through tabulations, percentages, and measure of central tendency. In addition, to analyze the effect and relationship between the variables, the researcher conducted a multiple linear regression analysis.

A total of 381 questionnaires were distributed and 350 questionnaires were returned back to the analysis. Thus, out of the collected 350 questionnaires, 8 questionnaires were rejected due to incompleteness of some part of the survey sections. A total of 342 questionnaires were used for this study with a return rate of 90%. The response rate of 80% was considered appropriate in taking the broad view of the study problem. In relation to this, Mugenda and Mugenda (2003) point out as 80% total sample size provides enough data that can be used to generalize the characteristics of a study problem. The study hence considered the 90 % response suitable for analysis the effect of corporate social responsibility practices on organizational performance.

Table 4.1: Response Rate

	Frequency	Percentage
Response	342	90%
Non- response	39	10%
Total	381	100%

Source: own survey, 2023

4.2 Demographic Characteristics of Respondents

The first part of the questionnaire was developed to gather the necessary information regarding the demographic characteristics of the participants of the study. Therefore, the researchers made an effort to gather information concerning the personal and professional demographic characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in a subsequent manner. Those variables include sex, age (in years), marital status, educational level, service years and position service years of the study participants.

Table 4.2 Demographic Characteristics of Respondents

No.	Variables	Description	Frequency	Percent (%)
1	Gender	Male	270	78.9
		Female	72	21.1
		Total	342	100
2	Age of Respondent	20-29	80	23.4
		30-40	160	46.7
		41-50	102	29.8
		Total	342	100
3	Educational Qualification	Illiterate	21	6.14
		1-8	35	10.23
		8-10	31	9.06
		11-12	58	16.95
		Diploma	83	24.26
		Degree and above	114	33.33
		Total	342	100
4	Work experience	1-5	68	19.8
		6-10	88	25.7
		11-15	110	32.2
		16 and above	76	22.22
		Total	342	100.0

Source: own survey, 2023

Concerning the sex distribution of the respondents, majority of the respondents 270 (78.9%) were male respondents and 72 (21.1%) of the respondents were female respondents.

Regarding the age of the respondents, 160 (46.75%) of the respondents were age group of between 30-39, 102 (29.8%) of the respondents were categorized under age group of 40-49 and the remaining 80 (23.4%) respondents were categorized under the age group of 20-29. These results imply that the workforces in the investments are found in the category of productive age groups and may have understanding about the concept, application and purpose of CSR implementation.

About the educational qualification of the respondents, 114 (33.33%) of the respondents had educational qualification of degree and above, 83 (24.26%) of the respondents were diploma holders, 16 (16.95%) of the respondents had education of 11-12 grades and the remaining 35 (10.23%), 31 (9.06%) and 21 (6.14%) of the respondents had education of 8-10, 1-8 and illiterate respectively. These results infer that most of the employees in the investments has good educational background and it helps investments to easily implement the concept of CSR.

Last but not least on the demographic characteristics is experience level, concerning the experience level of the respondents, 110 (32.2%) of the respondents had experience level of 11-15 years, 88 (25.7%) of the respondents had experience level of 6-10 years, 68 (19.8%) of the respondents had 1-5 years of experience and 76 (22.22%) of the respondents had experience of 16 and above years at the investments. These result shows that most of the employees in the investments had enough experience and it helps them to understand the concept and implementation of CSR.

4.3 Corporate Social Responsibility Practices of the Investments

This section dealt about the practice of Corporate Social Responsibility in the study area. The corporate practices such as (economic, legal, ethical, philanthropic and environmental) responsibilities of investments were discussed in detail and presented as follows.

