CONTRIBUTION OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE A CASE OF NMB PLC AT MOROGORO MUNICIPALITY

By

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A Dissertation Submitted in Partial Fulfillment of the Requirements for Award of the Master Degree of Accounting and Finance of Mzumbe University

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a research "Assessment of the impact of corporate social responsibility on organization financial performance a case of NMB PLC**,** in partial/fulfillment of the requirements for award of the Master of science in Accounting and Finance of Mzumbe University.

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Internal Examiner

Accepted for the Board of

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Signature

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DECLARATION AND COPYRIGHT

I, **Happy Kyungai Ayo**, declare that this research work is my own original work and that it has not been presented and will not be presented to any other academic Institutions for a similar or any other award.

Signature: ……………………..

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GLORY IS TO GOD.

DEDICATION

I would like to dedicate my family for their prayers up to the completion of my Masters study.

LIST OF ABBREVIATION AND ACRONYMS

NMB	National Microfinance Bank
PLC	Public Listed Company
MSC	Masters In Science
CSR	Corporate Social Responsibility
CFP	Corporate Financial Performance
NSE	Nairobi Stock Exchange
SME’s	Small and Medium Enterprises
CEO	Corporate Executive Officer
PAT	Profit After Tax
TZS	Tanzanian Shilling
NPL	None Performing Loan
ILO	International Labour Organization
UN	United Nations
WB	World Bank
EIT	Extractive Industries Transparency
ROA	Return on Assets
ROE	Return on Equity
ELCT	Evangelical Lutheran Church in Tanzania

ABSTRACT

Corporate Social Responsibility (CSR) is a rapidly developing, key business issue. It is a concept that has attracted worldwide attention. Due to the demands for enhanced transparency and corporate citizenship, CSR started to embrace social, ethical as well as environmental challenges. Today, companies are aware of the social and environmental impacts of international production. It is accepted that Companies should not be only profitable, but also good corporate citizens. This research work was carried out at NMB PLC with the aim of assessing the impact of corporate social responsibility on organization financial performance a case of NMB PLC at Morogoro Municipality.

The methods used in data collection were observation, interview and questionnaire. Collected data were analyzed using Ms Excel and statistical package for social sciences (SPSS).data presentation was based on tables and figures shows frequencies and percentages.

From the findings, result of analysis implies that there is no direct relationship between CSR and financial performance, respondents commented that most area which got CSR are contribute nothing to the bank performance but just receive CSR as aid and to make community enjoy. On the side of contribution of CSR on NMB PLC performance the analysis reveal that activities of CSR affect return of the Bank by reducing amount of profit instead of reinvest the profit and increase value of asset, on the challenge facing company on engaging in CSR the result implies that shareholders are not willing to offer CSR as wealth not maximized but minimized.

Conclusion of the study shows that respondent comment on agent theory that shareholders are not willing to engage in CSR program as wealth are not maximized but minimized also larger number of respondents comment that CSR improve more reputations and company image and not financial performance of the company.

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CHAPTER ONE

INTRODUCTION OF THE STUDY

1.1 Introduction

This Research study deals with an assessing the contribution of corporate social responsibility on organization financial performance a case of NMB PLC. The study had conducted at Morogoro region particularly NMB PLC found Morogoro Municipality.

This chapter explains an introduction, background information of the study, statement of the research problem, objective of the research which categories in general and specific objectives as well as research questions which are general and specific questions .It also explains significance of the study and scope of the study.

1.2 Background of the Study

Corporate Social Responsibility (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). Bowen (1953) defines social responsibility of businessmen as to the obligation of businessmen to pursue those policies, to make decision or to follow those lines of action which are desirable to society.

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.

Cheruiyot (2010) carried out a research to establish the relationship between corporate social responsibility and financial performance of firms listed at the Nairobi stock exchange. This was a cross sectional study of all the 47 listed companies in the NSE's main segment as at 31 December 2009. Using regression analysis he sought to establish the relationship between the CSR index and financial performance measured in terms of the Return on assets, return on equity and return on sales. His conclusion was that there was a statistically significant relationship between CSR and financial performance. Obusubiri (2006) in a study on CSR and portfolio performance also found a positive relationship between CSR and portfolio performance. He attributed this relationship to the good corporate image that comes with CSR making investors prefer such companies implying that good CSR behavior has a reputational benefit for the practicing firm. The firms listed at the NSE are classified into different sectors based on the nature of their activities and operations including agricultural, commercial and services, Banking, Insurance, Investment and the manufacturing, Construction and allied sector among others.

This study is based on banking industry especially NMB PLC Tanzania which had 150 branches as at 31 December 2012. Banking industry is affected by the need to be socially responsive and especially consider the community component of CSR focused on financial literacy which covered three major areas; educating students, educating NMB small and medium enterprise through NMB business clubs and educating farmers, cooperative societies through the NMB Foundation for Agricultural Developments. In Tanzania NMB has taken its CSR role seriously and has endeavored to contribute 1% of the bank's profit after tax to worthy causes in the communities. The researcher needs to know the impact of CSR on financial performance with the main objective which is to examine challenge facing NMB PLC on corporate social responsibility, to determine the contribution of corporate social responsibility on NMB PLC profit, and to examine the relationship between CSR and NMB financial performance.

1.3 Statement of the problems

Sustainability has become an important domain for business researchers in the current decade due to the imperative that businesses must create values for their stockholders while simultaneously meeting their social responsibility obligations in order to make a sustainable world (Jooh et al, 2010). The notion of engaging beyond compliance is ethically desirable, even if, it takes away resources from a firm’s immediate needs (Jooh et al, 2010).

The relationship between corporate social responsibility and a firm’s financial performance has been studied in Tanzania but results of these studies do not appear conclusive. Nkaiwatei (2011) for example, studied the relationship between social accounting practice and profitability in the oil industry found that financial performance was one of the factors that determine CSR practice in the OIL industry. Wanjala (2011) studied factors that influence corporate social responsibility in commercial banks and found that profitability was one of the factors that influence CSR practice in banks. Mutuku (2005) established that there is no relationship between CSR and financial performance.

Annual report 2012 NMB shows that NMB continued to make a positive contribution to society, not just through the provision of affordable banking services for customers but also by sharing our success with communities where we operate. NMB has taken its CSR role seriously and has endeavored to contribute 1% of the bank's profit after tax to worthy causes in the communities. In 2012, NMB CSR prime objective focused on financial literacy which covered three major areas; educating students, educating NMB small and medium enterprise through NMB business clubs and educating farmers, cooperative societies through the NMB Foundation for Agricultural Developments. In addition the bank has provided support to schools, hospitals and victims of disasters.

AGM 2012, NMB CEO Mr. Mark Wiessing clarified that for the bank to remain relevant to its stakeholders in the long run, and to achieve its vision of becoming the preferred financial service partner in Tanzania, it must also deliver sufficient and sustainable results. In the year 2012, the bank operated in a favorable economic growth at some 7% p.a. The local financial markets also evolved favorably, with headline inflation gradually reducing to 12%. "It is therefore with great pleasure that I can report that the banks financials have continued to develop strongly, with record profit After Tax (PAT) of TZS 97 billion (up 36% from previous year) and return on shareholders' funds of 27%, while retaining a strong balance sheet with a Non Performing Loan (NPL) ratio of less than 2.4%". The bank has also continued to gain market share in loans and deposits.

Despite bank performance, high profit after tax, and increased return on shareholder fund still the bank not putting in consideration the amount of corporate social responsibility as part of their financial statement and otherwise they just state the amount of CSR in their reporting situation which make shareholders to fill burden and comment on reducing of their worth. Profitability is the most important aspect affecting a firm's growth and survival. It seems that a NMB PLC could spend shareholders' funds without providing some kind of return and corporate social reporting can be a very costly process.

A negative relationship between CSR and financial performance would suggest that the costs incurred from CSR make the firm less profitable than firms that do not participate in CSR activities (Bragdon and Marlin 1972). Adams and Zutshi (2004) also suggest that profitability can be boosted through increased savings due to technological improvements and employee productivity.

