CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE IN BANKING INDUSTRY IN TANZANIA: THE CASE OF CRDB BANK MBEYA BRANCH

CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE IN BANKING INDUSTRY IN TANZANIA: THE CASE OF CRDB BANK MBEYA BRANCH

By

Erasto Ketocho

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance (Msc. A&F) of Mzumbe University

2015

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by Mzumbe University, a dissertation titled; **Corporate social responsibility and financial performance in banking industry in Tanzania; Case of CRDB bank Mbeya branch,** in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance (Msc. A & F) of Mzumbe University.

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DECLARATION AND COPYRIGHT

I, **Erasto Ketocho**, certify and declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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DEDICATION

I would like to dedicate this research work to my beloved parents Mr. & Mrs. John Ketocho for their endless and unconditional love, care and always they kept encouraging me during my academic struggle. God bless them.

LIST OF ABBREVIATIONS

ATM	-	Automatic Teller Machine
CFP	-	Corporate Financial Performance
CSR	-	Corporate Social Responsibility
DV	-	Dependent Variable
GNP	-	Gross national product
IV	-	Independent Variable
NFP	-	Non Financial Performance
NGO's	-	Non-government organizations
NYSE	-	New York Securities Exchange
POS	-	Point of sale
ROA	-	Return on Assets
ROE	-	Return on Equity
SME's	-	small and medium size enterprises
SPSS	-	Statistical Package for the Social Sciences
Tshs	-	Tanzanian Shillings
UN	-	United Nations
US $	-	United States Dollar

ABSTRACT

The major objective of this study was to assess the relationship between corporate social responsibility (CSR) activities and financial performance (FP): case of CRDB bank Mbeya branch. Specific objectives for the study were; to assess CSR activities the bank offers to the community, to examine the relationship between expenditure on CSR activities and Financial Performance measured by deposits, loans & advances, pre-tax profit and after-tax profit and to identify the challenges to CSR activities. In carrying out this study, corporate social responsibility CSR spending was independent variable while dependent variables were deposits, loans & advances, pre-tax profit and after-tax profit as measure of financial performance of a bank.

The study used Purposive sampling technique and Convenience sampling technique during the process of data collection from the study respondents of which a sample of 120 respondents was selected. Data were collected using both Primary and Secondary sources (documentary review and questionnaires). Statistical Package for Social Sciences (SPSS) was used to analyze data where statistical tools applied were correlation analysis, percentages and trend analysis.

The data were analyzed and results indicated that; there are different types of CSR activities the bank is providing to the community in Mbeya city and that there was inter-correlation between independent variable CSR spending/expenses and dependent variables (bank deposits, loans & advances, pre-tax profit and after-tax profit) at CRDB Mbeya branch. The study concluded that since the independent variable (CSR spending) found to be highly correlated to dependent variables (bank deposits, loans & advances, pre-tax profit and after-tax profit), then CSR activities is positively related with financial performance of CRDB Mbeya branch. For the challenges facing CSR, the results indicated high costs in provision of CSR activities, CSR provided is basing in urban areas while excluding remote areas like in villages, some organizations are not willing to engage in CSR activities, lack of enough knowledge about the importance CSR activities to the community and less funds are budgeted for and approved to provide CSR activities. The study recommended that, CRDB should continue engaging into CSR activities specifically in remote areas where currently is not covered by any CSR activity.

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CHAPTER ONE

1.0 BACKGROUND INFORMATION

1.1 Introduction

This chapter covered background to the problem, statement of the problem, research objectives, research questions, significance of the study, scope of the study, limitations of the study and the organization of the study.

1.2 Background to the Problem

The field of corporate social responsibility has grown exponentially in the last decade. More than half of the Fortune 1000 companies issue corporate social responsibility (CSR) reports (Tsoutsoura M, 2004). A larger number of companies than at any time previous are engaged in a serious effort to define and integrate CSR into all aspects of their businesses. An increasing number of shareholders, analysts, regulators, activists, labor unions, employees, community organizations, and news media are expecting companies to be accountable for an ever-changing set of CSR issues. There is increasing demand for transparency and growing expectations that corporations measure, report, and continuously improve their social, environmental, and economic performance.

This research focused on the relationship between Corporate Social Responsibility and Financial Performance. CSR concept emphasizes community participation by business enterprises. It proposes that a private firm has responsibilities to society that extend beyond making a profit. It is the obligation of the firm's decision makers to make decisions and act in ways that recognize the relationship between the business and society. It is therefore important for a business to continue in its commitment to behave ethically and contribute to economic development while improving the quality of life of the work force and the surrounding community at large. This can be achieved through the various CSR activities that the business chooses to engage in for the benefit of its stakeholders such as employees, suppliers, shareholders, government, community/society and customers. Social responsibility of businessmen as the

obligation of businessmen to pursue those policies, to make decision or to follow those lines of action which are desirable to society (Bowen, 1953).

Finance theory differs on whom the firm should be responsible to in the course of its business. The theory is a broad field of both speculation and mathematical measurements used to determine investing strategies and monetary value estimates. Theories of finance are also used to create fundraising and capital creation plans and manage financial risk. Some finance theory revolves around the management of a business. The factors that go into creating a finance theory or strategy for a company might include their current profit margin, debt-to-asset ratio, market forecast, and the possibility of incorporation. Looking at all of these factors helps a business owner or financial Manager creates a feasible plan for the future by balancing the possibility of risk against the possibility of returns. According to stakeholder theory, firms possess both explicit and implicit contracts with various constituents, and are responsible for honoring all contracts (Freeman, 1984). As a result of honoring these contracts, a company develops a reputation that helps determine the terms of trade it can negotiate with various stakeholders. While explicit contracts legally define the relationship between a firm and its stakeholders, implicit contracts have no legal standing and are referred to in the economic literature as self-enforcing relational contracts. Since implicit contracts can be breached at any time, Telser (1980) argues that they become self-enforcing when the present value of a firm's gains from maintaining its reputation and therefore, future terms of trade are greater than the loss if the firm reneges on its implied contracts. This theory, therefore predicted a positive relationship between CSR and corporate financial performance (CFP). However, stakeholder theory has acquired opponents from various areas including classical economics, industrial relations and management. Sternberg (1997) for example, argues that the principles of stakeholder theory undermine the property rights of the owners of the company, compromise the mechanism of the free market, destabilize the operations of governments and thus subvert the very nature of capitalism. According to the social contracts theory, businesses must not just act in a responsible manner because it is in their commercial interest, but because it is how society expects the business to behave. Society is a series

of social contracts between members of society and society itself (Gray *et al*, 1996). Managers are therefore expected to take decisions in an ethical manner. Donaldson and Dunfee (1999) developed an integrated social contracts theory as a way for managers to use their discretion to make decisions but to ensure their decisions do not have negative effects on others. Businesses are expected therefore, to provide some support to the community under given circumstances. Since the contract is not written, businesses only get to feel its consequences when they fail to do what is expected.

Several studies have been carried out on the relationship between CSR and CFP resulting in different conclusions. Klassen and McLaughlin (1996) studied 14 manufacturing sector firms to conclude that environmental management can play a positive role in improving corporate financial performance. In exploring the linkages between environmental performance and financial performance with respect to the market value, Konar and Cohen (2001) argued that a firm with a better environmental performance has a significant positive impact on its market value. Fauzi (2009) did a research on firms listed on the New York Securities Exchange (NYSE) to determine the relationship between CSR and corporate financial performance. Using a sample of 101 companies listed at the NYSE and a regression model with financial performance as the dependent variable and CSR index as the independent variable, he found that CSR has no effect on CFP. He however found that leverage (a control variable in the model) has a moderating effect on the interaction between CFP and CSR.

1.3 Statement of the Problem

The empirical analysis of the relationship between CSR and corporate financial performance was yet to provide a convincing causal link between corporate social responsibility and financial performance. (Griffin & Mahons 1997) for example concluded that the relationship between corporate social responsibility and financial performance could be positive, neutral or negative.

They mapped studies on the relationship between CSR and CFP for the periods of 1970s (16 studies), 1980s (27 studies), and 1990s (8 studies), totaling around 51 studies. In the

1970s, out of 16 studies, 12 revealed a positive direction of the relationship between CSR and CFP. Similarly in 1980s and 1990s, the positive direction had been accounted for 14 out of 27 studies and seven out of eight studies, respectively. Negative results were supported by one study in the 1970s, 17 studies in the 1980s, and three studies in the 1990s while four studies in the 1970s and five studies in the 1980s provided inconclusive findings. This provides a room for further investigation on the relationship between CSR practices and financial performance. However, there were studies that argued that it is not in the best interest of shareholders for a firm to be involved in CSR practice as this takes away resources in the form of CSR spending from a firm's immediate needs.

Despite all the studies previously performed, little has been done in studying on the relationship between corporate social responsibility and financial performance in banking industry in Tanzania. This provides a gap for further studies on the relationship between corporate social responsibility and financial performance in banking industry in Tanzania thereby coming up with an academic contribution in banking industry on the relation between CSR spending and banks financial performance.

The present study: Corporate social responsibility and financial performance in banking industry in Tanzania is an attempt to fill this gap. CRDB bank Mbeya branch is selected for this particular study.

1.4 Research Objectives

This involved both general research objective and specific research objectives.

1.4.1 General Research Objective.

The main objective of the study was to examine the relationship between Corporate Social Responsibility and Corporate Financial Performance in Banking Industry in Tanzania: A case of CRDB PLC

1.4.2 Specific Research Objectives

The study was guided by the following specific research Objectives

- **i.** To identify CSR activities performed by the selected bank.
- **ii.** To examine and analyse the relationship between expenditures on CSR activities and financial performance of the bank.
- **iii.** To identify challenges in CSR activities.

1.5 Research Questions

This study was intended to answer the following questions

- **i.** What CSR activities are provided by CRDB bank to the community?
- **ii.** Is there any relationship between expenditure on CSR activities and financial performance of the bank?
- **iii.** What are the challenges involved in CSR activities?

1.6 Significance of the study

This study will contribute to the understanding on the relationship between corporate social responsibility and financial performance in banking industry in Tanzania. The study would also add literature review to the already existing literature hence act as source of literature review to the future academicians.

Further the study will help managers in banking industry as the base for decision making on the issues pertaining to CSR activities which will help them to improve their financial performance.

1.7 Scope of the study

There were a number of financial institutions in Tanzania needed to be examined but only one financial institution was selected for this study. The study based on (CRDB bank) due to the limitation of funds and time the research was to be conducted. It mainly

focused on assessing the relationship between corporate social responsibility and financial performance in banking industry in Tanzania, a case of CRDB Mbeya Branch.

The following stakeholders were involved in the study as respondents; Branch Manager, heads of departments, section and their subordinates as well as CRDB bank customers were taken as sample of the study. However, the study considered information collected covered the period of six consecutive years from 2009 up to 2014.

1.8 Limitations of the study

The study faced the following limitations:

i. Time

Time required for completion of this research work, (i.e data analysis and finalization of the main report) was very limited with time. There was no much time for all the projected activities being completed within scheduled time. However to overcome the problem of time limit, comprehensive time table was prepared so that the key issues, and the important sets of events were done within the time schedule.

ii. Financial resources

Financial resources were very limited. Taking into consideration that collection of data required a lot of movement from one place to another and publishing all these required a lot of money.

iii. Access to data

During this study, it was noted that data collection process is one of the difficulty activity as far as research work is being concerned. In some cases accessibility to needed data for research were restricted. Even some of the information the researcher accessed through various documents, it was strongly prohibited for a researcher to have their copy.

1.9 Organization of the Study

This study is organized in five chapters. Chapter one is all about the background of the study, statement of the problem, research objectives and research questions, significance of the study, scope of the study and the limitations of this study.

Chapter two contains literature review and previous research that are related to this study. The review presented in this chapter includes the concept of Stakeholders theory, CSR from stakeholder's perspective, Importance of CSR, empirical literature review, hypotheses, conceptual framework and research model.

Chapter three describe the research design, type of the study, study area, study population, unit of analysis, variables and their measurements, sample size and sampling techniques, types and sources of data, data collection methods and data analysis.

Chapter four presents analysis of data and study findings. The findings were organized into four parts. The first part of the chapter provides the background characteristics of the respondents. Second part of the chapter provides the findings relating to assessment of CSR activities performed by CRDB bank Mbeya branch. Third part of the chapter provides findings relating to the assessment of relationship between expenditure on CSR activities and financial performance of a bank. Forth part of the chapter provides the finding relating to the challenges on CSR activities.

Chapter five presents the summary, conclusions and policy implications.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter deals with theoretical literature review and empirical literature review. Theoretical literature review was covered in terms of conceptual definitions, importance of CSR, Stakeholders theory, CSR from stakeholder's perspective, CSR and accountability, firm performance and the relationship between CSR and financial performance. Empirical literature review contains review of previous studies and articles which relates to this study, variables for this study and conceptual framework.

2.2 Theoretical Literature Review

This part covers definition of CSR, importance of CSR, Stakeholders theory, CSR from stakeholder's perspective, CSR and accountability, firm performance and the relationship between CSR and financial performance.

2.2.1 Definition of CSR

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, 1979 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'' (Nicolau, 2008). 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).

2.2.2 Importance of CSR

"In the flat world, with lengthy global supply chains, the balance of power between global companies and the individual communities in which they operate is tilting more and more in favor of the companies, as such these companies are going to command more power, not only to create value but also to transmit values, than any other institution on the planet" (Thomas, 2005).