Table 4.3 Descriptive analysis of CSR practices

	Economic responsibility	mean	S.D	Grand Mean
1	The enterprise has offered job opportunity to the local community.	2.77	0.927	2.76
2	The enterprise has staff capacity building policy. (Provision of further education, Staff training, research and development, etc.)	2.67	0.889	0.893
3	The company is paying decent wage comparing with others	2.82	0.785	
4	The company provides reasonable benefits for employees (medical services, performance bonuses, holiday pay, transport allowances etc.)	2.81	0.908	
5	The firm strives to deliver high value, & quality products that meet and/or exceed the expectations of their customers.	2.75	0.960	
Legal responsibility				
1	The firm ensures that all products meet the required safety and environmental standards.	1.74	0.965	1.5
2	The organization has suitable arrangements for health and safety that provide sufficient protection for its employees.	1.38	0.982	0.981
3	The firm encourages freedom of association and the effective recognition of the right to collective bargaining of workers	1.32	0.988	
4	The company adheres human rights (, equal opportunity, respect for employees' right to increase skills and capabilities, occupational health and safety, and fairness in the workplace.)	1.56	0.942	
5	The company protects employees against sexual harassment. Child labour, forced or compulsory labour	1.83	0.780	
6	The organization takes adequate procedures against discriminations (women, ethnic group, religion etc.)	1.74	0.965	
Ethical responsibility				

1	The company display openness and transparency in relationships with customers, employees, community groups, and governmental organizations	1.83	0.780	1.82 .8932
2	The enterprise helps the communities to solve their social problems	1.92	0.904	
3	The company employs friendly or courteous or responsive personnel	1.97	0.953	
4	The firm respects the norms, or expectations that consumers, employees, shareholders, and the community regard as fair and just,	1.81	0.77	
Philanthropic responsibility				
1	The firm involves and supports highly appreciated projects by the community (supporting local schools, health centers etc.)	3.64	0.891	3.61 0.93
2	The company gives money toward charitable for the local community	3.58	0.982	
Environmental responsibility				
1	The company uses inorganic chemicals and fertilizers	2.04	0.502	2.091 0.673
2	Chemicals and fertilizers imported or locally purchased are approved by the authority	2.26	0.957	
3	Experts and professionals are in place to use those chemicals and Fertilizers	1.77	0.622	
4	The quality or standard and quantity regulation of chemicals are examined before application or usage	1.89	0.507	
5	Adequate mechanism for the disposal of empty container is experienced	2.49	0.774	
Organizational performance				
1	Practicing corporate social responsibility help company in enhancing its sales volume	3.2	0.82	2.96 0.71
2	Practicing corporate social responsibility help company in enhancing its good image	3.4	0.85	
3	Practicing corporate social responsibility help company in enhancing its productivity	2.8	0.57	

4	Practicing corporate social responsibility help company in enhancing its market share	2.4	0.52	
5	Practicing corporate social responsibility help company in enhancing its customer satisfaction	3	0.78	

Source: own computation, 2023

The study sought to describe economic responsibility in the organizations. Respondents were asked to indicate the extent to which they agreed that the statements on the items of economic responsibility described their firms with respect to the objective. Higher mean scores indicated strong agreement on the item and lower mean scores implied strong disagreement with the statements. Regarding the economic responsibility maximum of 2.82 and a minimum mean score of 1.67 which makes the overall mean score of 2.76 with an overall standard deviation of 0.893. The overall mean score for the variable economic responsibility is found to be 2.76 (agreement), from this it can be concluded that large scale investments in South West Ethiopia are not discharging their economic responsibility in a great extent. Generally, based on the above table it can be interpreted that, in the investments, job opportunity to the local community, decent wage and reasonable benefits are provided for the local communities in low extent.

The study sought to describe legal responsibility in organizations. Respondents were asked to indicate the extent to which they agreed that the statements on the items of legal responsibility described their firms with respect to the objective. Higher mean scores indicated strong agreement on the item and lower mean scores implied strong disagreement with the statements. Concerning the legal responsibility, the maximum and minimum mean scores of the six items were found to be 1.83 and 1.32 respectively. Therefore, based on the analysis undertaken, the overall grand mean score was found to be 1.5 (Disagreement), as a result, it can be inferred from the sample evidence that majority of the large-scale investments in South West Ethiopia regarding the legal responsibility that the investments are not complying with the regulations regarding employees right, safety and health issues.