1.4 Objectives of the study

1.4.1 General objective

The general objective of the study will be to assess the contribution of corporate social responsibility on organization financial performance a case of NMB PLC

1.4.2 Specific objectives

This study aimed to show the specific objectives relating in contribution of corporate social responsibility on financial performance as follows:

i. To examine techniques bank applies to evaluate the effectiveness of CSR programs
ii. To determine the contribution of corporate social responsibility on NMB PLC on financial performance
iii. To examine challenges facing NMB PLC on corporate social responsibility

1.4.3 Research questions/hypothesis

In this sub sections some of the most important research questions/hypothesis are:

i. What are the techniques bank applies to evaluate the effectiveness of CSR programs
ii. What are the contribution of corporate social responsibility on NMB PLC financial performance
iii. What are the challenges facing NMB PLC on corporate social responsibility

1.4.4 Significance of the study

This research study also shows the following significance for further studies.

i. It is hoped that the findings will lead to a better understanding of the problem
ii. The findings of this study will highlight the existing problems and therefore help the organization to solve them.
iii. Findings of this study is expected to be useful because will pave a way to other researchers on further investigation/research on quality service delivery.
iv. Research study is expected to provide the researcher with potential knowledge on the area of the study for NMB PLC Tanzania.
v. This study is important to both academic and professional levels because it increase the body of knowledge; also it will be used as a guidelines and reference tool for candidates preparing for research paper.
vi. Successful completion of this research by the researcher will enable to be awarded MSC Account and Finance at Mzumbe University.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter, review and present literature related to the study. It discloses the theoretical and empirical factors. This section carefully reviews scholarly literature on contribution of corporate social responsibility on financial performance of NMB PLC Morogoro municipal. It provides an extensive and sufficient guide for the research and to assist other researchers who seek to replicate or delve more deeply into the thesis research topic and selecting high quality article or studies that are relevant meaningful, important and summarizing them into complete report.

2.2.0 Theoretical Review

In relating in above introduction other authors finds CRS has different views.

2.2.1 Overviews of Corporate Social Responsibility.

CSR is a reasonably new concept in the accounting profession. The 'father' of social and environmental reporting was David Linowes (Mobley 2005). Early CSR research was empirical in nature and was mainly based around the frequency of CSR in companies' annual reports. The motivation behind CSR disclosures has quickly become a popular research area within the topic.

Various researchers have defined CSR. There is no one accepted definition because CSR reporting is voluntary and there are no reporting standards that outline what exactly the term incorporates (Deegan 2004). A definition is determined by factors such as convenience and experience (Haigh and Jones 2006). A firm defines CSR depending on its motivations and stakeholders; for example, The Body Shop's CSR concentrates on poverty and human rights whereas Starbucks CSR looks at employee welfare (Haigh and Jones 2006).

Most authors' definitions are similar, but with slight differences. The European Commission defines CSR as "a concept whereby companies decide voluntarily to contribute to a better society and cleaner environments" (Simms 2002). Adams and Zutshi (2004) define it as "the integration of business operations and values whereby the interest of all stakeholders including customers, employees, investors and the environment are reflected in an organization's actions and policies". The Three Concentric Approach (developed in 1971 by the Committee for Economic Development based in America) encompasses CSR as a model with three specific levels (Carroll 2006). The first circle involves financial performance, in particular, growth and productivity. The second circle focuses on these financial items and awareness of the society a firm interacts with. The final circle involves the care and improvement of the environment that a firm operates in (Carroll 2006).

These three interpretations of CSR incorporate a similar understanding of a responsibility to more than just the financial interests of a corporation. Wad dock and Graves (2004) note that CSR comprises many dimensions and variations in behaviors, such as investing in pollution reduction technology and investigating internal processes like treatment of minority groups. This is a different approach to traditional accounting, which focuses on shareholder wealth maximization. CSR involves a reporting approach aimed at a number of other stakeholders other than just shareholders. These may be creditors, investors, staff, the community the company operates in and future investors.

CSR may involve reporting things such as interactions with the community (for example donations, community events or sponsorship), supporting developing countries, employee training and education programmes and environmental issues (Deegan 2004).

The most common form of reporting CSR is a triple bottom line report. This involves disclosing a firm's social, environmental and financial performance for an accounting period in a report. Awards now exist for outstanding triple bottom line reporting and performance (Milne et al. 2003). Some guidelines (such as the Global Reporting Initiative guidelines) have been constructed, outlining what should be disclosed and how this should be undertaken (Milne et al. 2003). A few countries, such as Great Britain and Canada have also regulated environmental accounting**;** however, social reporting today still remains unregulated. Social and environmental audits can be carried out but this is voluntary (O'Dwyer 2003).

2.2.2 Meaning of CSR

There is a lack of consistent theoretical definitions regarding CSR (Reinhardt et al., 2008). Many approaches are emerging like triple bottom line, socially responsible investment, social license, corporate citizenship and moral/ethical responsibility and others (Thomas and Nowak 2006). Davis (1973, p. 312) defines CSR as “the firms consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social (and environmental) benefits along with the traditional economic gains which the firm seeks”. It comprises a number of activities and areas that focus on the betterment of widespread stakeholders in the society such as employees, suppliers, charitable and community organizations, customers and future generations (Sprinkle and Maines, 2010). Quakk et al. defined CSR as triple P- People, Profit and Planet- the key areas of an organization which influences firms to modify their profit oriented strategies towards social and environmental related assumptions (Quaak et al. 2007). Moreover, Frynas (2009) defines CSR from shareholder, intuitional and entrepreneurial perspective. However, “It has been emerged as an important approach for addressing social and environmental impacts of corporate activities” (Frynas, 2009). Whatever the meanings the definitions have, most of them intend to meet the economic, legal, ethical and commercial expectations of society where business exists.

Some worldwide-recognized institutions, as presented below, define CSR as corporation’s proper representation of societal and environmental concerns through maintaining good balance with internal employees, community members and society at large. The legal compliance and ethical concerns are also important aspects of

CSR. Furthermore, CSR is also an obligation of a corporation toward all stakeholders in order to maintain a good quality of life. Some leading institutions define CSR as follows: -

Even though, the above institutions define CSR through their own viewpoints, those are not remarkably different in meaning. Most of them focus on the improvement of social, environmental and organizational issues, but the real implication and demand of CSR from the internal and external stakeholders may vary. In the context of increasing importance of CSR among financial companies, this study focuses on exploring managers' attitude on CSR and comparing with commercial banks CSR performance.

Table 2.1: Definitions of CSR

Definition Source	**Definition**
Commission of the European Communities, 2001	A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis
World Business Council for Sustainable Development, 1999	the commitment of business to contribute to sustainable economic development working with employees, their families, the local community and society at large to improve their quality of life
Business for Social Responsibility, 2001	Business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment
IBLF, 2003	Open and transparent business practices based on ethical values and respect for employees, communities and the environment, which will contribute to sustainable business success
CSRwire, 2003	CSR is defined as the integration of business operations and values, whereby the interests of stakeholders including investors, customers, employees and the environment are reflected in the companies' policies and actions

Source: Dahlsrud (2008)

2.2.3 The Origin

There are diverse arguments among the scholars about the history of CSR advent. Before the emergence of explicit overview of CSR, Harvard Professor E. Merrick Dodd signaled in 1932 to the corporate managers to fulfill responsibilities towards public as well beyond the only profit motives of shareholders while Columbia Professor Adolf A. Berle, during the same time, focused on administrators' responsibilities only on core profitability (Cochran, 2007). Milton Friedman also agreed with Berle saying that such practices could hinder the free economy by curtailing the interests of stockholders of making much profit (Friedman, 1970).

It simply shows that there were disagreements prevailed from the very beginning in favor and against of CSR. Caroll (1999), one of the prominent figures of CSR, divided the development in different time periods. He claimed that, CSR emerged during the mid-20s century, before 60 years from now. He further claimed that USA played a key role in the emergence of the concepts of CSR with the birth of modern activists movement between 1950s and 1960s (Cochran, 2007) although other developed countries also showed vigorous contributions. He divided the development of CSR concept into every 10 years period where 1950 remained as the modern area of social responsibility; 1960 as expansion period of CSR literature; 1970 as proliferation of CSR definitions; 1980 as more researches and the emergence of alternative themes; and 1990 as further expansion of CSR themes. He further clarified alternative themes as CSP, stakeholder theory and business ethics theory (Carroll, 1999). Further attempts also made to define CSR approaches at the same time. Preston and Post´s (1975) thought of public responsibility; Carroll´s categorization of CSR into four-part responsibility as economic, legal, social and philanthropic and Sethi´s (1979) division of corporations in terms of reactive, defensive and responsive remained as one of the prominent cornerstones in the history of CSR development (Wood, 2010). Such variations in the conceptualization of CSR have given many alternatives to recent managers. Those foundations along with other advancement of CSR perceptions have generated ample choices for managers to endeavor their efforts to be socially responsible.

2.2.4 Expansion of CSR

CSR gradually gained enough attention from theorists and practitioners. They discussed incredibly in academic and research areas, after the emergence as one of the inseparable facet in the corporate world. As such, the practices began to explore its new domains throughout the world as many emerging economics also showing their participations in the modernization process.