Many factors have led to increasing attention being devoted to the role of companies and CSR. These include:

Sustainable development: United Nations' (UN) studies and many others have underlined the fact that humankind is using natural resources at a faster rate than they are being replaced. If this continues, future generations will not have the resources they need for their development. In this sense, much of current development is unsustainable; it can't be continued for both practical and moral reasons. Related issues include the need for greater attention to poverty alleviation and respect for human rights. CSR is an entry point for understanding sustainable development issues and responding to them in a firm's business strategy (Freeman 2008).

Globalization: With its attendant focus on cross border trade, multinational enterprises and global supply chains economic globalization is increasingly raising CSR concerns related to human resource management practices, environmental protection, and health and safety among other things (Bowen 2013). CSR can play a vital role in detecting how business impacts labour conditions, local communities and economies, and what steps can be taken to ensure business helps to maintain and build the public good. This can be especially important for export oriented firms in emerging economies.

Governance: Governments and intergovernmental bodies, such as the UN, the Organization for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO) have developed various compacts, declarations, guidelines, principles and other instruments that outline norms for what they consider to be acceptable business conduct (Duncan 2008). CSR instruments often reflect internationally-agreed goals and laws regarding human rights, the environment and anti-corruption.

Corporate sector impact: The size and number of corporations, and their potential to impact political, social and environmental systems relative to governments and civil society, raise questions about influence and accountability (Evans 2011). Even small and medium size enterprises (SMEs), which collectively represent the largest single employer, have a significant impact. Companies are global ambassadors of change and values. How they behave is becoming a matter of increasing interest and importance.

Communications: Advances in communications technology, such as the Internet and mobile phones, are making it easier to track and discuss corporate activities. Internally, this can facilitate management, reporting and change. Externally, NGOs, the media and others can quickly assess and profile business practices they view as either problematic or exemplary. In the CSR context, modern communications technology offers opportunities to improve dialogue and partnerships.

Finance: Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues. A sound CSR approach can help build share value, lower the cost of capital, and ensure better responsiveness to markets.

Ethics: A number of serious and high profile breaches of corporate ethics resulting in damage to employees, shareholders, communities or the environment as well as share price have contributed to elevated public mistrust of corporations. A CSR approach can help improve corporate governance, transparency, accountability and ethical standards.

Consistency and Community: Citizens in many countries are making it clear that corporations should meet the same high standards of social and environmental care, no matter where they operate (Stigritz 2007). In the CSR context, firms can help build a sense of community and shared approach to common problems.

Leadership: At the same time, there is increasing awareness of the limits of government legislative and regulatory initiatives to effectively capture all the issues that CSR address. CSR can offer the flexibility and incentive for firms to act in advance of regulations, or in areas where regulations seem unlikely (Duncan 2008).

Business Tool: Businesses are recognizing that adopting an effective approach to CSR can reduce the risk of business disruptions, open up new opportunities, drive innovation, enhance brand and company reputation and even improve efficiency (Hohnen 2007).

Improved reputation of management: Organizations that perform well with regard to CSR can build their reputation, while those that perform poorly can damage brand and company value when exposed. Reputation, or brand equity, is founded on values such as trust, credibility, reliability, quality and consistency. Even for firms that do not have direct retail exposure through brands, their reputation for addressing CSR issues as a supply chain partner both good and bad can be crucial commercially.

Improved relations with regulators: In a number of jurisdictions, governments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation. In some countries, governments use (or are considering using) CSR indicators in deciding on procurement or export assistance contracts. This is being done because governments recognize that without an increase in business sector engagement, government sustainability goals cannot be reached (Hohnen 2007).

2.2.3 Stakeholders theory

It is a theory of organizational management and business ethics that addresses morals and values in managing an organization. It was originally detailed by Richard Edward Freeman in the book called *Strategic Management: A Stakeholder Approach,* describes and recommends methods by which management can give due regards to the interests of those groups of stakeholders. Despite the traditional view of a company where the shareholder view only the owners or shareholders (stockholders) of the company are important and that the company has a binding fiduciary duty to put their needs first so as to increase value for them, Stakeholder theory instead argues that not only shareholders, there are other parties who involved which include employees, customers, suppliers, financers, local communities, governmental bodies, political groups, trade associations, and regulators.

Thus, a 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, financers, investors, government, regulators, policymakers

Table 2.1: Stakeholder and their Expectations

Stakeholders	Primary Expectations	Secondary Expectations
Owners	Financial	Added Value
Employees	Pay	Work Satisfaction, Training
Customers	Supply of goods and services	Quality
Creditors	Creditworthiness	Security
Suppliers	Payment	Long-term relationship
Community	Safety and security	Contribution to community
Government	Compliance	Improved Competitiveness

Source: Adapted from (Cannon, 1994)

2.2.3.1 Descriptive stakeholder theory

This theory aims to understand how managers deal with stakeholders, how they represent their interests and the impact the stakeholder approach has on the achievement of various corporate goals. Donaldson and Preston (1995) identified that descriptive stakeholder theory has been used to describe the following: the nature of the company (Brenner and Cochran 1991), the way managers think about managing (Brenner and Molander 1977), how board members think about the interests of corporate constituencies (Wang and Dewhirst 1992) and how some corporations are actually managed (Halal 1990; Clarkson 1991; Kreiner and Bhambri 1991.

2.2.3.2 Instrumental stakeholder theory

This theory has been used to determine whether there is a link between stakeholder management and different corporate objectives such as profitability and growth. Donaldson and Preston (1995) explained that all research on CSR makes explicit or implicit reference to stakeholder perspectives using conventional statistical

methodologies. Further, some studies have used direct observations and an interview to generate implications, suggesting that adherence to stakeholder principles and practices achieves conventional corporate performance objectives as well or better than rival approaches.

2.2.3.3 Normative stakeholder theory

Normative stakeholder theory identified the theoretical procedure linked to the activities or the management of corporations (Donaldson and Preston 1995). Donaldson and Preston considered this the core of stakeholder theory and identified the main objectives of normative theory as determination of the responsibilities of the company in respect of stakeholders and the reasons why companies should take care of the stakeholder's interest than shareholder interest.

2.2.3.4 Strengths of stakeholder theory

Melé (2008) has recently outlined several strengths of stakeholder theory. First, the theory seems ethically superior to maximizing shareholder value because it takes into consideration stakeholder rights and their legitimate interests and not only what is strictly required by law in manager-stakeholder relations (p. 66).

Secondly, stakeholder theory has dated the theoretical ambiguity of CSR by addressing concrete interests and practices and visualizing specific responsibilities to specific groups of people affected by business activity (Clarkson 1995; Melé 2008). In addition, Melé (2008) pointed out that stakeholder theory is a managerial theory that is related to the organizational goals and does not come within reach of business management. Melé further stated that the theory ensures long-term rather than short-term success. Berman et al. (1999) supported Melé, but acknowledged that further research will be required to establish sound conclusions about the relationship between stakeholder theory and corporate performance (CP).

2.2.3.5 Limitations of the stakeholder theory

The limitations of the stakeholder theory have been discussed by a number of authors. Capron (2003, cited in Branco and Rodrigues 2006) pointed out that stakeholder theory has not addressed the mute stakeholders (the natural environment) and 'absent' stakeholders (future generations or potential victims). Phillips and Reichart (2000) also pointed out that the natural environment should be considered a stakeholder. However, this viewpoint has been criticized since the natural environment cannot be considered a stakeholder. The term stakeholders usually refer to groups or individuals and therefore, cannot be considered a stakeholder (Buchholz 1991) only humans can be considered as organizational stakeholders (Branco and Rodrigues 2007, p. 7)

Another criticism was that the power of stakeholder groups is weakened by stakeholder theory because the theory says that corporations should treat all equally. Thus, labour unions could be avoided, damaged or even eliminated (Weiss 2008). In addition, corporations will become weak because they will attempt to serve all stakeholders' interests. Corporations cannot cater to all stakeholders and protect their owners at the same time.

To summarize, stakeholder theory argued that corporations should treat all its stakeholders fairly and by doing so can improve their performance in the marketplace (Weiss 2008) and thereby secure their future. Freeman (1999) stated that if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization's purposes (p. 193). This view suggests some advantages for organizations. For example, if organizations treat their stakeholders fairly, then the power of stakeholder groups could be weakened for example, labour unions, which cannot be powerful when eliminated. However, organizations could be weakened when trying to maximize stockholder's wealth. Stakeholder theory has changed the long-term character of capitalism; organizations have no legal responsibility to their stakeholders.

2.2.4 Neo-classical view of corporate social responsibility.

If businessmen do have a social responsibility other than making maximum profits for their shareholders, how are they to know what CSR is? Can self-selected private individuals decide what the social interest is? (Friedman 1962). Before Milton Friedman, classical economists, with Adam Smith as their pioneer, also assumed that if the government would mind its own business, markets could still be perfect‘ and self-correcting, and the gross national product (GNP) could be the proper barometer of society wealth.

The neo-classical profit maximization view is that managers should increase the company‘s wealth rather than the stakeholder’s interest. The stakeholder’s interest is defined in addition to shareholder’s interest. The modern company has developed from the traditional industrial capitalist company that emerged following the industrial revolution of the late nineteenth century which had the sole objective of maximizing shareholder’s wealth (Lashgari 2004).

Moreover, Friedman‘s (1970) framework showed companies as owned by shareholders, are the principals of the company. In this framework, managers are the agents with a duty to serve the interests of their principals. If shareholders as principals wished to support social goals, they could do so with the returns from their shareholdings rather than through CSR. Principals prefer to maximize their financial returns and then allocate those returns to consumption or social giving. Friedman called this the separation theorem.

Although these companies worked within the law, they were expected to behave as truth as possible in pursuit of profit, which was in the name of social welfare as per Smith‘s (1796) model of the market economy (Luthans et al. 1984). Within the traditional model, Friedman‘s (1982) view was that, in a capitalist economy, the only responsibility of business is to use its resources to engage in activities designed to increase its profits, as long as these activities are undertaken without deception or fraud.

Neo-classical economic arguments suggest that managers should make decisions that maximize the wealth of the company‘s equity holders (Friedman 1962). Conversely, some scholars have argued that companies have a duty to society that goes well beyond simply maximizing the wealth of equity holders (Freeman 1984: Swanson 1999). These studies have stated that such a narrow focus can lead management to ignore other important stakeholders including employees, suppliers, customers and community.

2.2.5 CSR from stakeholder's perspective

A firm's survival and success depends on the ability of its managers to create sufficient wealth and satisfaction for its primary stakeholders (Clarkson, 1995). The primary stakeholders of a firm include employees, shareholders, customers, suppliers, communities, and natural environment. If any of the primary stakeholder groups withdraws its support to the firm, the firm's operation is adversely affected (Clarkson, 1995). Firms that establish relationship with primary stakeholders beyond market transactions gain competitive advantage (Barney and Hansen, 1994; Fomburn and Shanley, 1990). Effective management of key stakeholders acts as a value driver by leveraging performance and reducing stakeholder inflicted costs. Lower employee turnover reduces hiring and training costs, loyal suppliers reduce quality certification costs, supportive communities reduce legal and public relations overhead, and stable shareholders reduce stock market volatility (McVea and Freeman, 2005). In order to achieve sustainability in business, firms must identify key stakeholders affecting the firm, identify their needs, and design organizational policies and practices to cater to them. Accordingly, we define CSR towards a particular stakeholder group as a firm's policies, processes, and practices towards that stakeholder groups. The study recognized primary stakeholders as key stakeholders and defines CSR from their perspective

2.2.6 Firm performance

Griffin and Mahon (1997) have reviewed 51 studies on CSR and firm's performance relationship and found that as many as 80 different types of Financial Performance measures have been used. Firm size, return on assets (ROA), return on equity, asset age,

and return on sales are the frequently used as Financial Performance measures. Particularly, ROA is consistently claimed to be an authentic measure of Financial Performance (Berman et al., 1999; McGuire et al., 1988). Unlike other accounting measures such as return on equity or return on sales, ROA is not affected by the differential degree of leverage present in firms. Because ROA is positively correlated with the stock price, a higher ROA implies higher value creation for shareholders. Moreover, in asset heavy firms such as the manufacturing firms, ROA is a better indicator of firm performance.

Financial performance measures are lag indicators and capture historical performance arising from mostly tangible assets (Ong, 2003). 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). In contrast, NFP measures focus on a firm's long-term success factors such as research and development, customer satisfaction, internal business process efficiency, innovation, and employee satisfaction, and capture performance improvements from intangible assets (Kaplan and Norton, 2001). Investments in intangible assets such as research and development are expensed immediately instead of getting capitalized in the traditional accounting system. Such treatment of intangible assets depresses the profit in the current year though benefits from such investments accrue to the firm over a long period of time. By accounting for such performance improvements, Non Financial Performance measures provide indirect indicators of firm performance. Because of their focus on consequences rather than causes of performance, Non Financial Performance measures are considered as 'lead indicators' (Ittner and Larcker, 2000). FP measures are objective in nature whereas NFP measures are subjective in nature that includes managers' perception of firm performance on market share, employee health and safety, investment in research and development, and others. Perceptual data on Non Financial Performance from senior managers correlate with hard data on FP from secondary sources (Venkatraman and Ramanujam, 1987) suggesting their complementarily. Hence,

Financial Performance measures are used to assess firm performance holistically (Govindarajan and Gupta, 1985; Ittner and Larcker, 1998)

2.2.7 CSR and Accountability

Accountability is one of the processes whereby a leader, company, or organization seeks to ensure integrity. In a global stakeholder society, accountability is among the key challenges of organizations. Responsible leaders are concerned with reconciling and aligning the demands, needs, interests, and values of employees, customers, suppliers, communities, shareholders, non-governmental organizations (NGOs), the environment, and society at large. A company's track record in terms of CSR accounting will be effective when appropriate CSR measures are included in its internal as well as its supply chain activities. Furthermore, the literature reflected a growing need for dissemination of good practice in CSR accountability and a need for more pressure for NGOs to prove themselves as ethical, transparent, and accountable as those they seek to influence (Frame, 2005).