The study sought to describe Ethical responsibility in organizations. Respondents were asked to indicate the extent to which they agreed that the statements on the items of ethical responsibility described their firms with respect to the objective. Higher mean scores indicated strong agreement on the item and lower mean scores implied strong disagreement with the statements. Regarding

the ethical responsibility the minimum mean score of 1.81 and a maximum of 1.97. As a result, based on the analyzed finding the overall mean score for ethical responsibility has obtained a grand mean value of 1.82 (Disagreement) which indicated the presence of a problem with the ethical responsibility, such as a problem concerning the transparency in relationships with customers, employees, community groups, and governmental organizations, friendly or courteous of the investments and responsiveness of social problems are affecting the overall performance of the investments.

The study sought to describe philanthropic responsibility in the organizations. Respondents were asked to indicate the extent to which they agreed that the statements on the items of philanthropic responsibility described their firms. Higher mean scores indicated strong agreement on the item and lower mean scores implied strong disagreement with the statements. The variable philanthropic responsibility obtains a mean score ranging from 3.58 up to 3.64. The corresponding grand mean score for the whole variable was found to be 3.61 with a standard deviation of 0.93 (Agreement). The item with the highest score was 'Our organization voluntarily supports projects (M = 3.64, SD = 0.891). The results generally indicate that the respondents agreed with the statements regarding philanthropic responsibility in their organizations. These results were interpreted to mean that the firms practice philanthropic responsibility to a great extent. The finding can be a good indicator regarding how strong in providing support for the local schools, health centers and charitable institutions. Discharging this responsibility help the investments to build reputation and create good image up on the mind of the society.

The study sought to describe environmental responsibility in the organizations. Respondents were asked to indicate the extent to which they agreed that the statements on the items of environmental responsibility described their firms with respect to the objective. Higher mean scores indicated strong agreement on the item and lower mean scores implied strong disagreement with the statements. The variable environmental responsibility obtains a mean score ranging from 1.77 up to 2.49. The corresponding grand mean score for the whole variable was found to be 2.901 with a standard deviation of 0.67 (disagreement). The finding can be a good indicator that the investments in South west part of Ethiopia are not concerning for the environment. There is no proper

mechanism for the avoidance of waste materials, inorganic substance uses and quality and quantity regulation of chemical examination before usage are very poor indicators in the investments.

The last section of the table analyzed the dependent variable which is organizational performance. As shown in the summarized table above, the majority of the respondents hold a high level of organizational performance. Most sampled employees were responded that discharging corporate social responsibility helps investment in enhancing it organizational performance. As a result, the grand mean score for the dependent variable, which is organizational performance, was found to be 2.96 (Agreement). Therefore, based on the mean score obtained, it can be concluded that most majority of current employees of the investments believed that corporate social responsibility is a good thing to increase the organizational performance in terms of productivity, market share and customer satisfaction.

4.4 Effect of corporate social responsibility on firm performance

This section dealt about the effect of corporate social responsibility on firm performance of the investments. To analyze the effect econometrics analysis of multiple linear regression was used. Since, the study used Likert scale format for the questionnaire, it is a must to transform the result to mean score to use multiple linear regression. Hence, the responses were transformed to mean score.

In order to use the multiple linear regression, several assumptions were tested and the data became appropriate for the model.

The model used by the researcher for this study is tested for linear regression model assumptions (homoscedasticity, autocorrelations, multicollinearity, normality and linearity and the model fit assumptions).

Linearity Test

Multiple linear regression model assumptions assume there is a linear relationship between the independent variables and the dependent variable. The linearity assumption of multiple linear regressions is that the relationship between the independent variables and the dependent variable can be characterized by a straight line. The linearity assumption already linear from the equation

of multiple linear regression models of the independent variables and dependent variable (Gujarat, 2004).



Figure 4.1 P-P plot for linearity test

The above figure depicted that the dependent variable makes a straight line. Then we can consider that there is no linearity issue in the model.

Autocorrelations Test

Multiple linear regression models assume the residuals are independent of one another. The Durbin- Watson statistic is used to test for the presence of serial correlation among the residuals. If the Durbin-Watson statistic is within the range of 1.50 - 2.50, it is an acceptable range.