After noticing considerable environmental related problems created by firms in United States and other industrial countries, Sethi (1979) classified corporate psychology into three segments as corporate behavior or social obligation, social responsibility and social responsiveness. In addition, Sethi classified businesses response to the society into two ways market and non-market. Corporate houses improve their products and features to address market related problems. On the other hand, they take actions to tackle non-market or external problems, like pollution created by manufacturing firms, through complying legal norms.

Furthermore, they also incorporate social responsibility by matching social norms, values and performance expectations. In addition, they justify the relevance of CSR by addressing the changing scenario that can come as the result of corporate actions (Sethi, 1979).

Since media influence increased significantly in 70s decade, the managers diverted their attention slightly towards Corporate Social Performance (CSP) and Corporate Social Responsiveness (CSR2) from the mainstream of CSR. Before that, CSR2 and CSP considered as a synonym of CSR (Wartick and Cochran, 1985). Later, Carroll (1979) described CSP in a broad way including three areas of corporate duty- CSR, CSR2 and Social Responsiveness.

During the same time, some other noticeable scholars also defined CSP as consistent with economic and public policy responsibility, that considered and defined separately before that time as these concepts could not be applied together (Wartick and Cochran, 1985).

Eells and Walton also contributed to expand CSR models to some extent during 60s (Zenisek, 1979). Eells presented CSR model with a continuum from the perspective of organizational behaviors on which minimum responsibility showed on the left side and vice versa. Traditional Corporations and Metro Corporation located in between of the continuum, which represents only economic centered and plays the role of guardian for the wellbeing of the citizens respectively. In addition, Walton further elaborated the continuum presented by Eells adding some new aspects of CSR. He proposed the potential behavior of organizations in terms of six ways or models. They are- austere, household, vendor, investment, civic and artistic. Using these models, he attempted to enhance the importance of CSR in the modern era and laid the foundation for further researches (Zenisek, 1999).

On the other hand, Schwartz and Carroll developed a new three-domain approach after reviewing and modifying the Carroll´s previously presented four-domain and Pyramid of CSR approach. The lack of clear explanation of all the domains possessed a lot challenge during the decade. Venn diagram, the new presentation of the model, based on these two related models made in 2003 after realizing the widespread acceptance and, on the other hand, criticism among the practitioners. Hence, their revised three-domain (Venn diagram) model including economic, legal and ethical domains attempts to address previous shortcomings by discovering some overlapping categories (Schwartz and Carroll, 2003) which also does not remain without criticisms.

Several changes and modifications have made through these scenarios in the conceptualization of CSR. As Cochran (2007) wrote, the nature of CSR changed significantly from narrow and marginalized concept. He further claimed that social investment replaced the strategic and profit investment motive. Similarly, pure entrepreneurship only from the business perspective has now changed as social entrepreneurship that focuses on solving the social problems. These changes in the history of CSR development have broadened its coverage and opened several other areas of interest for professionals and practitioners.

2.2.5 Recent Dimension

The concept of CSR now has several coverage and scopes with the development and amendment in various phases. Bowen (1953) and Carroll (1999) primarily defined and analyzed the meaning of CSR from a different perspective. Many other contributors also defined the meaning of CSR consequently. Many other scholars explored the new scopes of CSR through reviewing existing literatures, conducting in-depth interviews with scholars and professionals and theoretical reasoning (Dahlsrud, 2008). The efforts are still ongoing to shape the meaning of CSR in the academic and research arena.

Researchers have introduced some new dimensions of CSR through revising old constructs.

Some representative cases are briefly discussed here. Carroll´s (1979) model of four dimensions including economic, legal, ethical and discretionary responsibilities remained as the backbone during 80s and 90s. The model has also included six extra dimensions as consumerism, environment, racial/gender discrimination, product safety, occupational safety and shareholder. Later, Maignan and Ralston (2002) developed five categories as community stakeholders, customer stakeholders, employee stakeholders, shareholders and suppliers including 11 dimensions of CSR. They are- art and culture, education, quality of life, safety and environmental protection, product/service quality and safety, equal opportunities, health and safety, profit creation commitment, information disclosure, corporate governance and equitable opportunity (Maignan and Ralston, 2002). Moreover, Dahlsrud (2008) gathered 37 well-known CSR definitions and developed 5 major CSR dimensions. The dimensions marked as environmental dimension for natural environmental related issues; social dimension for outer societal activities; economic dimension for financial and economic characters; stakeholder dimension for various stakeholders that influence the corporation; and finally voluntariness dimension for voluntary actions beyond the legal compliance (Dahlsrud, 2008). Furthermore, Xu and Yang (2010) conducted in-depth interviews with executive officers and business owners and compared CSR dimensions with western countries. They found 9 compatible dimensions for China (sino) on which six are similar with western countries. Employment, good faith and social stability and progress are three unique dimensions of China in comparison to shareholders and equality as of western countries. (Xu and Yang, 2010).

In addition, CSR has not been limited in the corporate sector in the recent years. Many other disciplines also consider CSR as an essential aspect of their policies. Development agencies, either Non-Government Organizations (NGO) or multilateral and bilateral institutions, are focusing in the voluntary activities carried out by corporate sectors. They are paying attention to the impact of these activities. Many international institutions like the World Bank, Department for International Development (DFID), Inter-American Development Banks (IDB), and the United Nations (UN) are welcoming and encouraging the contributions of Corporate sectors (Jenkins, 2005). This is how the dimensions of CSR are transforming with the expansion of business activities throughout the world.

2.2.6 Managerial Perceptions on CSR

Empirically examined researches on manager´s or professional´s perception on CSR show that many things can influence their perceptions, widely recognized cultural dimensions- “individualism, power distance, uncertainty avoidance, masculinity and long term orientation”- also influence greatly on the determination of views on ethical and social responsible issues (Christie et al., 2003). Cultural diversity, geography, religion, education and awareness level, corporation´s strategies and others of a region or nation affect and shape the social responsibility approaches. Thus, managers use different CSR philosophies while making policies and decisions because of diverse knowledge and experiences.

Some studies on managerial perception on CSR show that a lot of differences exist on CSR conceptualization depending on the manager’s background, knowledge and experiences. Locational diversities of managers lead variations in the CSR approaches. For example, managers from USA and South Africa have a significant difference in CSR conceptualization. A study shows that USA managers are in favor of CSR while that of South Africa are not. Similarly, the public expectation on American managers of private businesses for CSR activities is high and vice versa for South African managers (Orpen, 1987). Additionally, as Quazi and O´Brien (2000) found from an empirical study conducted in Australia and Bangladesh that managers conceptualize CSR only within two universal dimensions. According to them, all managers throughout the world fall into four CSR clusters of two dimensions-wider versus narrow responsibility and benefit versus cost from CSR. Australian managers select either broader or classical related CSR view and Bangladeshi managers select either wider or narrow view of social responsibility. The study further shows that Australian managers are relatively positive on CSR. However, the quality of education, training and researches in certain regions can influence CSR perception of managers. Similarly, business ethic of managers in South and South East Asia is also significantly different because of dissimilar level of privatization, globalization and the economic development. Srinivasan (2011) portraits that most of the countries in that region have institutions related to ethical courses but India, Malaysia, Bangladesh and Sri Lanka only conduct practical trainings.

Furthermore, religious varieties within countries also impact on CSR understanding. Buddhist religion influences the corporations in Sri Lanka, Bhutan and Thailand; Islamic religion in Bangladesh, Pakistan and Malaysia; and mostly Hindu religion affects corporate behaviors in India and Nepal (Srinivasan, 2011). Another similar research also found that India, one of the neighbor nations of Nepal with cultural similarity, is ahead in CSR practices than other six Asian countries- Indonesia, Malaysia, The Philippines, South Korea, Singapore and Thailand because of relatively better national business systems but not on the basis of the stage of development (Chapple and Moon, 2005). Hence, an inference can be made from the findings of these studies that conception of CSR among managers depends on the geography and inherent culture, religion, education, national policies and others of a nation.

CSR spirits of manager also revolves around the profitability versus other moral or social contribution aspects. The regularly changing values of managers can support the policy making; formal adaptation and implementation process of CSR though CSR represents a strategic mode of the organization (Hemingay and Maclagan, 2004). For example, managers of South Korea and Hong Kong focus on charities for CSR, that of USA and Japan emphasis on employment generation, German executives on production increment and South Korean managers focus on national development. However, more than half of total managers of sample companies of such countries focus on the importance on the role of CSR (Witt and
Redding, 2011). Manager´s personal motive can also sometimes play a crucial role in the designing of CSR policies despite the regular strategic orientation of the corporation.