A relevant point raised in some literature has to do with the effectiveness of strategies undertaken by communities to demand corporate accountability (Garvy & Newell, 2005). This literature argued that the success of community based strategies for corporate accountability is conditional upon the right combination of state, civil, society and corporate factors. Frynas (2005) makes the point that accountability is more than making false promises. In the oil, gas, and mining sectors, despite the promise of CSR and the spending of over US $500 million in 2001 alone on a long list of community development programs and other CSR initiatives, the effectiveness of the initiatives has been increasingly questioned. Frynas pointed out that there was mounting evidence of a gap between the stated intentions of business leaders and their actual behavior and impact in the real world of financial funding.

CSR requires accountability by all leaders, individuals, organizations, stakeholders, customers, and community members, and yet accountability is complex. The factors which influence the effectiveness of corporate accountability are multiple and tightly

interconnected. This interconnectedness and its relationship to accountability are represented in the work of Dolan (2004), which uses the example of his own company to illustrate the idea of considering a business as an interconnected web of relationships with the consequences of every action the company takes having an impact on both the community and the company's long-term business.

Social responsibility is an organization's responsibility on the impacts of its decisions and activities on the society and the environment through transparent and ethical behavior that is consistent with sustainable development and the welfare of society, taking into account the expectations of stakeholders is in compliance with applicable law and consistent with international norms of behavior and that is integrated throughout the organization".

The World Business Council for Sustainable Development has described CSR as the business contribution to sustainable economic development. Building on a base of compliance with legislation and regulations, CSR typically includes "beyond law" commitments and activities pertaining to, Corporate governance and ethics, health and safety, environmental stewardship, human rights (including core labor rights), sustainable development, conditions of work (including safety and health, hours of work, wages), industrial relations, community involvement, development and investment, involvement of and respect for diverse cultures and disadvantaged peoples, corporate philanthropy and employee volunteering, customer satisfaction and adherence to principles of fair competition, anti-bribery and anti-corruption measures, accountability, transparency and performance reporting, as well as supplier relations for both domestic and international supply chains.

2.2.8 The relationship between expenditure on CSR activities and Financial Performance

Theoretically, CSR by the firm do results into improved financial performance (FP). CSR which is independent variable do influences the firm's financial performance. Therefore it is argued that there is always a positive relationship between expenditure on

CSR activities and firm's financial performance (Freeman 2008). Under this theory and for the purpose of this study, CSR spending favorable to employees, customers, communities and environment is an independent variable and the Financial Performance is a dependent variable which is measured by four parameters (Deposits, Loans and advances, Pretax profits and after tax profits).

2.2.9 The Pyramid of Corporate Social Responsibility.

The total social responsibility of the business is composed of different components that are combined to form one whole concept. The pyramid of CSR described the four different components that are unified with each other and provide framework how a business organization might engage in business decisions, actions, practices, and policies simultaneously (Carrol, & Buchholtz, 2008. p. 46). The total responsibility is the sum of all economic, legal, ethical and philanthropic responsibilities.

Figure 2.1: Pyramid of Social Corporate Responsibility



Corporate Social Responsibility = economic responsibilities + legal responsibilities + ethical responsibilities + philanthropic responsibilities.

These four components of CSR focus on different stakeholders of the business. The economic and legal responsibility usually revolves around the shareholders of the business. The economic responsibility has focus on the maximum profit earning and

attaining a competitive advantage in the market. As all the business have notion of getting profit and all business activities are much depending on economic responsibility. The profit motive in business firms is not bad thing but along with profit motive remaining in the boundary by obeying state rules and regulations to run a business is termed as legal responsibility (Carroll, 1991). The legal responsibilities of the business reflect the business operations according to the laws and regulations. The Economic and legal responsibility shaped into ethical responsibility (Carroll, 1991).

The ethical responsibility contains those standards or norms that concern with consumers, stakeholders, & shareholders keeping respect, regard and care moral values. The ethical values ahead help to create new laws and attached with legal responsibility as with technological advancement, and varying social situation like human right, environmental standards the perception of ethical values are changing this result in broadening the legal responsibility category (ibid, 1991).

The philanthropic responsibility involves voluntary activity of business organization. It is contribution of business in charity, or community welfare program. If an organization doesn't provide charity or financial help in the society it doesn't mean they are doing unethically (Carroll, 1991). To behave as a good corporate citizen the organization provide philanthropy, this also make them to become more loyal with their customers and involves benefit of the whole community. The studies show that philanthropic activity of the company may increase the morale of the company and its employees (Carroll, 2008). It is believed that the ethical and philanthropic activity are taken together, people percept these as social responsibility of the business. In a practical or managerial sense a social responsible firm attempts to make a high profit, behave ethically in the environment, follow the law and order and pretend to be as a good corporate citizen.

2.2.10 Corporate Social Performance Model (CSP).

The degree of responsiveness of the company towards CSR was intended to be measured by the CSP model (Carroll, 2008). Different organizations have various interests i.e a

financial institution typically does not consider environmental concern in their business as much as manufacturing organization. The CSP model deals with various parameters of the CSR as described in figure below. All the parameters are described in three different modes which explain clearly about the CSR concept in the business.

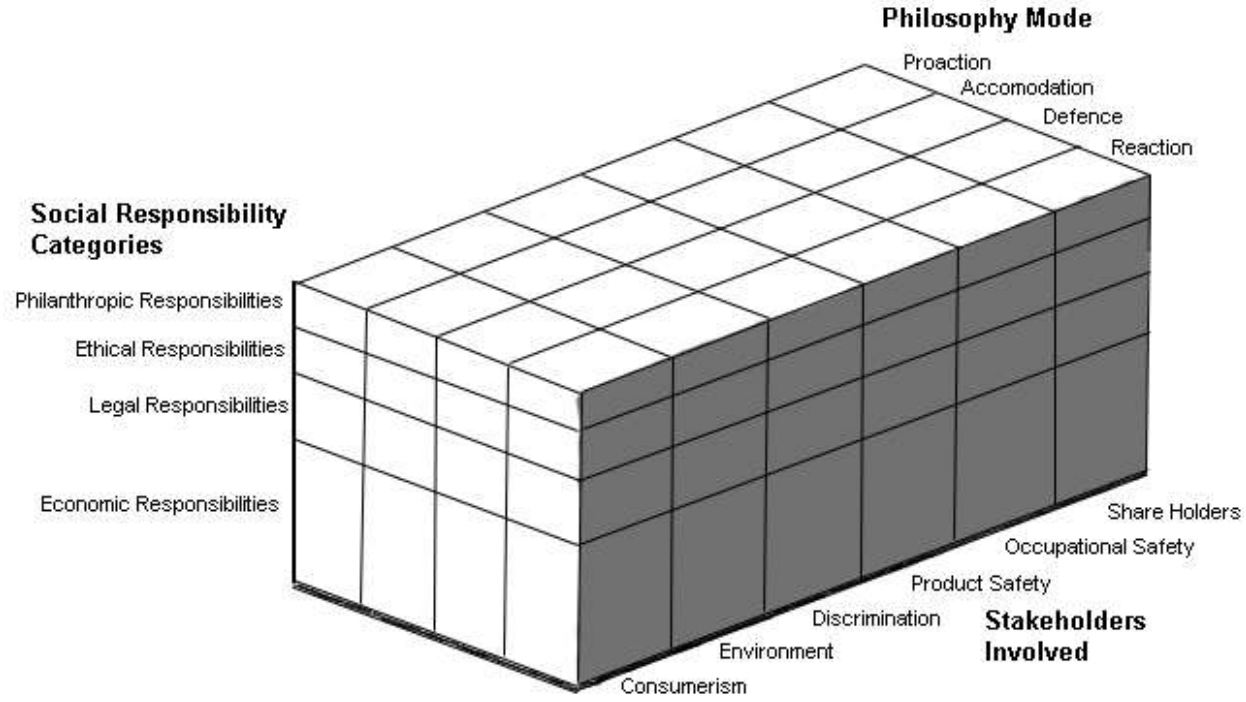


Figure 2.2: Carroll's Corporate Social Performance Model (Carroll & Buchholtz, 2008)

1. Social Responsibility economic, legal, ethical, and philanthropic

2. Philosophy mode reaction, defence, accommodation, and proaction

3. Stakeholders involvement consumer, environment, employees

The CSP model shows three different modes (social responsibility, philosophy, stakeholder involvement). The social responsibility mode integrates economic, legal, philanthropic and ethical concern. The most important thing in the model is that the model is depicted in specific manner that the degree of each responsibility shows its own weight, e.g the economic responsibility has its own weight than ethical responsibility. So

each social responsibility has its integral part in total CSR of the business. This model also suggested the position of responsiveness (reaction, defence, accommodation, & pro-action) to increase the managerial or social performance in the organization. When corporations have concern with social responsibility or stakeholders they adopt these philosophy modes. The companies adopt these modes in a sequence according to the social responsibility category.

2.3 Empirical Literature Review

According to (Rendtorff, 2012), companies were perceived as human communities that used social practices in order to achieve common goals. These objectives are realized through bond of trust and authentic relationships with customers. The most important ethical principles that promote "good life of customers" are: customer's autonomy, dignity, honesty, customer's vulnerability that represents basic presumption for decent access to customers.

Defined key element of CSR in the banking sector such as: understanding of financial services complexity, risk management, strengthen ethics in the banking business, strategy implementation for financial crisis, protection of customers' rights and channels settings for customer complaint (Yeung, 2011).

A correlation between social performance and financial performance of banks (Soana, 2011). This analysis showed that Italian banks haven't shown any significant correlation between social and financial performance. According to this study, any negative correlation between social and financial performance has not been revealed. On the other hand, results of this study provide evidence that banks' investment in CSR does not lead to economic benefits for the bank.

Focused on a social responsibility of the bank requires increased professionalism of those who are working in the financial sector; a stronger focus on compliance with Code of Ethics; verification of employees' capabilities and other approaches such as transparency, focus on stakeholders' interests and cooperation with social institutions (Graafland 2011).

Society would like to have an economic system that creates opportunities for the growth of economic welfare and a happy life of people (Robin 2008). The mission of ethics is to minimize the abuse of companies' power in the bilateral exchange relations and to reduce a negative impact on a people's daily live. A fundamental issue of business ethics is how to make capitalism more ethical. Risk of CSR consists in the fact that it tends to become an excuse for soft law and corporate self-regulation (Sigurthorsson 2012). Icelandic banks implement their CSR concept through a financial support of charitable activities and they did not pay attention to a formation of socially responsible practices but reduced CSR tools only for public communication. Corporate social responsible practices should focus more on processes that make socially responsible profit and not on its distribution. Large institutions such as Fortis, Arthur Andersen & Co. and AIG had a strong CSR and ethical culture but they have gone bankrupt anyway (Fassin 2011). These cases show a discrepancy between official pronouncements and procedures of senior management.

Many banks in United Kingdom do not act transparently (Gibbons 2011). A scope of provided information is not sufficient, quality information absent for people who have financial difficulties etc. (Tea 2011) indicate that honesty, awareness, responsibility, creativity, objectivity and professionalism absent in the banking culture

According to study of (Perez 2012) which focused on Spanish banking institutions, banks tend to promote only those activities through CSR from which they generally have benefit. In the banking sector, there are three basic groups: customers whom banks try to meet their financial needs; employees whom banks try to create a perfect working conditions to achieve their satisfaction and at last community (bank's surrounding) where banks contribute to a sustainable growth. In the area of CSR activities, (Perez, 2012) accuse banks of short-term improvement of bank's image and profit increase. According to authors, it is necessary to incorporate a social responsibility into organization's image and into a long-term strategy to reduce skepticism. Authors report that banking sector suffered large scratches on its image and credibility because of its integral participation in economic crisis. CSR concept is perceived.

Based on results of empirical research, (Chih, Chih and Chen 2010) indicate that larger companies are more oriented on CSR and the fact that financial performance and CSR are not together mutually related. Higher financial performance means that a company has a lot more available funds for CSR activities. There is a direct correlation between the overall health of the economy and a level of CSR in the company. If the economy is in a bad condition for example inflation is high, productivity growth or consumer confidence has a low level, companies do not have a vision to achieve profit in the near future and therefore they do not behave as socially responsible as in the area of economic optimism. The relationship between competition and CSR level is not linear. This means that the competition that is too low or too intense has a negative effect on CSR in the company. In a highly competitive environment, companies are trying to save resources because of their low profit margins. Conversely in the area where the competition does not exist, the environment does not force companies to build competitive advantage because trading partners does not have a choice among many alternatives. According to authors, companies made more socially responsible activities to gain competitive advantage in the area of more intense competition on the market. A higher level of self-regulation in the financial sector has a significantly positive effect on CSR. Companies behave more socially responsible in countries where relationships between employees and employers are characterized by cooperation where the management schools and macroeconomic environment are better.