Table 4-4 autocorrelation test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.553 ^a	.306	.295	.5230	.306	29.5	5	336	.00	1.809

Source: Own computation, 2023

- a. Predictors: (Constant), environmental Responsibility, Philanthropic Responsibility, economic Responsibility, legal Responsibility, social Responsibility, Ethical Responsibility
- b. Dependent Variable: Organizational performance

Table 4.4 revealed that, it shows that the coefficient of determination, the R- square (R^2) value is 0.306, which representing that 30.6 % of the dependent variable (Organizational performance) variation was explained the independent variables (economic, Legal, Ethical, philanthropic and environmental responsibilities). The remaining 69.4% of variations are explained by the variables which are not included in this study.

As it is shown at the last column of the above table the result of Durbin-Watson result was 1.809 and it was within the range of 1.50-2.50, as a result the assumption of independence of residuals was satisfied.

Normality test

As it is depicted in the histogram below regarding the normality of the dependent variable, it shows that there is no issue of normality for the variable. Therefore, it is possible to conduct the multiple linear regression for this study.

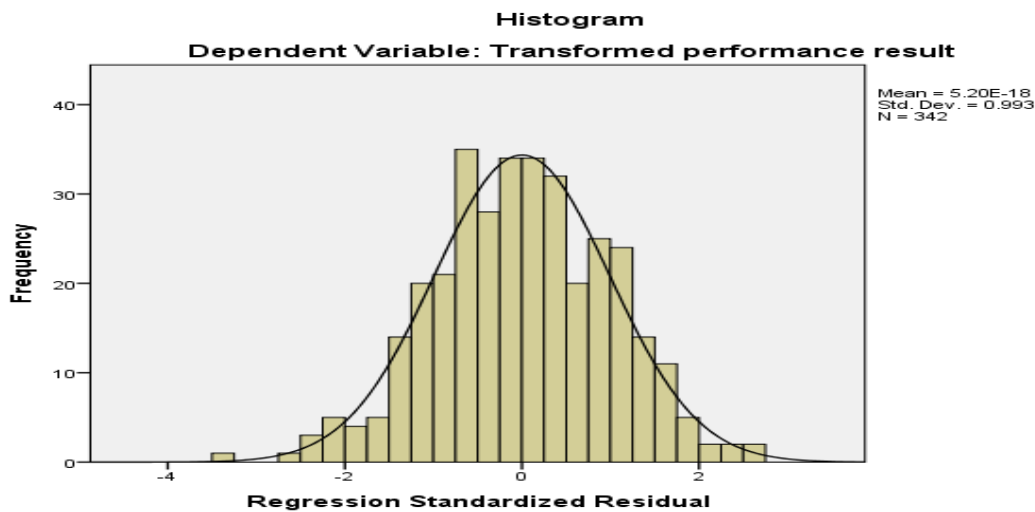


Figure 4.2 histogram for test of normality

Multicollinearity test

Multicollinearity is a statistical phenomenon in which two or more predictor variables in a multiple regression model are highly correlated (Daoud, 2017). To check multicollinearity, four tests were employed by using SPSS.

Test 1: Correlation analysis (high correlation coefficient among the predictors)

Test 2: Value of tolerance (tolerance < 0.1)

Test 3: Variance Inflation Factor (VIF) (VIF > 10, VIF = 1/Tolerance)

Test 4: Condition Index (> 15 = collinearity is suspected, and > 30 = serious multicollinearity).

Before conducting the multiple regression analysis, the researcher examined multicollinearity test and found that, there is no collinearity problem among the variables.