Manager´s desire of exhibiting personal strength for changing the corporation, as opposed to regular and repetitive official formal CSR procedure, can also influence the entire CSR culture in an organization. The discretion can emerge either through official manner or in the absence of clear rules and regulations or a unilateral way with the formal procedure. It can also give different direction to the CSR activities (Hemingway and Maclagan, 2004). Not only manager´s, the senior graduate´s of the universities preferences also affect the future corporate decisions regarding CSR. Another related study shows that senior business graduates in USA rate ethical conduct and some social responsibility issues lower than managers, although they were ahead in some CSR constructs. The study shows that the new generation would not always be much interested in ethical and moral issues (Kraft and Singhapakdi, 1991). In opposition, manager's perception towards CSR and its institutionalization can be motivated for a number of benefits like competitive advantages and added values that can be achieved through CSR (Leonidas et. al, 2012). Managers can also act exclusively for the interests of their entrepreneurs' financial benefits. Manager´s real nature of involving in any CSR activities can be directly associated with the firms economic purposes than moral perspectives. As an empirical study of managers from many Chinese corporations shows, manager's efforts can be concentrated on organizational well being rather than fulfillment of individual motives (Zu and Song, 2009). The analysis shows that there are debates on the conceptualization of CSR among managers form strategic or ethical viewpoints.

Furthermore, managers can have different drives and choices regarding social initiatives. They can prefer some reasons than others depending on their backgrounds, experiences and level of awareness. The managerial approaches to view social responsibility from favorable and unfavorable aspects, presented by Keith Davis (1973) during the early 70s, contributed remarkably at that time and remained as a foundation of CSR motives for contemporary managers either. In this context, Brown and Vidaver-Cohen (2009) classified corporate motives into three main categories as sustainability, legitimacy and profitability with 16 related variables altogether while conducting the study in Norwegian managers. While making foundation on the Keith Davis´s assumptions, they found strong support from managers for some motives as already exists in the literature. The result of a survey on managers, executives and of Chartered Institute of Purchasing and Supply, an organization that help to develop professionalism to the people who involve in supply chain management, of UK demonstrates that the important reason of CSR is "the right thing to do" or indicates relational and moral motives, which is beyond the instrumentalism (Harwood et. al, 2011).

Hence, such differences on motives can be the result of several external and internal forces for instance, culture, education, national system, corporation´s policies, stakeholders pressure, and others. The execution and evaluation of CSR programs can further be influenced by such factors.

2.2.7 Financial Institutions and Commercial Banks on CSR

The CSR has been a widely discussed the issue in the financial sector, being as one of the vital sector of the economy. Financial institutions are getting and paying incredible attention to CSR. They do not directly create internal and external environmental problems but other manufacturing and production related companies, where banks invest, generate remarkable environmental hazards in many economies (Mutti et al. 2011, Hilson, 2012). However, financial company's especially big commercial banks are also voluntarily acting on responsible and ethical business practices. Furthermore, the leading financial institutions determine many codes and standards for internationally operated financial companies. For example, Dow Jones Sustainability Group Index (DJSGI), FTSE4Good, Domini 400 Social Index (DSI), Ethibel Sustainability Index (ESI) is some of worldwide benchmarks where financial companies are listed in order to meet the minimum standards. The rankings determined by such indexes are valuable for public to evaluate their actual contribution towards the society beyond the sole profit motive.

The adaptation of sustainability strategy by financial companies is becoming a common move. The companies have considered very positively and proactively rather than trying avoiding such policies. Though lately, financial sector is depicting reasonable moves with new standards and codes of conduct towards corporate accountability, transparency and environmental and societal considerations. For example, many banks in emerging countries as well are participating in Equator Principles of IFC (International Financial Corporation) and other environmental standards. A sustainability survey conducted by IFC in 120 financial institutions including 41% of commercial banks in 43 developing countries shows that banks are becoming aware about risks and advantages related to social and environmental issues, the banks also pay their attention to include sustainable issues as business strategies and knows the visible advantages of CSR and sustainability efforts into management systems and practices. Moreover, they focus on reputation and brand image, complying strict regulations as a major motivator and focusing their investment on renewal energy sector and environmental protections (IFC, 2007). The above-mentioned results show that financial industries especially commercial banks are willingly taking proactive actions for sustainable business practices.

Studies also show that the increasing importance of CSR practices in the banking sector depends on geographies and reporting systems to the public. A comparative assessment made on 32 large banks located in North America, the Pacific and Europe shows that, during five years period, banks invested a lot on CSR related practices.

The results further shows that there are not significant differences among the regions in terms of adaption of CSR practices, but while taking country and individual banks basis, there are some noticeable differences.

The research developed a framework that can be used in the assessment of internationally operated banks and further concludes with the increasing importance of banks in CSR (Scholtens, 2009). The existing culture of a society can also modify the overall CSR orientation of multinational banks too. While examining CSR orientation of a bank on the basis culture, gender and function, western European banks have shown more focus on ethical aspects and CSR activities than those of English speaking (UK and USA) and South Asian (Hong Kong, India and Singapore) countries (Heuvel et al, 2011). Banks and the general public are also paying their attention to the reporting of such practices. Another study shows that most of the UK banks are publishing their CSR reports in the form of social and environmental activities (Chambers and Day, 2009). Banks of relatively undeveloped countries are also beginning CSR activities. Bangladeshi banks are also doing some CSR reporting practices voluntarily in these days, and bank users are also positive on more disclosures of such practices (Khan et al. 2009). Yet another study conducted to analyze commercial banks CSR reporting practices, using content analysis after collecting annual reports of all private banks, shows that CSR reporting efforts is moderate, but the diversities within them are notable. The gender differences in participation of the board does not affect CSR reporting initiations while directors from another country can have notable influence on CSR reporting decisions (Khan, 2010).

2.2.8 Implementation and Evaluations of CSR programs

Managers can apply CSR policies differently, although the nature of a company is similar. On the other hand, they can have some similar ways of operation even though they work in different types of corporations. Similarly, the evaluation of effectiveness of CSR efforts also influenced by way of carrying out such activities.

Implementation of CSR may not always be easygoing. Many challenges like economic turmoil, shareholders intentions, size of firm, budget and so on can affect proper execution of CSR programs. External economic situation like economic recession can affect the execution of CSR activities, as a survey of 121 members (senior executives, directors or managers) of the Chartered Institute of Purchasing and Supply shows in UK. (Harwood et. al. 2011).

Besides big organizations, small businesses can have challenges for implementing CSR programs especially because of lack of resources. It is evident from a study that conducted to small business owner-manager of 23 businesses in western Canada to address the challenges of Social Responsibility (SR) implementation that aligning SR commitments and affiliations, balancing varied stakeholders with SR ideals and costs, and negotiating value conflicts with SR practices can be a daunting task while implementing CSR practices (Fenwick, 2010). In order to make a CSR effort effective enough, all the stakeholders should be aware of and be ready to bear the cost of it. Otherwise, such efforts would be futile. This situation has also occurred on Italian banking sector. Even though, top management has commitments towards
CSR activities and allocation of huge budget, the junior operational and front line employees resists because of dissatisfaction with top management. These results an ineffective implementation of all of those practices (Calabrese and Lancioni, 2008).

The implementation of CSR programs would not be relevant without effective evaluation. The feedback either from internal or external source from such evaluation has to be properly applied before launching new CSR programs. In order to survive in the society, they have to evaluate whether the programs are equivalence with the expectations of the society (Sethi, 1979). The evaluation of firm´s social performance should not only concentrate on the benefits to the firms, rather, the effect of programs on people and organizations, natural and physical environments and external social systems and institutions should also be gauged (Wood, 2010). On the other hand, CSR programs should also meet the strategic purposes. A study of managers and professionals views on ethical and social responsibility reputations in 60 well-known Australian and International companies shows that they are clear on the social and ethical reputations of corporations. Managers evaluate the reputation of the companies before they begin to work; get the services and buy shares from companies (Cacioppe et al, 2007). Therefore, the proper balance between societal and organizational benefits of any CSR activities should be ensured for organizational progress. The following section describes the techniques of corporation´s social contributions only as this study measures bank´s CSR performance.