(Goss and Roberts, 2011) investigated the relationship between CSR and a cost of banks' loans. Actually, banks meet a supervisory role over companies. Within a credit approval process and subsequent verification, banks gain much more information about the company than other interested parties on the market. Therefore they are best placed to assess the level of socially responsible activities undertaken by the company. Authors found that companies that have problems with CSR pay for loans of 7-18 basis points more than social responsible companies.

Companies' investments to CSR reduced their volatility and thereby increased their attractiveness as a potential borrower. Lenders are more sensitive to CSR activities of

debtor in the area of less secure environment. The research also showed that less creditworthy borrowers who engage voluntarily in CSR activities have higher credit spreads and shorter maturity of loans. In this case, banks consider CSR investments as an unnecessary dispersion of corporate resources which increases a risk of the company. Result of increased risk is translated to higher borrowing costs.

According to (Chatterjee and Lefcovitch 2009) managers' dilemma lies in the fact that CSR concepts are more important for the company than corporate responsibility (profit maximization). Principal responsibility of managers is in relation to shareholders. Managers may be satisfied if a minimal and law required level of CSR is achieved. Banks are dominantly oriented to maximize profits and totally ruthless in their activities in relation to interest of depositors, investors and general public. Banks violate the law, regulatory rules and code of ethics in order to maximize their own profit. The more bankers spoke about the social responsibility, the more they focused on increasing of shareholder value and their own personal bonuses and the height of "golden parachutes" (Fassina 2011).

Table 2.2: Summary of empirical review

S/N	Author/Theme/topic	Year	Variable Used	Methodology	Tool of Analysis	Relationship Identified
1	Marcia Millon Cornetta, Otgontsetseg Erhemjamts and Hassan Tehranianb - Corporate Social Responsibility and its Impact on Financial Performance.	2010	Independent variable (CSR strengths scores for banks) and dependent variable (financial performance)	Case study design	Objective estimation and coefficient of correlation	positively and significantly relationship
2	Farzaneh Rahmani - Impact of corporate social responsibility on corporate financial performance in insurance company branches of West Azerbaijan Province.	2014	Independent variable (Banks' social performance) and Dependent variable (financial performance).	Applied Research and descriptive.	Linear Regression analysis and one sample T-test	A positive and significant impact of social responsibility and all of its dimensions on financial performance.
3	Goss and Roberts - Investigated the relationship between CSR and a cost of banks' loans	2011	Independent variable (Banks' social performance) and Dependent variable (financial performance).	Longitudinal or a panel data.	Regression analysis	Positive relationship
4	Yeung- The Role of Banks in Corporate Social Responsibility	2011	Independent variable (corporate social responsibility) and Dependent variable (Financial performance)	Empirical Research	Direct Correlation	Positive relationship
5	Graafland and Van de Ven - The Credit Crisis and the Moral Responsibility of Professionals in Finance	2011	Independent variable (professional ethics in banking sector) and dependent variable (financial performance)	Empirical Research	Direct Correlation	Positive relationship
6	Robin - Toward an Applied Meaning for Ethics in Business	2008	independent variable (satisfaction level and loyalty of bank	Case study	Regression analysis	Positive relationship

			employees) and Dependent variable (level of their performance)			
7	Chatterjee and Lefcovitch- Corporate social responsibility and banks	2009	Independent variable (services of commercial banks) and Dependent variable (client satisfaction)	Questionnaire survey study designed.	Correlation analysis	Positive relationship
8	Soana M.G- The Relationship Between Corporate Social Performance and Corporate Financial Performance in the Banking Sector.	2011	Independent Variable (corporate social performance) and Dependent Variable (financial performance)	Longitudinal or a panel data	Ratio analysis and market performance analysis.	Negative correlation between corporate social and financial performance

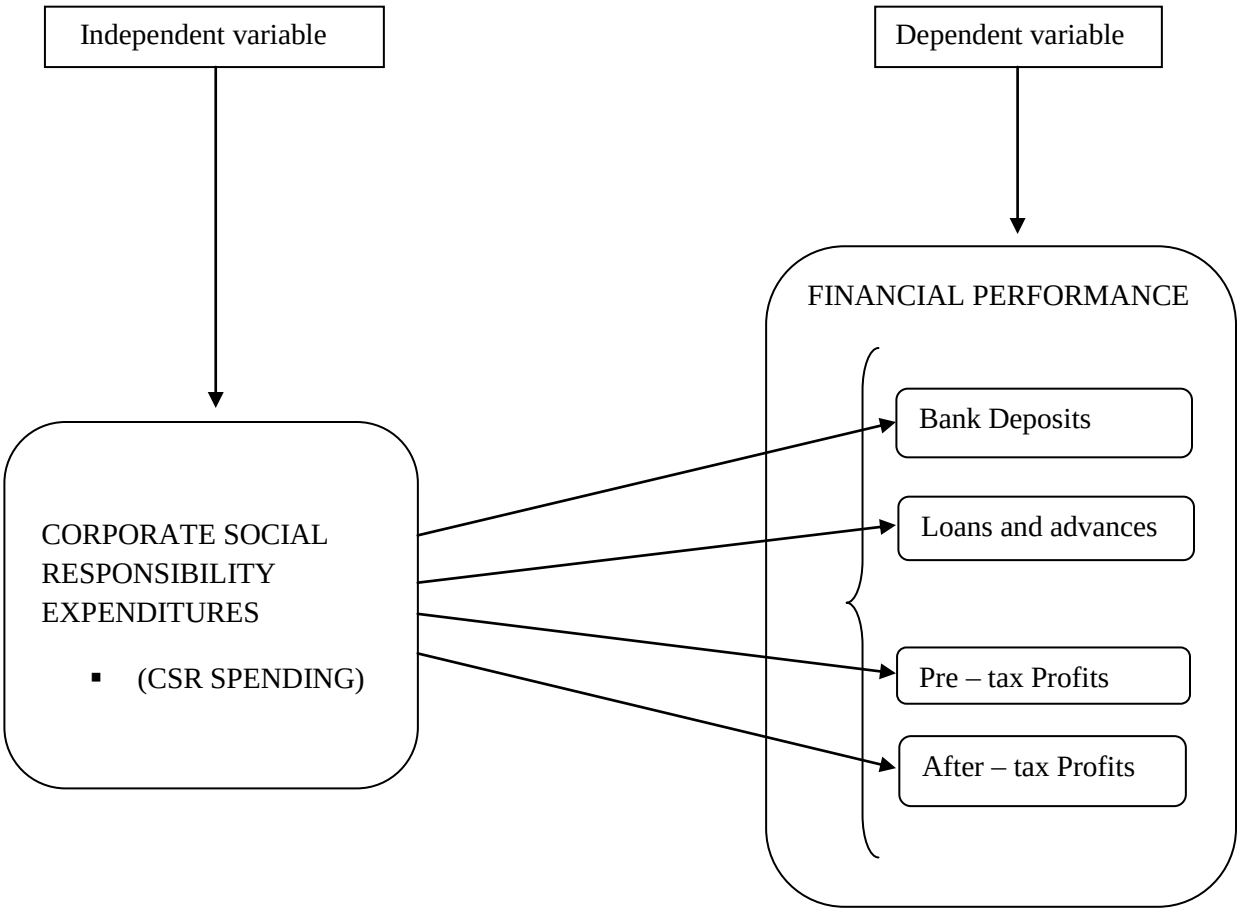
Source: Researchers work (2015)

2.3.1 Conceptual Framework and Research Model.

Conceptual frameworks are structured from a set of broad ideas and theories that help a researcher to properly identify the problem they are looking at, frame their questions and find suitable literature (educational researcher Smyth 2004).

On the basis of theoretical and empirical review taking limitation of the research in view, the following conceptual framework is chosen on the relationship between corporate social responsibility and financial performance.

Figure 2.3: Conceptual Frame work



Source: Researchers'own work 2015

2.3.2 Dependent Variable

The dependent variable is the variable of primary interest to the researcher. In other words, it is the main variable that lends itself for investigation as a viable factor (Sekaran, 2003). As regard to this study the banks financial performance as the dependent variable (DV) was assessed by deposits, loans and advances, Pretax profits and the after tax profits.

2.3.3 Independent Variable

Independent variable is the one that influences the dependent variable in either a positive or negative way (Sekaran, 2003). It is also called the explanatory variable or predictor variable. In this study, an independent variable (IV) is the Corporate Social Responsibility expenditures incurred by CRDB bank Mbeya branch in favor of its stakeholders (e.g employees, customers, community and Environment). Thus, IV is assessed by CSR spending/costs incurred in rendering CSR activities.

2.3.4 Hypotheses

Hypothesis testing was to examine the relationship between independent variables (CSR spending) and dependent variables were financial performance (Deposits, loans and advances, pretax profits and after tax profits). Independent variable was tested for its impact to each of the dependent variables that assess the financial performance. In this study it was proposed that: there will be a significant positive relationship between the variables, thus a null hypothesis (Ho) was dropped instead an alternate hypothesis (H_1) prevailed throughout the study results. This meant that throughout the study, the fact was that there will be a positive relationship between Corporate Social Responsibility and Corporate Financial Performance. It was therefore proposed that:

H_1: Favorable CSR activities/spending towards stakeholders positively impact the firm's financial performance of a bank.

This study aimed to examine the relationship between expenditure on CSR activities and the Bank's performance (bank deposits, loans and advances, pretax profits and after tax profits).

2.3.4.1 CSR expenditures and banks deposits.

Policies and practices towards stakeholders reflect a company's intention to address the interests of its employees, customers, community and environment. The policies and practices towards; CSR activities involve a lot of expenses in regards to provision of

CSR activities. By adhering to such standards, firms can satisfy employees, enhance their job performance which in turn improves firm's Financial Performance. Companies should adhere to higher labor standards and reduce human rights abuses at workplace (Kumar et al., 2001). Working conditions that respect human dignity, equality, and social protection result in a productive workplace (Somavia, 2000). Social responsibility of a company is a reputation factor and is an attractive force for potential and current employees, customers and community (Turban and Greening, 1997). Ethical reputation contributes to job satisfaction and lower employee turnover by evoking positive reactions from employees' families and friends (Riordan et al., 1997). Because satisfied employees have higher morale and job motivation, they will work more effectively and efficiently (Berman et al., 1999) and contribute to higher levels of organizational effectiveness (Koys, 2001). Past studies establish that better human resource management practices such as training and development of employees, their participation in problem solving, progressive remuneration policies, and grievances procedures reduce employee turnover, increases their productivity and Financial Performance (Huselid, 1995; Youndt et al., 1996). A better CSR towards stakeholders involves the bank to spend more of its resources in providing CSR activities to the society which in turn improves a firm's FP (Berman et al., 1999). Hence,

H_1.1: CSR spending towards employees, customers, community and environment positively impact the bank's deposits.

2.3.4.2 CSR expenditures and bank loans and advances.

Positive customer perception about product/service quality and safety leads to increased revenue or decreased costs associated with stakeholder relationships (Waddock, 1997). Higher product/service safety and quality improves the bottom line (Berman et al., 1999). When a bank provides CSR activities to the society, positive customer perception about the bank increases to both existing and potential customers as results bank loans and advances increases. Event studies establish that market value of a company decreases when corporate irresponsibility and illegal behavior is observed (Frooman,

1997). The news of pesticide content in Pepsi and Coca-Cola beverages in India reduced the sales of both companies by 60% (Financial Express, 2006). Continuous deterioration in quality directly affects firm performance (Landon and Smith, 1997). Therefore, firms need to be careful about factors such as ethical advertising standards, customers, employees and the local community health and safety during service use, company-wide quality programs for providing better services at right prices and the like. Bank to provide CSR activities give a positive signal about a bank's responsible attitude towards its customers, employees and community can improve loans and advances. Hence,

H_1.2: CSR spending/expenses positively impact the bank loans and advances.

2.3.4.3 CSR expenditures and pre-tax profit.

The involvement of the bank with the surrounding community, employees, customers and environment in form of providing CSR activities was mostly seen in areas of education, health, and income generation. CSR towards community is seen in terms of philanthropic giving, public–private partnerships, community relationships, and participation in social and economic development issues. When firms focus their social actions on communities in and around their area of operation, they obtain the benefits of a socially responsible image among employees, existing & potential customers and the local community (Husted, 2003). Partnership of Life Insurance Corporation of India with micro-credit federations in the rural Andhra Pradesh, besides improving its penetration of the rural market and expanding the customer base, has also increased its gross margin by 27% (Brugmann and Prahalad, 2007). Though past evidence suggests a negative relation between CSR towards the community and firm performance (Berman et al,1999). It is also observed that investments in community development activities help a firm to obtain competitive advantages through tax savings, decreased regulatory burden, and improvements in the quality of local labor (Waddock, 1997), all these do in turn increases the pre-tax profit. Hence,

H_1.3: CSR spending towards employees, customers, community and environment positively impact banks pre-tax profit.

2.3.4.4 CSR expenditures and after-tax profits.

Companies are taking proactive initiatives for emission reduction in anticipation of future policy, and society and competitive developments with respect to employees, customers, community and environment. With increasing importance of environmental friendly products, processes, and services, firms are realizing the importance of adopting environmental standards for their sustainability in the long run. This has facilitated development of green resources and capabilities and compliance with international standards and environmental legislations. Studies link environmental commitment with enhanced profitability, particularly in high growth industries (Russo and Fouts, 1997). Evidence suggests proactive environment management enhances firm's market value (Klassen and Mc Laughlin, 1996), reputation, and FP (Alvarez et al., 2001; Miles and Covin, 2000), which in turn positively favors the organization and increases its after-tax profit. The impact of firms' proactive environmental practices on market share, profitability, and return on investment is better in environmentally conscious companies compared to not-so conscious companies (Ahmed et al., 1998). Hence,

H_1.4: CSR spending/expenses positively impact banks after tax profits.