Table 4.5 multicollinearity test result

Model		Coefficients ^a	
		Tolerance	VIF
1	Economic responsibility	.859	1.164
	Legal responsibility	.671	1.491
	Ethical responsibility	.619	1.616
	Philanthropic responsibility	.734	1.363
	Environmental responsibility	.725	1.379

a. Dependent Variable: Organizational performance

Source: Own computation, 2023

Test 4.6 Model fit summary table

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40.467	5	8.093	29.587	.000 ^b
	Residual	91.913	336	.274		
	Total	132.380	341			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), environmental responsibility, economic responsibility, Philanthropic responsibility, legal responsibility, ethical responsibility

Source: Own computation, 2023

From the table 4.6, it is indicated that the value of F- statistics is 29.587 and it is significance at the level of significance is less than 5% ($p < 0.05$). This shows that the model was reasonable fit and there was a statistical significance association between CSR dimensions and organizational performance. Moreover, the result also showed that the null hypothesis is rejected and alternative hypothesis is accepted. Therefore, it can be concluded that CSR dimensions have significant effect on Organizational performance of large-scale investments in South west part of Ethiopia. These findings are consistent with findings of previous studies such as the study by Maldonado-Guzman et al. (2016) who did a study on Corporate Social Responsibility and Business Performance by evaluating the role of Mexican SMEs. The results obtained showed the existence of a positive and significant relationship between CSR and business performance. Another researcher who found similar results is (Mwangangi, 2018) in a study that investigated the effect of Corporate Social Responsibility on Performance of Manufacturing Firms in Kenya.

Table 4.7 Multiple regression result

Model	Coefficients ^a							
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		
	B	Std. Error	Beta			Lower Bound	Upper Bound	
1	(Constant)	1.116	.221		5.040	.000	.680	1.551
	economic responsibility	.043	.071	.030	.605	.545	-.097	.183
	legal responsibility	.148	.045	.181	3.265	.001	.059	.238
	ethical responsibility	.101	.051	.115	1.988	.048	.001	.201
	philanthropic responsibility	.112	.038	.156	2.930	.004	.037	.188
	environmental responsibility	.268	.052	.277	5.187	.000	.167	.370

a. Dependent Variable: Transformed performance result

Source: Own computation, 2023

Based on the undertaken multiple regression analysis using OLS method, it is found out that of the identified five variables four of them were found to have a statistically significant effect on organizational performance and one of the variables has no statistically significant effect on organizational performance of large-scale investments in south west part of Ethiopia.

The overall effect of the independent variables on the dependent variable is found to be sufficient enough to accept the finding. Economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility have an effect organizational performance with the adjusted R² value of 0.306. This implies that the variables are capable of explaining the dependent variable with 30.6%. The remaining difference (Unexplained value) 21.6% tells that there are still other determinants that are not covered by this study but still capable of affecting organizational performance.

The Beta (β) value under Un-standardized Coefficients contains the variables used under this study’s magnitude of influencing on organizational performance. As it is shown four of the factors have a statistically significant effect over organizational performance. The highest influence was captured by environmental responsibility with a beta value (β) of 0.268 with P value of

0.000. This implies as the firm discharges its environmental responsibility, the organizational performance of the investments will increase by 0.268. The second dominant effect is found to be caused by legal responsibility with a beta value (β) of 0.148 and P value of 0.001, which tells whenever the investments attempt to comply with the rules and regulations, in return, organizational performance will be improved by 14.8%.

The third variable with the significant effect on the organizational performance is philanthropic responsibility with a beta value (β) of 0.112 with P value of 0.004. This implies that as the investments engages themselves more on supporting local projects their organizational performance will increase by 11.2%.

The fourth variable with the significant effect on the organizational performance is ethical responsibility with a beta value (β) of 0.101 with P value of 0.048. This implies that as the investments becomes more ethical in doing of their business the organizational performance will increase by 10.1%.

The variable economic environment in this study is not statistically significant at P value of 0.05. the variable P value is greater that 0.05, which is 0.545.

In general, when we are looking to the above multiple regression analysis generated using SPSS, it was found that from the total of five variables identified to explain organizational performance, four of them were found to be statistically significant to influence organizational performance even though their level of effect varies. Environmental responsibility being the highest influencers. From this it can be concluded that, giving focus for the environment will increase the investments performance.