2.2.9 Measurement of CSR Performance

CSR performance evaluation of a firm is a challenging task. Assessment has to be done fairly and transparently. Government or other authoritative institutions do not measure CSR performance being as a voluntary activity. Hence, many independent institutions, for example, EIRIS, KLD, Dow Jones Sustainability Index (DJSI), FTSE4Good Index, DSI, and European ESI, SA8000, Global Compact and others assess performance of CSR of multinational and domestic corporations. Some of them use transparent measurement techniques, for example, EIRIS and KLD use both social and environmental indicators to measure sustainability performance while some measures through literally unknown techniques. The best-in-class approach and best 30% in an industry used by DJSI and FTSE are also prominent approaches (Scholtens, 2009). In fact, the effectiveness of measurements depends on the scope of the dimensions like social, environmental and so on the cover.

Many individuals, group of experts and institutions develop and apply unique approaches to measure CSR effectiveness. Sethi (1979) presented an analytical framework to assess a firm’s performance. Classifying firm’s responses into three dimensions- social obligation, social responsibility and social responsiveness, he outlined four categories to resolve any social problems before they occur. Though it does not contain any procedure to evaluate CSR performance, it describes the firm’s behavior into pre-problem, identification, remedy and relief, and prevention stages. Scholtens (2009) attempts to develop a measurement framework for CSR performance consisting 29 indicators under four categories- codes and standards, environmental management, financial products and social conduct. The framework gives a relatively clear and transparent method of CSR performance assessment for internationally operated corporations. CSR effectiveness in the form of financial and

Non-financial performance can also be evaluated by using stakeholders' perspectives as explored by Mishra and Suar (2010). Six groups of stakeholders- employees, customers, investor, community, environment and suppliers- can provide observable financial and non-financial results. Using, such framework, they found that stock-listed firms are doing better than non-stock-listed firms in India (Mishra and Suar, 2010). Considering Equator Principles (EP), "a voluntary set of guidelines for promoting social and environmental responsibilities in financing projects…especially addresses a negative external affects of project finance", Scholtens and Dam (2007) conducted a research on 412 financial institutions to see the performance variances. They found that banks adopted EP are significantly better on social, ethical and environmental policies than the banks that do not involve in EP. By using Fortune 500 data and content analysis as a technique for gathering data, Abbott and Monsen (1979) constructed a corporate social disclosure index. They showed environment, equal opportunity, personal, community investment, products and other disclosures as indicators of measuring CSR performance of corporations. They used the scale and data to analyze the response of Fortune 500, the dimensions of corporate reports and the relationship between social performance and firm´s profitability. Despite having enormous techniques of CSR effectiveness evaluation in the international scenario, none of the practices are conducting in Nepalese scenario, which can be realized from the absence of academic researches, rating agencies and other independent sources.

In practice, few researches are available that measure the non-financial impact of CSR though substantial researches focuses on CSP and Financial Performance relationship (Wood, 2010).

One reason of the low number of researches in literature might be the practitioner´s imperfect understanding of CSP. In addition, there is still scarcity of universal method of measuring the economic and social impact of CSR. Most approaches have methodological incompetency, uncertain validity, reliability and generalizability yet (Wood and Jones, 1995). Knox et. al. (2005) concludes with a research on exploring stakeholder's relationships and program reporting among FTSE listed companies, although, firms develop a clear direction about CSR programs; they hardly assess the business and social outcomes of such programs. They further emphasis that firms do not develop a systematic approach to assess the impact of CSR investments on reputation, employees and stakeholder satisfactions. However, scholars and practitioners made a lot progresses on the development of appropriate techniques.

The literature from the studies of financial benefits of CSR would be relevant to measure social contribution because of clear division in the outcomes of the corporation. However, some studies shows that the relationship between CSP and financial relationship is also not clear yet. Most of the studies compare depending on overall revenues of corporations before and after instilling CSR approaches. An integrative study about the relationship between Corporate Social Performance and Corporate Financial Performance shows that they are positively but moderately associated. The study concludes that social and environmental responsibility of a firm ultimately generates financial benefits as suggested by instrumental stakeholder theory (Orlitzky et. al., 2003). Supporting the result, an investigation between
CSR and economic performance on top British companies also demonstrations that economic performance has weak association with firm´s CSR investments and disclosure. Surprisingly, the study further displays that environmental protection activities relates negatively whereas women´s policies relate positively with the financial performance and donations do not relate with economic performance (Balabanis, et. al, 1998). Considering Research and Development as a critical variable, Lin et. al., (2009) examined the impact of CSR on financial performance in Taiwanese cases and found that there is significant positive impact in only in the long run.

However, the study did not measure non-financial performance. Another research on impact of CSR reporting in market value conducted in European banks shows that there is a mixed relationship between social reporting and stock price of bank. The result confirms that the stock price of banks in some countries has positive relation with social reporting and vice versa (Carnevale et. al., 2012). Hence, from these examples, it can be acknowledged that there are many researchers conducted on the financial impact of corporate social responsibilities but non-financial performance measurements are still lacking. Moreover, the relationship between manager´s perceptions and CSR performance are rather lacking in the business literature and practice.

2.2.10 Relationship between Manager´s Perception and CSR Performance

Managers have country and industry specific views on CSR (Pederson, 2010). Therefore, a research cannot make universal inferences. Their value of commercial imperative (only) of private companies is changing towards society´s concerns (Hemingway and Maclagan, 2004).

As stakeholders usually demand with corporations working for social benefits rather than just complying the assumption of “do not harm” (Pederson, 2010) and as most of the recent corporations emphasizing for carrying out CSR activities, managers motives have to be positively related with CSR performance of a firm. Nevertheless, researches on the relationship between manager´s motives and firm´s CSR performances are lacking in the academic area.

Beyond the managers views, the CSR performance of an organization also influenced by various external measurement codes and standards that the organizations embrace, Banks that adopted Equator Principles, a measurement of sustainable development, have better environmental, social and ethical policies than other banks that donor follow such principles (Scholtens and Dam, 2007). Furthermore, many other factors can influence manager’s views and performance of corporations on CSR. Level of education, training status, religiosity etc. can shape managers perceptions and commitments on CSR. In addition, manager´s acquired qualities, such as education and trainings, are decisive than inherent maturity. Likewise, modernity acquired through hard work would be influential than traditional beliefs on luck etc (Quazi, 2003). Hence, these factors, which shape managers motives towards CSR, can determine their commitments on execution, which further determines the relationship of motives with CSR performance

2.2.11Theories of the study

There were lack of empirical support of CSR concepts before 80s decade (Zenisek, 1979), but, several models were developed and tests were made to explain the concepts of CSR in recent decades. Agency theory of Friedman in 1970, Stakeholder theory of Freeman in 1984, Stewardship theory of Donaldson and Davis in 1991, Stakeholder theory of Donaldson & Prestonand and Jones in 1995, Institutional theory of Jennings and Zandbergen in 1995, Theory of the firm by many other theorists and others have a significant contribution on the modification of CSR (Mcwilliams et. al, 2006). Corporate Social Performance (CSP) model of Wood, pyramid of CSR in 1999 and Carroll´s three-domain approach in 2003 also played a crucial role in the CSR history. Further researches depending on these original concepts developed modified theories of CSR. This research also explores and examines manager’s motive and CSR performance depending on two main theories. Finally, it shows the relationship between these two aspects in a Nepalese country context.

The research incorporates two main sections (manager´s motive and CSR performance) and integrates two different data sources. Such sources have their own original foundations. Two key principles of corporate social responsibilities are presented in this section although many other similar theories exist in the literature. The first section is originated from the theory of Keith Devis´s (1973) “The Case for and Against of Social Responsibilities” and the second section is influenced from the CSR framework of Bert Scholtens (2009) to measure CSR performance of banks. The following two paragraphs briefly introduce such theories and link with this study.

CSR was termed as SR (Social Responsibility) before 1950s because of the limited number of corporations involvement in business activities, and the behaviors regarding CSR were just emerging (Carroll, 1999). Explaining the same term Social Responsibility on his popular article “The Case for and Against Business Assumption of Social Responsibilities” Keith Davis (1973), a prominent contributor of CSR, expressed positive and negative arguments regarding CSR. He proposed the relevance of CSR positively as long-run self interest of business, improve the public image, viability of business, avoidance of costly government Legislations, adjustment of socio-cultural norms, meeting stockholder interest, a trial to the business sector, the resources with businesses for solving the social problems, the chance of businesses to turn innovative ideas into social problems and in the sense of prevention is better than cure. On the other hand, he also gave arguments against CSR saying businesses cannot fulfill such burden because of profit orientation; inability of spending a large portion of budget; lack of social skills; chance of weakening of business primary purpose; and weak international balance of payments (Davis, 1973). Even after publication of several years, his analysis remains as the basis for normative and descriptive theory as well as the foundation for many empirical researches (Brown and Vidaver-Cohen, 2009). Brown and Vidaver-Cohen (2009) conducted an exploratory study with the managers of 500 Norwegian companies to examine corporate motives for social initiatives using the foundation of Keith Davis (1973).