The relationship between variables in this study was expected to be that of the cause and effect which meant that Independent variable positively influence the dependent variable.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains research design, study area, unit of analysis, study population, sampling techniques, sample size, types and sources of data and the data analysis.

3.2 Research Design

The study is descriptive in nature. Case study and survey study design were employed in this study. The use of these research designs combined both qualitative and quantitative approach. This study aimed at finding out the relationship between expenditure on CSR activities and financial performance in banking industry in Tanzania. The study was designed to establish whether expenditure on CSR activities is significantly affecting the financial position (i.e deposits by customers, loans and advances to customers, pre-tax profits and the after tax profits) in CRDB Mbeya branch.

As stated earlier, the case study design and survey study design were both applied in carrying out this research work. Case Study Design is a research design that entails the detailed and intensive analysis of a single or more cases (2010) Alan Bryman and Emma Bell). In designing the research, comparison between expenditure on CSR spending and the deposits, loans and advances, pretax profits and the after tax profits extracted from the banks financial statements on the past six years was done. The case study was helpful because it is fairly exhaustive method which enabled the researcher to study deeply and through different aspects of phenomena (Kothari, 2001).

3.3 Study Area

The study was carried out at Mbeya City in Mbeya Region. Mbeya Region is located on the South-west of Tanzania mainland. It boarders with four Regions namely Rukwa, Tabora, Iringa and Ruvuma. Mbeya city is easily accessible by road; TAZARA railways

from Dar es Salaam to Zambia via Mbeya and air transport (Songwe International Airport). The City is now a growing metropolis and business centre for the southern regions and the neighboring countries of Malawi, Zambia and Congo. The study was conducted at CRDB Mbeya branch in Mbeya Region. Mbeya is among the fastest growing regions in Tanzania due to availability of many investment attractions which gives opportunities to companies and various institutions to invest.

CRDB Bank Plc is a leading, wholly owned private commercial bank in Tanzania. The Bank was established in 1996 and has grown and prospered over the years thus became the most innovative, first choice, and trusted bank in the country. CRDB Bank has been recording progressive profit every year since its foundation and has paid dividends annually. The Bank reached an important milestone recently and was listed on the Dar es Salaam Stock Exchange on 17th of June, 2009.

CRDB Bank offers a comprehensive range of Corporate, Retail, Business, Treasury, Premier, and wholesale microfinance services through a network of about 120 branches, 350 ATMs, 15 Depository ATMs, 12 Mobile branches, 900 Point of Sales (POS) terminals and scores of Microfinance partners institutions. The Bank also operates through Internet and Mobile banking services.

3.4 Unit of Analysis

The unit of analysis of the purpose of this study was CRDB bank Mbeya branch employees and customers. The study was focused on assessment of the relationship between expenditure on CSR activities and the financial performance (measured by Bank deposits, loans and advances issued to customers, pre-tax profit and after tax profit) of the bank.

3.5 Study Population

A study population is a group of individuals or items that share one or more characteristics from which data can be gathered and analyzed (Ndunguru, 2007). This study was focused to gather information from CRDB customers and CRDB mbeya

branch employees due to the nature of this research. The study population was therefore grouped into two categories (i.e CRDB Mbeya branch staff and CRDB Mbeya branch customers).

The total number of the study population was 62 CRDB staff and Over 15,000 CRDB customers of Mbeya branch.

3.6 Sampling techniques

The study used two types of non-probability sampling techniques; these were Purposive sampling technique and Convenience sampling technique during the process of data collection from the study respondents.

Purposive sampling technique was used to select sample for CRDB employees (*category one respondents*) while Convenience sampling technique was used to select sample for CRDB customers (*category two respondents*).

Purposive sampling is sampling were confined to specific types of people who can provide the desired information, either because they are the only ones who have it, or conform to some criteria set by the researcher (Sekaran, 2003).

In carrying out a purposive sampling technique the study used judgment sampling design which is one among the types of purposive sampling technique.

Judgment sampling design was used where the collection of specialized informed inputs on the topic area researched is vital, and the use of any other sampling designs would not offer opportunities to obtain the specialized information (Sekaran, 2003).

Judgment sampling design enabled the researcher to select respondents who were in best position to provide the information that was required in this study. By using judgment sampling design, it helped to target respondents who have experience, knowledge and experts about the study variables (e.g branch and department managers) which in turn helped the researcher to reach expected conclusion.

Convenience/accidental sampling technique enabled the researcher to select accidentally those CRDB customers that were easier to obtain for the desired sample for CRDB customers. The customers were interviewed at random in around the CRDB bank and at streets in Mbeya city. The sample selection process continued until the required sample size of 101 customers reached.

3.7 Sample Size

A sample size is the exact number of items selected from a population to constitute a sample (Adam and Kamuzora 2008, page 119). It is always recommended to use a large sample size so as to be able to generalize the research findings.

The study used a sample size of 120 respondents. The sample size consisted of (19 CRDB staff and 101 CRDB customers) as respondents from the study area and these were selected as shown in table 1.0 below.

Table 3.1: Showing category of respondents and the Sample size

Category of respondents	CRDB EMPLOYEES			CRDB CUSTOMERS		
	Study population	Sample size	Percentage (%)	Study population	Sample size	Percentage (%)
Human Resource department	4	1	25%	-	-	
Customer service department	18	5	27.8%	-	-	
Loan and Advances department	14	4	28.6%	-	-	
Accounts & Finance department	12	4	33.3%	-	-	
Market operations department	8	3	37.5%	-	-	
Information technology department	6	2	33.3%	-	-	
Total	**62**	**19**	**30.7%**	**15,000+**	**101**	**0.67%**

Source; Researcher's own construct (2015)

The study used a sample size of 120 respondents were by (19 respondents were CRDB staff and 101 respondents were CRDB customers) because it is large enough for generalisability of result which needs a large sample size. However, this sample was determined with the help of the formulae for sample size. According to Tabachnick and Fidell (2001), formula for calculating sample size: taking into account the number of independent variables: n > 50 + 8m (where: n = Sample size and m = Number of independent variables). In this case the number of independent variables is 1.

The basis on which the sample was selected was by using judgmental and convenience sampling designs.

3.8 Types of Data

The study used both primary and secondary data as sources of information. Primary data are those for which a researcher collected himself from the field for the purpose of answering research question. Both Primary and Secondary data were collected by use of interviews, questionnaires, and documentary review in this study.

3.9 Sources of Data

Primary data are collected afresh and for the first time and thus happen to be original in character (Kothari, 2004). In this study, self administered questionnaires and interview was 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 financial reports and other publications of CRDB Mbeya branch for a period of six years from 2009 to 2014. The financial performance of a CRDB was examined through its annual account financial reports where information about Deposits, loans and advances, profits, growth, investments, assets, costs and others are listed.

3.9.1 Questionnaire

A questionnaire is a collection of questions which are administered to the respondents through the post office or by e-mail and the respondents fill in the questionnaire by themselves in which case the instrument is called a self-administered or self-completion questionnaire (Kothari 2008).

The study used self-administered questionnaire as a tool of collecting data. Both open and close ended questions were arranged in questionnaire in order for respondents to make choices among a set of alternatives, also allow respondents to answer some questions in any way they choose.

Self-administered questionnaire method of data collecting is most efficient, cheap and collects responses with minimum errors and high level of confidentiality, which do enable a researcher to collect all the completed responses within a short period of time and any doubts that the respondents might have on any questions could be clarified on spot. (Kothari, 2004)

For the purpose of this study, Questions regarding to: Types of CSR activities conducted by CRDB bank, Whether there is relationship between CSR activities measured by (CSR Spending) and bank's financial performance measured by (Bank deposits, Loans & advances, Pre-tax profit and After tax profit). Also the questions regarding challenges facing CSR activities were created and directed to respondents for their responses.

All the respondents in this study were briefed on what the study is all about and clearly informed that participation is voluntary. Also the respondents were assured of confidentiality and anonymity. However, no any participant's name appeared in either interview or questionnaire sheet collected from respondents.

The questionnaire is attached in appendix II.

3.9.2 Documentary Review

Various documents were used in collecting the required information as secondary data. Some of these documents included bank statement of comprehensive income, statement of financial position and the report for the bank policy on CSR activities. In this study, the relevant information from the bank financial statements for the years 2009, 2010, 2011, 2012, 2013 and 2014, were bank's CSR expenditures which represented independent variable and the information about Bank deposits, loans & advances, Pre-tax profit and After tax profit all of which represented bank's financial performance. This information was collected for the period of six years from 2009 to 2014.

3.10 Data management and control

To ensure quality and good management of data, all questionnaires and check lists were verified thoroughly and each of them were numbered, all forms used arranged in sequence to ensure none of them is misplaced or unknowingly left. At the end of the day all answers from respondents were successfully entered in a data master sheet.

3.11 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 (Kothari, 2004).

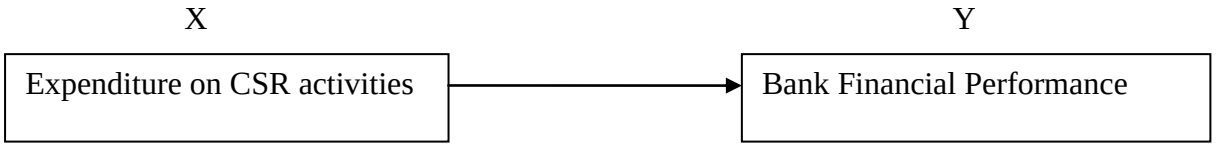
The process of analysis aims at determining whether the observations support the hypotheses formulated before going into the field to collect the information, or reject them (Adam and Kamuzora, 2008).

By applying Statistical Package for Social Science (SPSS), the collected data were analyzed by using Correlation, percentages and trends. Correlation analysis was used to describe the strength and direction of the linear relationship between bank CSR activities

(i.e. CSR expenditures) and bank financial performance (measured by: bank deposits, bank loans & advances, pre-tax profit and after tax profit). The strength and direction of linear relationship between CSR spending and financial performance of CRDB Mbeya branch was determined by size of the value of Pearson correlation (r) and their values ranging from -1 to +1. Where positive value of *r* indicates that changes among variables take place in the same direction and negative *r* indicates that the changes among variables is taking place in the opposite directions and zero *r* indicates that no association among the variables (Pallant and Julie, 2005).

The relationship between independent variable (CSR activities) and dependent variable (financial performance of bank) can be shown as follow;

The Relationship between One independent variable against one dependent variable



Source; researcher own construct 2015

The study also used percentages and trends of variables of this study for the period of six consecutive years from 2009 to 2014 to determine the relationship between independent variable and dependent variables.

CHAPTER FOUR

4.0 ANALYSIS OF DATA AND FINDINGS OF THE STUDY

4.1 Introduction

This chapter present study findings after the analysis of data. The findings are organized in four parts. First part provides discussion on the background characteristics of respondents.

The second part involves the findings relating to the assessment of CSR activities provided by the selected bank, the third part provides findings relating to the assessment of the relationship between expenditure on CSR activities and financial performance measured by deposits, loans & advances, pre-tax profit and after-tax profit of the selected bank and the fourth part provides the finding relating to challenges on CSR activities.

4.2 Background Characteristics of Respondents

This section presents demographic and socio economic characteristics of respondents. Characteristics of respondents were sought in term of their age, sex, marital status, education level, respondent category, occupation and respondent's experience in CRDB bank.

4.2.1 Age

The aim of this characteristic was to establish age of respondents in order to find out whether their perceptions are reliable. As presented in figure 4.1 below, it was found that in the age groups of less or equal to 30 respondents were 46 (38.3%), group of 31-40 respondents were 35 (29.2%), a group of 41-50 respondents were 27 (22.5%) and in a group of 51 and above respondents were 12 (10.0%). This indicates that majority of respondents who engaged in this study were young than other respondent.

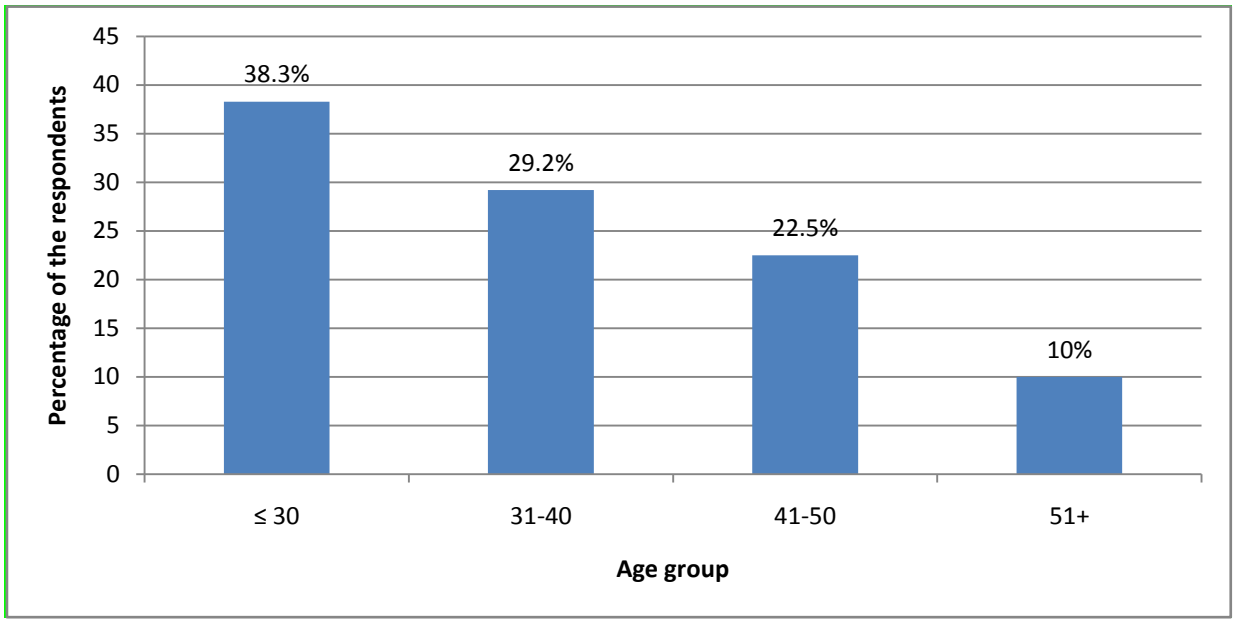


Figure 4.1: Age of the Respondents in the Study Area (N=120)

4.2.2 Sex of the Respondents

The study also wanted to establish sex of respondents in order to find out whether their perceptions are reliable. It was then found that majority of respondents 68 (56.7%) were males and 52 (43.3%) of respondents were female. This indicates the fact that most men are participating in decision making process than women in the area.