The corresponding model developed to show the influence of the four significant variables on the organizational performance is summarized as follow;

Organizational Performance = α_0 + β_1 (Legal responsibility) + β_2 (Environmental responsibility) + β_3 (Ethical responsibility) + β_4 (Philanthropic responsibility) + ϵ

$$\mathbf{OP} = \alpha_0 + \beta_1(LR) + \beta_2(ER) + \beta_3(ETR) + \beta_4(PR) + \epsilon$$

$$\mathbf{EE} = 1.116 + \mathbf{0.148 (LR)} + \mathbf{0.286 (ER)} + \mathbf{0.101(ETR)} + \mathbf{0.112 (PR)} + \epsilon$$

Discussion

The current empirical study entitled “Effect of corporate social responsibility practices on organizational performance on large-scale investments in South west part of Ethiopia” has been undertaken to investigate the extent to which the various chosen factors influence the organizational performance of investments, South West part of Ethiopia. In order to realize the stated objectives, the researchers have identified five important CSR practices such as economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility and environmental responsibility. A five-point Likert’s scale has been constructed and administered as research instrument which was pretested before administering on the respondents.

The overall descriptive analysis result showed that the level of organizational performance of the investments is low. Since, almost all the variables mean score is less than average value; economic responsibility (M = 2.76, SD = . 893), Legal responsibility (M = 1.5, SD = 0.98), ethical responsibility (M = 1.82, SD = 0.89), philanthropic responsibility (M = 3.61, SD = 0.93), and the overall mean score for environmental responsibility (M = 2.09, SD = 0.673).

The regression analysis showed that environmental responsibility practice has the highest effect on organizational performance of investments in south west part of Ethiopia with ($\beta = 0.286$ and P-value = 0.000). The current study result contradicts with the study conducted, by (Qian, 2012 and Taylor 2018), these scholars argue that when the firm engages in disclosing environmental-related CSR programs leads to negative financial performance, and the reason is the cost involve in such programs outweighs the cost than the benefits it brings to the company.

Concerning the legal responsibility, the study found out that legal responsibility has a significant positive effect on organizational performance. The result has similarity with the study conducted by (Galbreath. 2008; Germanova, 2008; Rangan and Titida 2014; Kinyanjui et al., 2018; Jemal 2018 and Rongoei and Muturi, 2018) the studies found out that the legal responsibility has a significant positive effect on organizational performance.

Similarly, the study regarding ethical responsibility, the study found out that it has a significant positive effect on organizational performance. The study result support the study conducted by (Galbreath. 2008; Germanova, 2008; Rangan and Titida 2014; Kinyanjui et al., 2018 and Rongoei

and Muturi, 2018) the studies found out that the legal responsibility has a significant positive effect on organizational performance.

The study analyzed effect of philanthropic responsibility as CSR practices on organizational performances. The study found out that it has a significant positive effect on organizational performance. Corporate reputation can be understood as a fundamental intangible resource which can be created or depleted as a consequence of the decisions to engage or not in social responsibility activities and disclosure. Firms with good social responsibility reputation may improve relations with external actors. They may also attract better employees or increase current employees' motivation, morale, commitment and loyalty to the firm. The study result support the studies conducted by y (Peterson,2002; Amit, Gayatril, Vipul & Shraddha, 2012; and Jemal, 2018). The studies revealed that philanthropic activities have statistically significant effect on organizational performance.

Regarding the economic responsibility, the study result revealed that there is positive but insignificant effect on organizational performance. The current study result contradicts from the studies by (Skare and Golja, 2012; Kipruto, 2014; Giannarakis et al., 2016; Selvarajah et al., 2018), these studies found out that economic responsibility has positive and significant effect on organizational performance. Therefore, this study finding contradicts previous other literature and there can be several possible reasons for that. Firstly, Ethiopia is a developing country, and the state regulates most of the corporate-related things as the caretaker of the country. Second, the current study has focused on the investment sector. Lastly, the current economic situation due to COVID-19 might be the reason for the contradiction.