They formulated and applied the questionnaire relying on the reasons for involving in social responsibility presented by Keith Davis. The questionnaire for corporate motive for social initiative of Brown and Cohen is partly (directly) used in this research to explore the motives of Nepalese managers of commercial banks regarding CSR.

On the other hand, Scholtens (2009) developed a framework to assess CSR performance of banks using similar measurement basis applied by Jeucken (2001). The sustainability performance of international banks is measured by using both social and environmental indicators. However, none of the economic performance indicators are used in the framework.

Unlike some of other officially established rating system like KLD and EIRIS, the framework does not consider corporate governance and compliance issues assuming that banks listed in the stock market already have to comply related legal issues (Scholtens, 2009). The framework is designed to provide a transparent system to measurement CSR performance of corporations. By using four categories of indicators, - codes of ethics, sustainability reporting and environmental management systems environmental management, responsible financial products and social conduct, the framework incorporates 29 variables in total (Scholtens, 2009). The scores of such variables are calculated to generate an aggregate score in percentage form. Then, on the basis of such scores, their performances would be measured.

The similar indicators are applied here to observe CSR performance of Nepalese banks except using one major category- codes of ethics, sustainability reporting and environmental management system assuming that such domestic banks do not meet such standards. Hence, this research only integrates three categories of CSR indicators and their associated variables to see CSR performance.

2.3. Review of Empirical Studies.

Abroad cases

2.3.1The Relationship between Corporate Social Responsibility and Financial Performance

Of the 51 studies carried out between 1970 and 1995, 33 found a positive relationship, 9 found a negative relationship and 9 found no relationship between CSR and financial performance (Chand 2006). This sub-section looks at some of the most important and relevant empirical studies that have been carried out in the past.

2.3.2: Positive Relationships between CSR and Financial Performance

Spicer (1978) found a positive correlation between a firm’s economic performance and its level of pollution control in the paper and pulp industry. This study found that the higher the level of pollution control the greater the profitability and size of the firm and the lower the systematic and total risk. Spicer also concluded that the benefits seen were short lived.

Anderson and Frankie (1980) took a different approach by using a firm’s market value to measure financial performance and its relationship with CSR. A positive relationship between market value and CSR was found. This meant that investors were investing more in firms who reported CSR than those who did not. This provides some evidence of the existence of the ‘ethical investors.’ Cochran and Wood (1984) examined the relationship between CSR and corporate financial performance (CFP) by using new (at the time) statistical research tools to look at financial variables working as moderating variables. Cochran and Wood (1984) found that asset age was highly correlated to levels of CSR and that there was a positive relationship between CSR and CFP when asset age was removed. This extra variable added a new element to Cochran and Wood’s empirical research and it provided a possible insight into a variable that may be causing conflicting conclusions by various researchers. Griffin and Mahon (1997) looked at the chemical industry and found that high CSR was linked to high CFP and that low amounts of CSR reporting was linked to lower CFP. Griffin and Mahon’s empirical study was one of only a handful of studies that was industry-specific. Industry is a moderating variable. However, the internal validity of this empirical research was low as Griffin and Mahon only studied six firms.

More recent research by Joyner and Payne (2002) also found a positive correlation between reporting CSR with performance and firm value. Joyner and Payne noted the difficulty of measuring the benefits of CSR. There were also limitations as only a small sample of two firms was studied in detail, so their results could not be generalized adequately. The authors also saw some indication of a time lag between when CSR was reported and the financial benefits seen. These findings conflict with the results of Spicer (1978) who found that the financial benefits were short lived. Parket and Eilbirt (2006) undertook some research that looked at a couple of directly related issues. The first was that managers perform a cost-benefit analysis of reporting CSR. The empirical research showed that there was no evidence to suggest that managers perform a cost-benefit analysis on CSR. One suggestion Parket made was that this would be a challenge as it is very difficult to quantify the benefits received from reporting CSR. A company may be more inclined to report CSR “when there is some fat in the company financial statements.”2 That is a company that has spare money to invest in CSR is more likely to do so (Parket and Eilbirt 1975). This adds to the strength of the argument for companies being motivated by increased financial performance when reporting CSR, as the company could use this excess money to invest in other revenue earning investments such as bonds, share portfolios or even in the bank instead of investing in CSR. Parket and Elbert were able to find a positive relationship between profitability and CSR providing more evidence of the relationship between the two variables.

2.3.3: Negative Relationships between CSR and Financial Performance

The first study to find a negative relationship between CSR and financial performance was Vance (1975). The study looked at share price and found that in building a portfolio an investor would be better off investing in companies who reported little or no CSR. His concluding comment, "companies have more reasons to be socially responsible than only how it affects the per share value of their common stock"3 summed up Vance's findings.

An opposing view to CSR influencing profitability is that it is a firm's financial performance that influences CSR and not the other way round, contrary to what the majority of researchers think. The idea is that firms that have 'spare cash' available are more likely to invest in society and the environment (McGuire et al. 1988). This idea was shared by Parket and Eilbirt who believed that firms with larger profits were more likely to report CSR. The explanation provided for the adverse relationship observed between CSR and financial performance is that firms accept a responsibility to a range of different stakeholders. Firms take on the extra costs to benefit society as a whole and at the expense of their shareholders' personal wealth (McGuire et al. 1988).

Shane and Spicer (1983) also found a negative relationship between the level of social disclosures and economic returns. This is a direct contrast to Spicer's 1978 paper which found a significant positive relationship. This highlights the inconsistency of the results obtained by different studies. This paper uses a different measurement tool for valuing CSR: the Council of Economic Priorities (CEP) listing on a firm's CSR levels. It is suggested that this measurement tool caused the different results which were seen across Spicer's two papers. It can be suggested, therefore, that how CSR is measured can also have a large impact on the conclusions that are reached. Consistency is required for comparable results. The explanation that

Shane and Spicer (1983) provided for the negative results is that investors are put off by CSR; this is consistent with research by Riahi-Belkaoui (1992).

Riahi-Belkaoui (1992) found a negative relationship between external perceptions of a company's CSR activities and executive compensation schemes, providing a new angle on the relationship. Riahi-Belkaoui's findings suggest that top management may be discouraged from undertaking CSR activities. This is due to the fact that the shareholders do not appreciate their profits being spent on activities they do not consider beneficial to them.

2.3.4: No Relationship between CSR and Financial Performance

The relationship between CSR and financial performance may be different across industries (Fry and Hock 1976). Fry and Hock loosely looked at members of the oil industry such as Texaco and concluded that the amount of CSR did not increase or decrease the profitability of the firm. Fry and Hock put any change in financial performance down to an increase in firm size. Their concluding comments also suggest that the firm's size and public image management also determine the amount of CSR reporting undertaken. The important point raised in this research paper however, is a concern that has been raised by previous researchers as well (Aupperle et al. 1985, Chand 2006 and Griffin and Mahon 1997). This is that the industry a firm operates in may have a strong effect on the results that are found when examining the relationship between CSR and financial performance. Firm size is possibly a problematic variable that must be controlled (Fry and Hock).

2.3.5 Challenge and issues on corporate social Responsibility

Many companies think that corporate social responsibility is a peripheral issue for their business and customer satisfaction more important for them. They imagine that customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water. The change is named as social responsibility which is an opportunity for the business. Some of the drivers pushing business towards CSR include:

The Shrinking Role of Government

In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

Demands for Greater Disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

Increased Customer Interest

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

Growing Investor Pressure

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than

$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning

Americans took into account ethical considerations when buying and selling stocks. (More on socially responsible investment can be found in the 'Banking and investment' section of the site.)

Competitive Labour Markets

Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

Supplier Relations

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

Dr Ratnam said the concept of CSR had different meanings depending on the stakeholder and that depending on the specific situation of the enterprises expectations can also vary. A CSR project can begin in response to a crisis or adverse publicity that a company may suffer. The motive for launching CSR can vary between philanthropy or notions of corporate citizenship. In India, over time, the expectations of the public has grown enormously with demands focusing on poverty alleviation, tackling unemployment, fighting inequality or forcing companies to take affirmative action.

The historical driver of CSR has been philanthropy or a sense of ethics. After the Second World War, a variety of national and international regulations arose through bodies such as the International Labor Organization (ILO) emphasizing the need for an active social policy for transnational companies (TNC's). This additional driver, international institutions, has relevance for India through the work of the ILO, the OECD, Socially

Responsible Investment (SRI), the SA8000 Social Accountability scheme and through the work of the UN Commission on Human Rights which tackled the human rights responsibilities of TNC's.