Table 4.1: Sex of the Respondents

Characteristics		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	68	56.7	56.7	56.7
	Female	52	43.3	43.3	100.0
	Total	**120**	**100.0**	**100.0**	

Source: Study Findings, 2015

4.2.3 Marital Status of Respondents.

The study wanted to establish marital status of respondents in order to find out whether their perceptions are reliable. It was then found that majority of respondents 68 (56.7%) were married. Followed by respondents 39 (32.5%) who are single, respondents 5 (4.2%) who are widowed and respondents 8 (6.75%) who are divorced. This implies that majority of the respondents who engaged in decision making process in this study were married.

Table 4.2: Marital status of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	68	56.7	56.7	56.7
	Single	39	32.5	32.5	89.2
	Widowed	5	4.2	4.2	93.3
	Divorced	8	6.7	6.7	100.0
	Total	120	100.0	100.0	

Source: Study Findings, 2015

4.2.4 Education Level of Respondents.

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 83 (69.2%) had tertiary education, 28 (23.3%) of respondents had secondary level and the rest 9 (7.5%) had primary education. The results indicates that majority of respondents involved in this study had tertiary and secondary education.

Table 4.3: Education Level of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary education	9	7.5	7.5	7.5
	Secondary education	28	23.3	23.3	30.8
	Tertiary education	83	69.2	69.2	100.0
	Total	120	100.0	100.0	

Source: Study Findings, 2015

4.2.5 Category of respondents

The study wanted to determine category of respondents in order to find out whether their perceptions are reliable. It was found that majority of respondents 101 (84.2%) were CRDB customer and 19 (15.8%) of respondents were CRDB employees. This indicates all respondents involved in this study had enough understanding about CRDB bank and various activities it provides to the community around the study area.

Table 4.4: Category of respondents

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	CRDB Employees	19	15.8	15.8	15.8
	CRDB Customers	101	84.2	84.2	100.0
	Total	**120**	**100.0**	**100.0**	

Source: Study Findings, 2015

4.2.6 Respondents experience in CRDB bank.

The study 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 43 (35.8%) joined the bank between 1-3 years back, respondents 37 (30.8%) joined the bank for the period below one year, respondents 28 (23.3%) joined the bank between 4-6 years back, respondents 9 (7.5%) joined the bank between 7-10 years back and only respondents 3 (15.8%) joined the bank for eleven years and above. This indicate that 108 (90%) of all respondents joined CRDB bank for a period of less than 6

years and this implies that they might have been influenced to join CRDB bank by CSR activities the bank is providing to the community.

Table 4.5: Experience of respondents in CRDB bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 1 year	37	30.8	30.8	30.8
	1-3 years	43	35.8	35.8	66.7
	4-6 years	28	23.3	23.3	90.0
	7-10 years	9	7.5	7.5	97.5
	11+ years	3	2.5	2.5	100.0
	Total	**120**	**100.0**	**100.0**	

Source: Study Findings, 2015

4.2.7 Respondents occupation.

The study wanted to determine the occupation of the respondents in order to find out whether their perceptions are reliable. It was then found that majority of respondents 59 (49.2%) were students (not employed), 37 (30.8%) of respondents were business men/women, 19 (15.8%) of respondents were employed, only 5 (4.2%) of respondents were farmers as indicated in the table 4.6 below.

Table 4.6: Occupation of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employed	19	15.8	15.8	15.8
	Business	37	30.8	30.8	46.7
	Agriculture	5	4.2	4.2	50.8
	Not employed (students)	59	49.2	49.2	100.0
	Total	**120**	**100.0**	**100.0**	

Source: Study Findings, 2015

Based on profile of respondents, since the sample is spread over respondent's different professional background like sex background, age background, marital status background, education background, experience background, category background and occupation background, their responses may be considered as appropriate.

4.3 CSR activities provided by CRDB bank Mbeya branch to the community.

In order to ascertain the presence of CSR activities, types of CSR activities and respondents participation in CSR activities in Mbeya city, the perceptions of 120 respondents are ascertain 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.

4.3.1 Presence of CSR activities of CRDB bank in Mbeya region.

In order to find whether CSR activities of CRDB bank are present in Mbeya region, the responses of 120 respondents are ascertained and presented in the following table.

Table 4.7: Present or absent of CSR activities of CRDB Mbeya branch to community.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	113	94.2	94.2	94.2
	No	7	5.8	5.8	100.0
	Total	**120**	**100.0**	**100.0**	

Source: Study Findings, 2015

From the table 4.7 above it can be inferred that CSR activities are present in Mbeya region as 113 respondents which constitute 94.2% of all respondents express that the bank is performing CSR activities in this area.

4.3.2 Types of CSR activities CRDB Mbeya branch is providing in Mbeya city.

In order to identify CSR activities that CRDB bank is providing in Mbeya region, the responses of 120 respondents are ascertained and presented in table 4.8 below.

Table 4.8: Types of CSR activities the bank is providing in Mbeya region

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Education improvement activities	14	11.7	11.7	11.7
	Health improvement activities	20	16.7	16.7	28.3
	Helping SME's to flourish	58	48.3	48.3	76.7
	Poverty eradicating activities	21	17.5	17.5	94.2
	Not observed any activity	7	5.8	5.8	100.0
	Total	**120**	**100.0**	**100.0**	

Source: Study Findings, 2015

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

i. 14 respondents constituting 11.7% of total respondents express that the bank is taking education improvement activities in Mbeya city. These activities include donation of school furniture (desks), text books and laboratory equipments to secondary schools in Mbeya region.

ii. 20 respondents constituting 16.7% of total respondents express that the bank is taking health improvement activities in Mbeya city. The activities include donation of Mattress, mosquito net, bed sheets to the hospitals around the region and refurbish of maternity and children ward in Meta referral hospital in Mbeya city, Mbeya region.

iii. 58 respondents constituting 48.3% of total respondents express that the bank is helping SME's to flourish in Mbeya city. The activities include provision of soft loans to youth such as giving them motorcycles commonly known as BODABODA, and small scale business loans.

iv. 21 respondents constituting 17.5% of total respondents express that the bank engaging in poverty eradicating activities in Mbeya city. The activities includes donation of funds to orphanage institutions and charitable organizations.

v. Only 7 respondents constituting 5.8% of total respondents express that the bank is not providing CSR activities in Mbeya city.

4.3.3 Participation of respondents in CSR activities.

In order to identify how respondents participated in CSR activities the bank is providing in Mbeya region, the responses of 120 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
Valid	Recipient	70	58.3	58.3	58.3
	Facilitator	8	6.7	6.7	65.0
	Observer	35	29.2	29.2	94.2
	Not participated	7	5.8	5.8	100.0
	Total	**120**	**100.0**	**100.0**	

Source: Study Findings, 2015

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

- 70 respondents constituting 58.3% of total respondents express that they participated in CSR activities as recipients.
- 8 respondents constituting 6.7% of total respondents express that they participated in CSR activities as facilitators.
- 35 respondents constituting 29.2% of total respondents express that they were observers.
- 7 respondents constituting 5.8% of total respondents express that they did not participated in CSR activities in anyhow.

4.3.4 Additional CSR activities suggested.

In order to ascertain other suggested CSR activities the bank has to participate, the responses of 120 respondents are ascertained and presented in table 4.10 below.

Table 4.10: Additional CSR activities suggested.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Safe water project support	40	33.3	33.3	33.3
	Security issues support	17	14.2	14.2	47.5
	Hunger combating project support	21	17.5	17.5	65.0
	Community development project support	35	29.2	29.2	94.2
	Not observed	7	5.8	5.8	100.0
	Total	**120**	**100.0**	**100.0**	

Source: Study Findings, 2015

From analysis of table 4.10 presented above, it can be observed that 40 respondents constituting 33.3% of total respondents suggested that CRDB bank to participate in safe water projects, 17 respondents constituting 14.2% of total respondents suggested that CRDB bank to participate in security issues activities, 21 respondents constituting 17.5% of total respondents suggested that the bank to participate in hunger combating projects, 35 respondents constituting 29.2% of total respondents suggested that CRDB to continue participating in community development projects and only 7 respondents constituting 5.8% of total respondents did not suggested any CSR activity.

4.3.5 Trends in CSR activities as per bank records.

In order to ascertain trends in CSR activities and their associated expenditure for a period of six years from 2009 up to 2014, as per the bank records the following were revealed and presented in the table below.

Table 4.11: Trend in CSR activities as per bank records

CSR activity	Year					
	2009	2010	2011	2012	2013	2014
Eradicating extreme poverty and hunger	0	0	0	1	4	4
Promotion of education	2	7	7	6	11	13
Promoting gender equality and women empowerment	0	0	1	1	7	3
Reducing child mortality and maternal health	1	5	5	6	6	10
Ensuring environmental sustainability	0	0	1	0	0	0
Employment by enhancing vocational skills	0	0	0	0	3	3
Helping SME to flourish and grow	0	2	2	4	7	8
Better responding to diversity and equal opportunities	0	0	0	1	4	4
Total number of CSR activities	**3**	**14**	**16**	**19**	**42**	**45**
Percentage increase in CSR activities	-	366.7%	14.29 %	18.75 %	121.1%	7.14%
Total expenditure on CSR activities Tshs. In Billion (000,000,000)	**0.0023**	**0.0092**	**0.0096**	**0.0113**	**0.0264**	**0.0281**
Percentage increase CSR expenditure	-	300%	4.35 %	17.71 %	133.63 %	6.44%

Source: Field survey, March 2015

From analysis of table 4.11 as presented above, the following observations can be made;

- The records indicate that total number of CSR activities CRDB bank performed each year was increasing. In the year 2009 the bank managed to provided 3 CSR activities, in 2010 the number increased to 14 activities, in 2011 the number increased to 16 activities, in 2012 the number increased to 19 activities, in 2013 the number increased for more than twice from 16 activities to 42 activities and in year 2014 the number also increased to 45 CSR activities. The increase of CSR activities indicates that CRDB bank is socially responsible to the society it is operating.
- Annual expenditure on CSR activities of the bank also rose in every year i.e Tanzanian shillings (Tshs) 0.0023 billion were spent in 2009, in the year 2010 CSR expenditure increased to Tshs 0.0092 billion, in 2011 increased to Tshs

0.0096 billion, in 2012 they rose to Tshs 0.0113 billion, in 2013 they were Tshs 0.0264 billion and in 2014 Tshs 0.0281 billion were spent on CSR activities.

This increase in number of CSR activities and expenditure on CSR activities indicate that the bank has tremendous commitment over the corporate social responsibilities from time to time and concluded that almost all listed activities performed by CRDB Mbeya branch falls into four major CSR categories which are: health improvement activities, education improvement activities, poverty eradicating activities and helping SME's to flourish and grow.

4.4 The relationship between expenditure on CSR activities and financial performance of the bank

In order to ascertain the relationship between expenditure on CSR activities and financial performance of CRDB bank Mbeya branch, the perceptions of 120 respondents are ascertain and presented in tables given below. Further in order to present trends and the relationship between expenditure on CSR activities and financial performance (deposits, loans & advances, pre-tax profit and after-tax profit) of CRDB bank Mbeya branch, the records of the bank is reviewed and the related information are ascertained. Trends, percentage and correlation analysis were done. The following aspects deal with the same.

4.4.1 Presence of the relationship between expenditure on CSR activities and financial performance of the bank

In order to ascertain the relationship between expenditure on CSR activities and financial performance of CRDB bank, the responses of 120 respondents are ascertained and presented in the following table.

Table 4.12: The relationship between expenditure on CSR activities and financial performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	114	95.0	95.0	95.0
	No	6	5.0	5.0	100.0
	Total	**120**	**100.0**	**100.0**	

Source: Study Findings, 2015

From the table 4.12 as presented above it can be inferred that 114 respondents which constitute 95% of all respondents express that there is relationship between expenditure on CSR activities and financial performance of the bank.

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

In order to ascertain the direction of the relationship between expenditure on CSR activities and financial performance, the responses of 120 respondents are ascertained and presented in the following table.