Table 4.8 Hypothesis Result Summary

Research hypothesis	Hypothesis	Result
Hypothesis 1	Economic responsibility has statistically significant and a positive effect on organizational performance.	Rejected
Hypothesis 2:	Legal responsibility has statistically significant and a positive effect on organizational performance	Acceptable
Hypothesis 3:	Ethical responsibility has statistically significant and a positive effect on organizational performance.	Acceptable
Hypothesis 4:	Philanthropic responsibility has statistically significant and a positive effect on organizational performance.	Acceptable
Hypothesis 5:	Environmental responsibility has statistically significant and a positive effect on organizational performance.	Acceptable

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the research findings, conclusions and recommendations of the study. The discussion is a summary of findings regarding the research objectives, hypotheses and conclusions of the study. The chapter concludes with discussion on implications of the study and gives suggestions for further research.

5.2 Summary of the Findings

The general objective of the study was to analyze the effect of Corporate Social Responsibility on organizational performance of large-scale investments in south west part of Ethiopia. The study was guided by five specific objectives. After the analysis was done, the results revealed the following:

The first objective was to analyze the effect of economic responsibility on organizational performance of the investments. The results showed that economic responsibility had a positive but insignificant relationship with organizational performance with p value greater than 0.05.

The second objective was to determine the effect of legal responsibility on organizational performance of the investments. After the analysis was done, the analysis result revealed that there was a positive and significant relationship between legal responsibility and organizational performance p value less than 0.05.

The second objective was to determine the effect of ethical responsibility on organizational performance of the investments. After the analysis was done, the analysis result revealed that there was a positive and significant relationship between ethical responsibility and organizational performance p value less than 0.05.

The second objective was to determine the effect of philanthropic responsibility on organizational performance of the investments. After the analysis was done, the analysis result revealed that there

was a positive and significant relationship between philanthropic responsibility and organizational performance p value less than 0.05.

The second objective was to determine the effect of environmental responsibility on organizational performance of the investments. After the analysis was done, the analysis result revealed that there was a positive and significant relationship between environmental responsibility and organizational performance p value less than 0.05.

5.3 Conclusions

The study used both descriptive and econometrics analysis. The descriptive analysis result showed that CSR practices of large-scale investments in south west part of Ethiopia is considered as a weak. Since, the result of all descriptive analysis is almost below the average value. From the result it can be concluded that the concept of CSR is not well practiced in the study area.

In addition to the descriptive analysis, econometrics analysis was done. The econometrics (multiple regression) analysis results of the study reveal that all dimensions of corporate social responsibility positively affect organizational performance. These findings lead to the following conclusions: that when large scale investments in south west part of Ethiopia practice corporate social responsibility they will achieve higher levels of organizational performance in terms of sales growth, market share, productivity, company image and customer satisfaction.

Among the five corporate social responsibility dimensions/ practices/, four of the independent variables have statistically positive and significant effect on the organizational performance of large-scale investments in South west part of Ethiopia.

5.4 Recommendations

The researcher recommended the following major points or recommendations based on the findings of the research:

As the descriptive result indicates that, most of the results are below the average value. Therefore, large-scale investments in south west part of Ethiopia need awareness on corporate social responsibility so that they would understand the benefits of engagement in corporate social responsibility. Therefore, awareness creation activities and experience sharing events should be

conducted to help them understand the real essence and significance of corporate social responsibility.

The investments should devise different regulations related with employee health and safety, equal opportunity, respect for employees' right to increase skills and capabilities, occupational health and safety, and fairness in the workplace in order to have conducive work environment. Hence, doing so will help investments to increase its performance.

Regarding the financial contribution to support society in different project, the investments should sufficiently allocate financial budget to discharge its philanthropic responsibility. Since, it has significant effect on organizational performance.

Last but not least, the concerned government bodies such as Local, Zonal and Regional investment offices and private investment agencies should have proper mechanism to follow up the business activities of the investments in the study area.

5.5 Implications for further studies

In this study only five variables such as economic, legal, ethical, philanthropic and environmental responsibility were used to explain the variation on organizational performance. However, only 30% of variations in the organizational performance were explained by these variables. This indicates that 70% of the variations might be explained by the other variables which are not included in this study. Therefore, it could be better if other researchers include the rest variables and conduct studies in order to make this study fully explain the variations in the organizational performance.

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