In India, some public sector companies can spend up to 5% of their profits on CSR activities. Pressure groups have been quite successful in inducing companies to fund CSR schemes, even to the point of using kidnapping as a tactic! Forms of CSR differ according to the country or region. In Europe, for example, notions of CSR probably developed out of the Church and a sense of ethics. In India, CSR has evolved to encompass employees, customers, stakeholders and notions of sustainable development or corporate citizenship. In transnational companies, the approach to CSR typically emerges from one of three elements including a decentralized strategy (which might examine human rights), a centralized strategy (which would be company-wide) or a globally integrated strategy (which would include Coca Cola or oil companies - where local actions can impinge globally).

The survey conducted by Times of India group on CSR used a sample size of 250 companies involved in CSR activities through a method of online administration of questionnaire. The questionnaire was evolved after due diligence including focus group meetings, consultations with key stakeholders and a pilot in four metros. Finally.

82 organizations responded to the questionnaire. These comprised 11 public sector undertakings (PSUs), 39 private national agencies and 32 private multinational organizations. The respondent organizations form a satisfactory percentage of 33 per cent of the sample size, given the fact that only those companies that had direct or indirect involvement in CSR activities were chosen to be approached for the survey.

The survey elicited responses from participating organizations about various challenges facing CSR initiatives in different parts of the country. Responses obtained from the participating organizations have been collated and broadly categorized by the research team.

These challenges are listed below:

i. **Lack of Community Participation in CSR Activities:** There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instil confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

ii. **Need to Build Local Capacities:** There is a need for capacity building of the local non-governmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

iii. **Issues of Transparency:** Lack of transparency is one of the key issues brought forth by the survey.

There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. This reported lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level

iv. **Non-availability of Well Organized Non-governmental Organizations:** It is also reported that there is non-availability of well organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

v. **Visibility Factor:** The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

vi. **Narrow Perception towards CSR Initiatives:** Non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more donor-driven than local in approach. As a result, they find it hard to decide whether they should participate in such activities at all in medium and long run.

vii. **Non-availability of Clear CSR Guidelines:** There are no clear cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

viii. **Lack of Consensus on Implementing CSR Issues:** There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

2.4.0 Tanzania Context

2.4.1 Trend of CSR in the country

Many factors are in place affecting trend and administration of CSR programmed in Tanzania. Tanzania has no law or policy to regulate CSR aspects. The Revised Edition (2006) of Income Tax Act Chapter 332 regulates investors spending behavior.

According to the said law any part of income donated by companies or individuals to other parties is subject to tax. Implication of the law is such that monies or valuables (materials) offered to implement CSR programmes should be tax cleared. The Income Tax sends such disincentive message to investors that their actions set the powerless CSR recipients against the Government to compete for resources. The message is so powerful that it causes investors giving CSR to devise appropriate strategies to the effect, hence affecting daily manifestations of CSR programmes.

The response had been for investors to translate CSR programmes into advertisements as strategies to avoid the related tax burden. Another strategy used to offer CSR is to channel the same through influential political leaders, the family of the president or personalities who are very close to influential politicians or the state house. So it is not uncommon for the First Lady, the Prime Minister, the Minister for Finance or Secretary General of the Ruling Party officiating CSR provided to national hospitals, sports clubs, orphanage centers, government or private schools, day care centers, flood victims, et cetera.

When asked if they are aware and approve strategies by which CSR programmes are executed, 71.4 percent of stakeholders said they are aware while 26.6 percent replied they were not. For those who are aware of current strategies through which CSR programmes are channeled, 45.2 percent disagreed with current trend and strategy, 26.2 percent approved the current practice while 2.4 percent of them were indifferent.

2.4.2 Assessment of overall CSR policy and regulatory framework

Transparency and accountability constitute the core CSR policy and regulatory framework conventional principles to ensure optimal benefits. Tanzania had since 2009 acceded to EITI that through mandatory disclosure, aims at promoting extractive industries transparent practices. However, when asked to give comments about transparency in the course of managing CSR programmes, respondents questioned the environment and practice under which CSR products are processed and managed. They were overly concerned that CSR programmes are not regulated, play the tunes of power and not responding to genuine local community needs.

Given the fact that benefits derived from extractive industry activities are not equitably distributed to the satisfaction of all Tanzanians, there is need to devise alternative means of distributing income from extractive industries in the country.

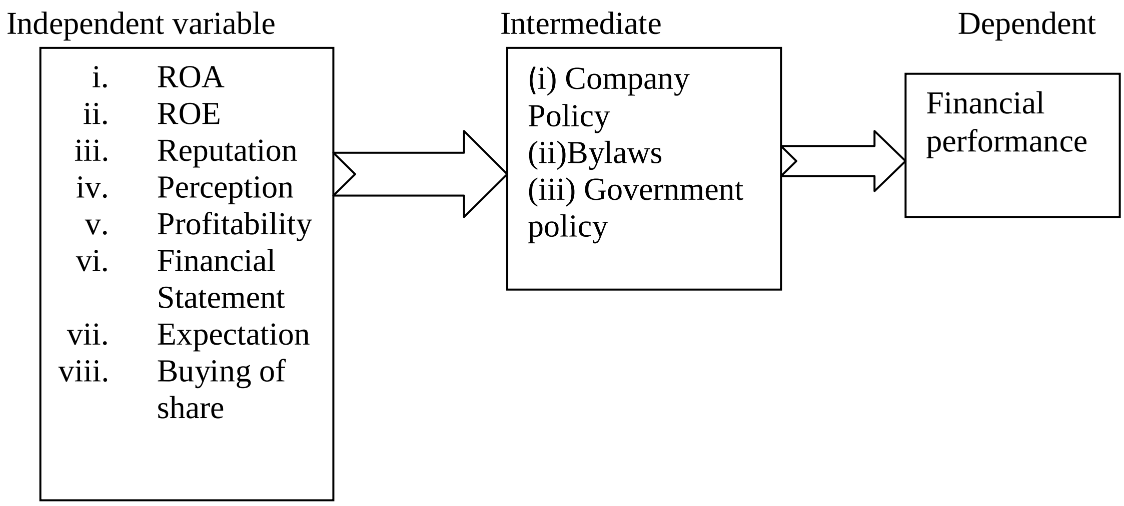
Legislative and/or the policy option designed to facilitate regulation of CSR programmes may appropriately open the new venue to ensure equitable distribution of income through CSR. Respondents were strongly convinced that if regulated, CSR programmes offered directly to beneficiaries in response to local genuine needs, could act as safety valve to Local Government Authorities entitled the annual income of US$ 200,000.00 from mining companies operating in their jurisdictions but have ceased to make such payments due to illiquidity. Moreover, effective regulation of CSR programmes could act as compensatory mechanism for such foregone taxes as corporate tax, capital gain tax, windfall tax, and other taxes, which are currently deferred payments of majority extractive industries companies operating in Tanzania.

2.5 Conceptual Frame work

The conceptual framework discusses the key variables which will be used in this research. The discussion at conceptual level where the key variables have been distinguished clearly the different types of variables to be studies and specify nature of relationship between them. The linking has severally merits such as defining the boundaries of investigation to guide the researchers.

The independent variables are ROA, ROE, Reputation to NMB PLC, Community, contribution to Profit, Investors perception, and Financial statement variables which influencing corporate social responsibility. In intermediate variables this are institutions that perform to make the independent variables to appear in the community and dependent variable is company financial performance. This is shown below in the diagram.

Figure 2.1: Conceptual Framework



Source: Researcher own construction, 2014.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the research methodology and procedures that is applicable in study area. It includes some explanations about research design, type of data and information required, data collections procedures, sampling procedures techniques, data management and analysis, as well as data presentation procedures.

3.1 The Study Area

This study was conducted at Morogoro Region Particularly NMB branches. The reason of selecting the study area is that NMB PLC is one of the organization which deals with CSR activities to the community surrounding them and the organization have the objective of maximizing financial performance.

3.2 Research paradigms

Churchill et al 2009 defines research as an approach though which the research is undertaken. There are two paradigm of doing research, these include positivistic and phenomenology. Positivistic is statistics and qualitative based while phenomenology is qualitative based. Research used positivistic paradigm, thus both qualitative and quantitative techniques.

Qualitative technique is the one which based on phenomena relating to or involving quality or kind. It can be done through word association tests sentence completion tests, story completion tests as well as motivational research. It aims at discovering the underlying motives and desire using depth interview.

Quantitative technique is the systematic scientific investigation of quantitative properties and phenomena and their relationships. It is the one which based on measurement of quality or amount. It is applicable to a phenomenon which is expressed in quality.