Table 4.13: Direction of the relationship between expenditure on CSR activities and financial performance of the bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Positive relationship	100	83.3	87.7	87.7
	Negative relationship	14	11.7	12.3	100.0
	Total	114	95.0	100.0	
	No relationship	6	5.0		
Total		**120**	**100.0**		

Source: Study Findings, 2015

From table 4.13 presented above it can be inferred that 100 respondents which constitute 83.3% of all respondents express that there is a positive relationship between expenditure on CSR activities and financial performance, 14 respondents which constitute 11.7% of all respondents express that there is a negative relationship between expenditure on CSR activities and financial performance and only 6 respondents which

constitute 5.0% of all respondents express that there is a no any relationship between expenditure on CSR activities and financial performance.

4.4.3 Trends in relationship between expenditure on CSR activities and financial performance as per bank records

In order to ascertain trends in relationship between expenditure on CSR activities and financial performance (deposits, loans & advances, pre-tax profit and after-tax profit) of CRDB bank Mbeya branch for a period of six years starting from 2009 up to 2014, as per the bank records the following were revealed and presented in the table below.

Table 4.14: Trends in relationship between expenditure on CSR activities and variables of financial performance

	YEARS	2009	2010	2011	2012	2013	2014
		AMOUNT IN (Tshs. Billions)					
CSR ACTIVITIES	No. of Activities	3	14	16	19	42	45
		-	366.7%	14.29%	18.75%	121.1%	7.14%
	CSR Expenditure	0.0023	0.0092	0.0096	0.0113	0.0264	0.0281
		-	300%	4.35%	17.71%	133.63%	6.44%
FINANCIAL PERFORMANCE	Deposits	25.6177	28.0229	29.8336	30.1024	32.4043	33.6204
		-	9.4%	6.5%	1%	7.7%	3.8%
	Loans & advances	13.6271	15.8169	16.716	17.0251	18.982	19.5892
		-	16.1%	5.7%	1.9%	11.5%	3.2%
	Pre-tax profit	0.4873	0.5911	0.5985	0.6027	1.3044	2.0017
		-	2%	1.7%	1.7%	111.1%	53.4%
	After tax profit	0.3996	0.4334	0.4773	0.5042	1.1011	1.5208
		-	7.5%	11.6%	4.2%	113.6%	38.2%

Source: Study Findings, 2015

From analysis of table 4.14 as presented above the records indicates that; as expenditure in CSR activities of CRDB bank increased every year i.e Tshs. 0.0023 billion in 2009, Tshs 0.0092 billion in 2010, Tshs 0.0096 billion in 2011, Tshs 0.0113 in 2012, Tshs

0.0264 billion in 2013 and Tshs 0.0281 billion in 2014, the variables of bank financial performance also increased as follows:

i. Deposits increased to Tshs. 25.6177 billion in 2009, Tshs. 28.0229 billion in 2010, Tshs. 29.8336 billion in 2011, Tshs. 30.1024 billion in 2012, Tshs. 32.4043 billion in 2013 and Tshs. 33.6204 billion in 2014. This formed percentage increase of 9.4%, 6.5%, 1.0%, 7.7% and 3.8% for the years 2010, 2011, 2012, 2013 and 2014 respectively.

ii. Loans & advances increased to Tshs. 13.6271 billion in 2009, Tshs. 15.8169 billion in 2010, Tshs. 16.7160 billion in 2011, Tshs. 17.0251 billion in 2012, Tshs. 18.9820 billion in 2013 and Tshs. 19.5892 billion in 2014. This formed percentage increase of 16.1%, 5.7%, 1.9%, 11.5% and 3.2% for years 2010, 2011, 2012, 2013 and 2014 respectively.

iii. Pre-tax profit increased to Tshs. 0.4873 billion in 2009, Tshs. 0.5911 billion in 2010, Tshs. 0.5985 billion in 2011, Tshs. 0.6027 billion in 2012, Tshs. 1.3044 billion in 2013 and Tshs. 2.0017 billion in 2014. This resulted into percentage increase of 2.0%, 1.7%, 1.7%, 111.1% and 53.4% for the years 2010, 2011, 2012, 2013 and 2014 respectively.

iv. After-tax profit increased to Tshs. 0.3996 billion in 2009, Tshs. 0.4334 billion in 2010, Tshs. 0.4773 billion in 2011, Tshs. 0.5042 billion in 2012, Tshs. 1.1011 billion in 2013 and Tshs. 1.5208 billion in 2014. This resulted into percentage increase of 7.5%, 11.6%, 4.2%, 113.6% and 38.2% for years 2010, 2011, 2012, 2013 and 2014 respectively.

As summarized above, the increase in the bank's involvement in community programmes (CSR activities) has an influence on the bank's financial performance. While there were huge increase in the total number of CSR activities that were conducted in 2012 (19 activities) and those in 2013 (42 activities) with more activities in 2013, also the branch's financial performance were improving in these two consecutive years. This huge improvement in profits in the year 2012 (both pre tax and after tax profits) i.e percentage increase in profit of 111.10% and 113.60% for per-tax profit and

after-tax profit respectively is an indication of the influences of these CSR activities on the financial performance of the Bank.

Generally, these trends indicate that there is significant positive relationship between expenditure on CSR activities and variables of financial performance (deposits, loans & advances, pre-tax profit and after-tax profit) of CRDB bank Mbeya branch. This is because as the numbers of CSR activities and its associated CSR expenditures are increasing, the financial performance of a bank in terms of (bank deposits, loan & advances, pre-tax profit and after-tax profit) also was increasing. This implies that expenditure on CSR and the variables of financial performance are related moving to the same direction.

4.4.4 Correlation between expenditure on CSR and variables of financial performance.

In order to ascertain the relationship between CSR spending and Bank deposits, loans & advances, pre-tax profit and after tax profit of a bank, the following alternate hypothesis (H_1) was tested;

H_1: CSR expenditure is related to bank deposits, therefore, H_1: $r_1 \neq 0$.

H_1: CSR expenditure is related to loans & advances, therefore, H_1: $r_{2.} \neq 0$

H_1: CSR expenditure is related to pre-tax profit, therefore, H_1: $r_3 \neq 0$

H_1: CSR expenditure is related to after-tax profit, therefore, H_1: $r_4 \neq 0$.

H_1: $r_1 = r_2 = r_3 = r_4 \neq 0$

Using data obtained from bank records for a period of six years from 2009 to 2014, relationship between dependent variables (i.e Bank deposits, loans & advances, pre-tax profit and after tax profit) were individually assessed by independent variable (i.e expenditure on CSR activities) by performing correlation analysis. The relationship between CSR expenditures and Deposits, Loans & advances, Pre-tax profit and After-tax

profit of CRDB Bank Mbeya branch are represented by the value of r (Pearson correlation coefficient), after the study tested alternate hypothesis (H_1, H_2 H_3 & H_4) which claimed that expenditure on CSR activities is related with Deposits, Loans & advances, Pre-tax profit and After-tax profit. The following aspects deal with the same.

4.4.4.1 Correlation between expenditure on CSR activities and deposits.

In order to ascertain the relationship between expenditure on CSR activities and Bank deposits, the following results were obtained and presented in the table below:

Table 4.15 Correlation between expenditure on CSR activities and bank deposits

		Expenditure on CSR	Deposits
Expenditure on CSR	Pearson Correlation	1	.947**
	Sig. (2-tailed)		.004
	N	6	6
Deposits	Pearson Correlation	.947**	1
	Sig. (2-tailed)	.004	
	N	6	6
**. Correlation is significant at the 0.01 level (2-tailed).			

From the table above, the results indicate that, the value of ($r_1 = 0.947$, and $P = 0.004$) at 0.01 significant level. This implies that there is a significant positive relationship between expenditure on CSR activities and Bank deposits.

4.4.4.2 Correlation between expenditure on CSR activities and Loans & advances.

In order to ascertain the relationship between expenditure on CSR activities and loans & advances, the following results were obtained:

Table 4.16: Expenditure on CSR and loans & advances

		Expenditure on CSR	Loans & advances
Expenditure on CSR	Pearson Correlation	1	.957**
	Sig. (2-tailed)		.003
	N	6	6
Loans & advances	Pearson Correlation	.957**	1
	Sig. (2-tailed)	.003	
	N	6	6
**. Correlation is significant at the 0.01 level (2-tailed).			

From the table 4.16 above, the results indicate that, the value of (r_1 = 0.957, and P = 0.003) at 0.01 significant level. This implies that there is a significant positive relationship between expenditure on CSR activities and loans & advances.

4.4.4.3 Correlation between expenditure on CSR activities and pre-tax profit.

In order to ascertain the relationship between expenditure on CSR activities and pre-tax profit, the following results were obtained:

Table 4.17: Expenditure on CSR activities and pre-tax profit

		Expenditure on CSR	Pre-tax profit
Expenditure on CSR	Pearson Correlation	1	.925**
	Sig. (2-tailed)		.008
	N	6	6
Pre-tax profits	Pearson Correlation	.925**	1
	Sig. (2-tailed)	.008	
	N	6	6
**. Correlation is significant at the 0.01 level (2-tailed).			

From the table 4.17 as presented above, the results indicate that, the value of (r_1 = 0.925, and P = 0.008) at 0.01 significant level. This implies that there is a significant positive relationship between expenditure on CSR activities and pre-tax profit.

4.4.4.4 Correlation between expenditure on CSR activities and after-tax profit.

In order to ascertain the relationship between expenditure on CSR activities and after-tax profit, the following results were obtained:

Table 4.18: Expenditure on CSR activities and after-tax profit

		Expenditure on CSR	After-tax profit
Expenditure on CSR	Pearson Correlation	1	.946**
	Sig. (2-tailed)		.004
	N	6	6
After-tax profits	Pearson Correlation	.946**	1
	Sig. (2-tailed)	.004	
	N	6	6
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 4.18 as presented above, the results indicate that the value of (r_1 = 0.946, and P = 0.004) at 0.01 significant level. This implies that there is a significant positive relationship between expenditure on CSR activities and after-tax profit.

Generally, basing on the results above;

a) There was strong significant positive relationship between CSR expenditures and bank deposits as the value of r = 0.947 , P = 0.004
b) There was strong significant positive relationship between CSR expenditures and loans & advances as the value of r = 0.957 , P = 0.003
c) There was strong significant positive relationship between CSR expenditures and pre-tax profit as the value of r = 0.925 , P = 0.008
d) There was strong significant positive relationship between CSR expenditures and after-tax profit as the value of r = 0.94 , P = 0.004

In all analysis there has been increase in CSR expenditure, Deposits, loans & advances, Pre-tax profit and after-tax profit of the bank during study period. Further it is observed that there is a positive significant relationship between CSR expenditure and performance variables (deposits, loans & advances, pre-tax profit and after-tax profit) at CRDB bank Mbeya branch.

4.5 Challenges on CSR activities

In order to ascertain the challenges on CSR activities, the perceptions of 120 respondents on top priority challenges are ascertained. The top priority challenge expressed by every respondent is presented in tables given below.

Table 4.19: **Challenges on CSR activities**

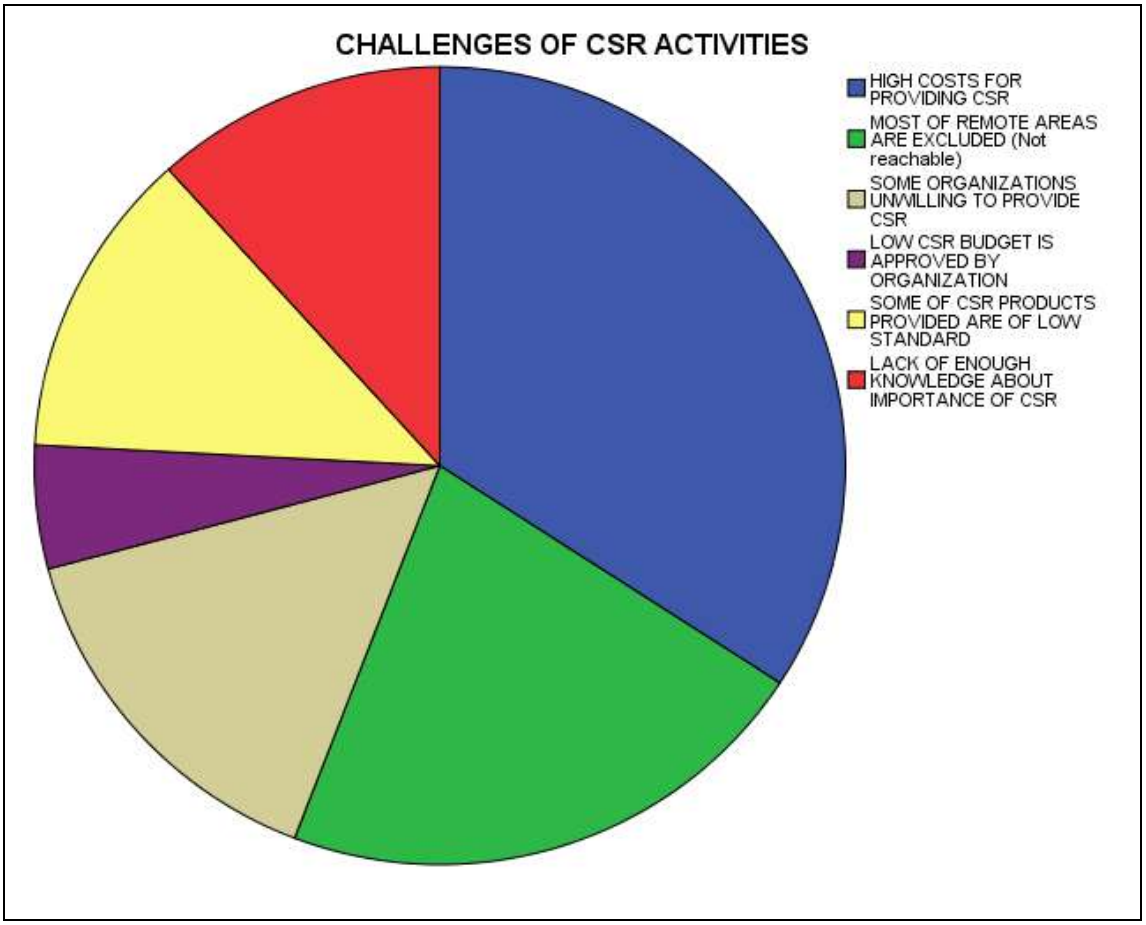
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High costs for providing CSR activities	41	34.2	34.2	34.2
	Most of remote areas are excluded (Not reachable)	26	21.7	21.7	55.8
	Some organizations not willing to provide CSR activities to community	18	15.0	15.0	70.8
	Low budget is approved for CSR activities	6	5.0	5.0	75.8
	Some of CSR products provided found to be of low quality	15	12.5	12.5	88.3
	Lack of enough knowledge about the importance of CSR	14	11.7	11.7	100.0
	Total	120	100.0	100.0	

From analysis of table 4.19 presented above, the following challenges were expressed by respondents;

- 41 respondents constituting 34.2% of total respondents pointed that there is high costs for providing CSR activities.
- 26 respondents constituting 21.7% of total respondents pointed that most of remote areas are excluded (not getting CSR activities).
- 18 respondents constituting 15% of total respondents said that some organizations are not willing to provide CSR activities to community.
- 6 respondents constituting 5% of total respondents said for those companies with CSR activities low budget is approved for CSR activities.
- 15 respondents constituting 12.5% of total respondents said that some of CSR products provided found to be of low quality.
- 14 respondents constituting 11.7% of total respondents disclosed that there is lack of enough knowledge about the importance of CSR to most organizations.

The figure below present respondent's perceptions on the challenges to CSR.

Figure 4.2: Challenges of CSR Activities



4.6 Respondents suggestions for improvements.

Respondent's suggestions on the areas for improvements are presented in table given below

Table 4.20: Suggestions for improvements

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Assist in environmental conservation projects	29	24.2	24.2	24.2
	CSR to be directed into remote areas (Villages)	11	9.2	9.2	33.3
	Involve in activities that captures community needs (more CSR)	77	64.2	64.2	97.5
	Improve customer care servise	3	2.5	2.5	100.0
	Total	120	100.0	100.0	

From analysis of table 4.20 presented above, the following suggestions were expressed by respondents;

- 77 (64.2%) respondents suggested that CRDB bank to continue involving in activities that capture community needs (i.e increase number of CSR activities).
- 29 (24.2%) respondents suggested that the bank to engage in environmental conservation activities.
- 11 (9.2%) respondents suggested that CSR activities to be directed and provided in remote areas especially in villages.
- 3 (2.5%) respondents suggested that CRDB bank should improve its customer care service.

Basing on the findings of this study as presented and as per the results obtained after data analysis, there is a significant positive relationship between expenditure on CSR activities and financial performance variables (deposits, loans & advances, pre-tax profit and after-tax profit) at CRDB bank Mbeya branch.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMENDATIONS

5.1 Introduction

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.

5.2 Summary

5.2.1 General overview of the study

The study sought to examine the relationship between Corporate Social Responsibility and Financial Performance in Banking Industry in Tanzania, CRDB PLC, Mbeya Branch. It is based specifically on the premise that the corporate social responsibility spending by the Bank influences performance (deposits, loans & advances, pre-tax profit and after-tax profit). The frequency with which the CSR activities are performed facilitates the financial performance of the Bank.

The study adopted and modified Waddock and Graves, (1997) model in order to examine the relationship between corporate social responsibility and financial performance of the Bank. Related studies were reviewed in order to enrich the researchers' 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 basing on the types and frequency of the performed activities. The study therefore dealt with the relationship between the CSR expenditures and financial performance (deposits, loans & advances, pre-tax profit and after-tax profit) of the bank.

CRDB Bank-PLC Mbeya Branch was chosen as the study area because it is largely involved with corporate social activities in Mbeya City and its vicinity. As well, the Bank is rapidly growing and expanding in terms of new branches and customers which might have been influenced by its corporate social responsibilities with the community and the customers. The study employed both qualitative and quantitative techniques using case study design. CRDB Mbeya branch was selected with regard to its prominence that it was the first branch to be established not only in Mbeya City, but also in Mbeya Region. A total of 120 respondents were involved in the study, including Bank customers, employees, and the managers so as to generate a wide range and complimentary information useful for the study. Generally, more males were involved in this study with the dominance of respondents aged 30 years and below. Accordingly, majority of respondents had attained some kind of formal education and very few had no formal education.

5.2.2 CSR activities performed by the bank

The types of CSR activities that are performed by the bank and how they affect the financial performance were identified by respondents in the study area basing on their experience and participation. Corporate social activities performed by the bank as identified by the respondents revolved on activities and programmes relating to education improvement activities, health improvement activities, helping SMEs to flourish and grow and poverty eradicating activities. In this view the respondents' participation in these activities varied between those respondents who were recipients and formed the majority. Others were observers, facilitators and in other case they could not participate in anyhow. Through review of bank documentations a list of various CSR activities were identified as being provided by the bank and they included eradicating extreme poverty and hunger, promotion of education, promoting gender equality and women empowerment, reducing child mortality and maternal health, ensuring environmental sustainability, employment by enhancing vocational skills, helping SME to flourish and grow and lastly better responding to diversity and equal opportunities. After investigation it was discovered that all the activities on the list fall in four major

categories of CSR activities the bank is providing (i.e Education improvement activities, Health improvement activities, Helping SMEs to flourish and grow and Poverty eradicating activities) as identified by respondents.

5.2.3 Relationship between CSR activities and financial performance of a bank

The findings reveled that most respondents 114 (95%) said that there is relationship between CSR activities and financial performance of a bank, findings indicated the values of r and P as: (r_1 = 0.947, P = 0.004), (r_2 = 0.957, P = 0.003), (r_3 = 0.925, P = 0.008) and (r_4 = 0.946, P = 0.004) for Deposits, Loans & advances, Pre-tax profit and After-tax respectively. This signifies the inter-correlation between independent variable (CSR spending) and dependent variable (Bank deposits, loans & advances, pre-tax profit) of CRDB bank Mbeya branch.

For the trend analysis for six years period, it was noted that as the numbers of CSR activities and its associated CSR expenditures are increasing, the financial performance of a bank in terms of (bank deposits, loan & advances, pre-tax profit and after-tax profit) also was increasing from year 2009 t0 2014. Basing on these trends and percentage increase of the research variables indicate that the independent variable (CSR activities/spending) and dependent variables financial performance are positively related.

5.2.4 Challenges to CSR activities

Despite the fact that CRDB bank Mbeya branch provides CSR to the society, there are some challenges to CSR, these were found to be: High costs associated with provision of CSR activities, CSR provided by the bank is based in urban areas while excluding remote areas like in villages, Some organizations are unwilling to engage themselves in CSR activities, Some of the products provided to the community as CSR are found to be of low quality and standard due to the fact that the providers of these activities/products are not professionally specialized in producing the products, Lack of enough knowledge

about the importance of an organization to engage in CSR activities to the community and Less funds are budgeted for and approved to provide CSR activities.

5.3 Conclusion

The results are indicating that there is a significant positive correlation between independent variable (CSR activities) and dependent variables (Bank deposits, Loans & advances, Pre-tax profit and After-tax profit) at CRDB bank Mbeya branch.

Therefore corporate social responsibility is positively related to financial performance. This implies that in order to improve financial performance organizations should engage themselves into CSR activities to the society either by supporting already initiated activities by other institutions or by initiating new CSR activities. By so doing, they will in turn get their financial performance improving.

5.4 Policy implications

The recommendations are based on the findings regarding the challenges of CSR activities. Basing on the findings during this study, it is recommended that the bank should draw its attention towards engaging on the CSR activities, especially those that captures community needs (i.e increase the number of its CSR activities in the subsequent years), involve in environmental conservation activities, to direct CSR activities to remote areas (villages) and also to improve its customer care service.

General recommendation

The coverage of CSR should be improved in order to enhance a wide coverage and the outreach. Since the 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. This will be based on those activities that capture attention of the community including sports and games, education, health as well as the small scale business reforms. In all activities the Bank should set goals to which would be evaluated in the end of the programme.

Realising that Mbeya City is rapidly expanding with currently only two branches of CRDB-Bank PLC, mechanism should be employed to enhance more branches are created in order to improve customer services and access. This can be done temporarily by establishing mobile branches and more ATM machines specifically within institutions such as the Universities and colleges with more customers either available or expected. In future, more branches have to be added basing on the blocks of the city to retain more customers who might jump to other Banks with nearest Branches.

5.5 Recommendations for Further Research

The study has come up with the number of issues and gaps required to be addressed. On this basis, the following suggestions are hereby put forward.

i. A similar study but which takes large sample of Banks and other locations is needed so as to supplement the findings of this study.
ii. A similar study but which takes large sample of CSR activities and their contribution to corporate financial performance is needed so as to supplement the findings of this study.
iii. There are growing commercial and microfinance sectors which demands customers for their financial improvements. Thus the study needs to be conducted to explore the role of CSR to the improvement of financial performance of these sectors.

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APPENDICES

Appendix I

Research activities and time plan

ACTIVITIES	DURATION	MONTHS 2014/2015												
		6	7	8	9	10	11	12	1	2	3	4	5	12
Consulting Supervisor														
Literature review														
Data collection														
Data Analysis														
Report Writing														
Report Presentation														
Research Defense														
Graduation Ceremony														

Appendix II

QUESTIONNAIRES FOR CRDB CUSTOMERS & EMPLOYEES

Dear sir/madam,

I, Erasto Ketocho a student of Mzumbe University pursuing Masters of Science Degree in Accounting and Finance hereby conducting research with the title 'Corporate Social Responsibility and Financial Performance in Banking Industry in Tanzania'. I kindly present to you questions for you to respond as honestly as possible so that i gather information which will assist me in this study. The information you will give will be treated confidently 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.

Thanks you very much for your time and cooperation. I am greatly appreciating your contribution in this research.

Part I; Personal information.

1. In which category is your age falls.
    a) ≤30 years □
    b) 31-40 years □
    c) 41-50 years □
    d) 51 years and above □

2. Gender/sex.
    a) Male □
    b) Female

3. How long have you been the customer/employee of CRDB PLC Bank?
    a) Less than 1 Year □
    b) 1-3 Years □
    c) 4-6 years □
    d) 7-10 □
    e) 11 years and above □

4. Which category best describe your position to the CRDB PLC?
    a) CRDB Management □
    b) CRDB employee □
    c) CRDB Customer □
    d) Community □

5. Level of education.
    a) Primary education □
    b) Secondary education □
    c) Tertiary □

6. Marital status.
    a) Married □
    b) Single □
    c) Widowed □
    d) Divorced □

7. How long have you been the customer/employee of CRDB PLC Bank?

   a) Less than 1 Year □

   b) 1-3 Years □

   c) 4-6 years □

   d) 7-10 □

   e) 11 years and above □

8. Which category best describe your position to the CRDB PLC?

   a) CRDB Management □
   b) CRDB employee □

   c) CRDB Customer □

   d) Community □

9. Level of education.

   a) Primary education □
   b) Secondary education □
   c) Tertiary □

10. Marital status.

   a) Married □
   b) Single □
   c) Widowed □
   d) Divorced □

11. Your occupation.

   a) Employed □

   b) Business □

   c) Agriculture □

   d) Not employed/student □

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

1. Does the CRDB bank participate in CSR activities in the community?

    a) Yes □
    b) No □

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

    a) Education improvement activities □
    b) Health services improvement activities □
    c) Providing soft loan in helping SME's flourish □
    d) Poverty eradicating activities □

3. Apart from the above mentioned CSR activities, what other activities do you think the bank provides to the society? Mention (if any)

    a) ----------
    b) ……
    c) …….
    d) …….

4. As an employee/customer of CRDB, how do you participate in these activities?

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

5. Do you think that the number of CSR activities CRDB is providing to the community is increasing as compared to previous period?

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

6. It is possible that the number of CSR activities CRDB 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 □

7. Do you agree that CSR activities provided by the bank favorably benefits the key stakeholders (CRDB employees, customers, community and environment) and they improves the bank's performance?
    a) Strongly agree □
    b) Agree □
    c) Neutral □
    d) Disagree □
    e) Strongly disagree □

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 Bank deposits, loans and advances, pre-tax and after tax profits?
    a) Yes □
    b) No □
2. How do you consider the CRDB PLC corporate social responsibilities impression to customers?
    a) Impressive □
    b) Not impressive □

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

    a) Yes □

    b) No □

4. Do you think the bank's financial performance (deposits, loans and advances, pre-tax and after tax profits) 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 Bank deposits, loans and advances, pre-tax and after tax profits)?

    a) Positive relationship □

    b) No relationship □

    c) Negative 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. What are the challenges associated with the CSR activities?
    i. ……
    ii. ……
    iii. …….....
    iv. …….
    v. ……..

2. a) Do you think that all members of the community are aware about the CSR activities that CRDB 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 □
    b) To increase more branches □
    c) Involve in issues that capture community need (More CSR) □
    d) Improve customer care service □
    e) Assist in environment conservation

Thanks for your cooperation.