3.3 Research design

Kothari (2006) defines research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedures. The research design is the conceptual structure within which research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data. The researcher used case study design, and NMB in Morogoro was selected, where by the answers to the research questions rose earlier was obtained through interviewers, documentation and observation. The methods applied depending on the availability of the personnel in organization.

3.4 Types of measurement

The researcher employed parametric types of measurement such as frequencies and percentages to measure a distribution of responses from the respondents to make a process of analyzing the data collection complete.

3.5 Data collection method and approach

Data collection techniques depend on how best they can serve the purpose of the researcher. Researcher uses the most common and preferred tools for data collection which involve the following:

3.5.1 Questionnaire

The researcher design self administered questionnaires which were used as an instrument of extracting both qualitative and quantitative information useful in the study. The questionnaires in their nature were structured mainly to focus on obtaining information pertaining to the contribution of corporate social responsibility on financial performance at NMB PLC-Morogoro municipal. The justification for choosing the questionnaire in this study was that the researcher expected that it will help in establishing a report with respondents and therefore be able to explain and clarify the purpose of the study and possibly anything, therefore which might seem to be ambiguous to the respondents. With that perspective the questionnaires essentially consisted of scale items, open ended and close ended questions. The open ended questions literary give room for both the researcher and respondents to have freedom on giving views. On the other hand the closed ended questions were designed in such a way that it can be easy, not only to fill in but also consume less time and efforts while still keeping the respondents on track.

3.5.2 Documentary review

Documentary sources which used during research process were journals and magazine and other available library materials. In addition official's files such as financial report files and research report, annual report and material of similar topic were used. In addition other sources of secondary data provided by NMB PLC MOROGORO municipal were **CSR report, environmental impact, assessment report, Payment vouchers, Cash books and other documents.**

3.5.3 Interview

This refers to the collection of information just through a live or verbal communication between the researcher and the respondents. The method was used to collect information from different staffs of different departments in the organization as far as the study is concerned. The rationale for choosing this method was that, if it would be designed and conducted in profession all manners the method would be found to be a useful way of exchanging views exploring perception and therefore seeking opinions from the respondents on various issue pertaining to the corporate social responsibility problems.

3.5.4 Observation

This technique guided the research on getting the required data and information through the process of paying personal visits on the field grounds and therefore to have a live coverage of what happening over there and more time to discuss with respondents. This virtually helped the researcher to justify some supportive events to include in the research report.

3.6 Nature of Data and data collection technique.

To obtain required information for the study, the researcher used both primary and secondary data type. These types are distinguished as follows:

3.6.1 Primary data.

The primaries are the information which collected in the first time. These data collected by using questionnaire, personal interview and observation on department's manager and other employees. Primary data in this study have been obtained because they give actual current information concerning the topic. They were raw data in the sense that they have not yet been processed in any particular way.

3.6.2 Secondary data.

Secondary data collected using different publication from procurement and finance department specially consulted during the course of research form department's journal. These were extracted through reviewing various documents such as requisition to purchase, local purchase order, delivery note, goods received note for procurement and financial report, CSR report, Payment vouchers, cash books, for finance department. In addition the secondary data provides historical reference of other past related studies, also magazines, newspapers, survey research papers, business brochures, and academic journals were used.

3.7 Sampling procedure

3.7.1 Targeted population

The targeted population of the study had comprised of managers and other staffs who participate in corporate social responsibility at NMB PLC limited. The numbers of people inquired determined by the role of the part concerned in the organization. With regard to the nature of the topic, the inquiry focused on every member of the organization whose tasks in one way or another was related to Finance. Researcher will inquire officers and staff from different departments a total number of fifty respondents. They were from marketing department, stores department, Procurement Department, Finance Department, auditing and accounting department.

3.7.2 Sample size

The sample size comprised of fifty (50) employees from NMB PLC- Morogoro municipal. That is eight respondents (8) procurement officers, fifteen (15) respondents from marketing and advertisement, twenty (20) Accounting and finance, seven (7) respondents from Auditing department. This is due to limited time and cost provided for the study

Table 3.1 Sample size

Department of NMB PLC	**No. of respondents(sample size)**
Procurement	8
marketing and advertisement	15
Accounting and finance	20
Auditing Department	7
Total	**50**

Source: Research field data, 2014

3.8 Reliability and validity of the data

3.8.1 Data Reliability

This is the ability of the instrument to measure consistently the phenomenon on it is designed to measure. Researcher expectation was to minimize error in collecting data by applying techniques like administered questionnaire and carrying out interview on days that personnel are not occupied with their job as to get information that are correct.

3.8.3 Data Validity

This is the truthfulness of a measure i.e. the valid measure is the one that measures what is intended to measure. The researcher will use random selection of sample from different clusters to ensure the validity of the data to be collected.

3.9 Management and analysis of data

3.9.1 Data management

This involves systematically organizing mass of raw data to be collected in a manner that will be facilitating analysis of data. Researcher will design numbers directly for close ended questions in the questionnaire and for open ended questions; the researcher will categorize all responses give and assign numbers to them.

3.9.2 Data analysis

Analysis of data was done qualitatively and quantitatively. The qualitative approach entailed analysis of data through describing and analyzing them (comparing them and aggregating into them). The quantitative approach involved manipulation of numbers, use of tales of frequencies and percentages. All the information findings had been processed by the help of table of frequencies and percentages by the help of Ms Excel to produce tables and graphs.

CHAPTER FOUR
PRESENTATION OF FINDING

4.0 Introduction

In this chapter, data are presented, analyzed and findings discussed. The chapter focused on contribution of CSR on organization financial performance with three research objectives in accordance with the objectives of the study which were: To examine the techniques bank applies to evaluate the effectiveness of CSR programmes, to determine the contribution of corporate social responsibility on NMB PLC on financial performance, and to examine the challenges facing NMB PLC on corporate social responsibility.

4.1 General Information

4.1.1: Gender of Respondents

As shown in table 4.1 below, looking on the percentages of male and female, there is much big difference in terms of gender participation; this is due to the fact that the number of female employees is low compared to male employees. Out of 50 respondents 34 are male which is about 68% and 16 respondents are females which are about 32% of the total respondents. Therefore, this implies that in this organization there is no gender sensitivity.

Table 4.1: Gender of Respondents

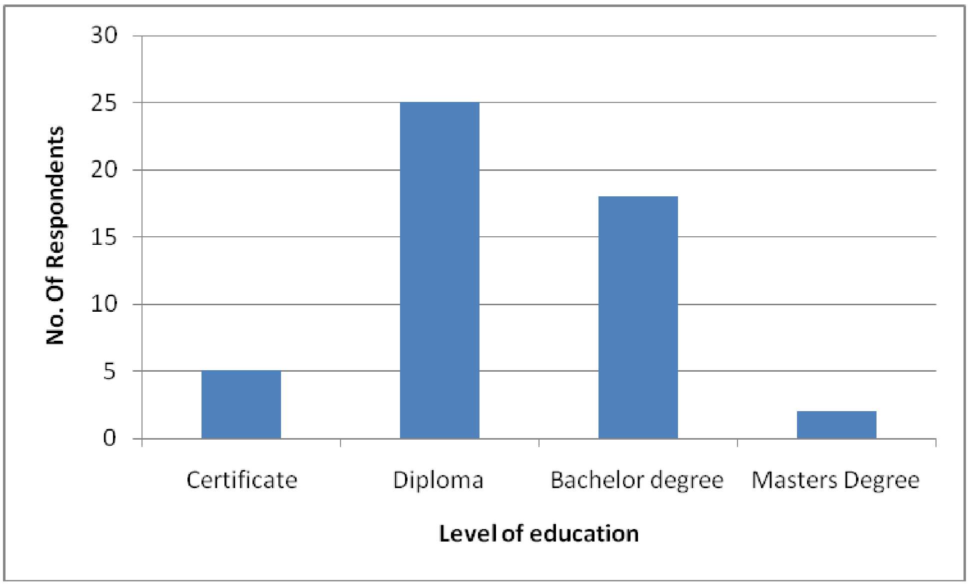
The Gender of Respondents	Frequency	Percentages
Male	34	68
Female	16	32
Total	**50**	**100**

Source: Field data 2014.

4.12 Education level

Education and professional wise is the key of the company performance, in the study area we met different groups of professional such as procurements, marketing and advertisement, account and finance, and auditing department who respond study questionnaires they have selected to answer the questions because are the one relate and familial with the study. Analysis of the study showed that 5 respondents that were 10% have reached Certificate level where 25 respondents that are 50% have reached Diploma level and 18 respondents that are 36% have reached bachelor degree and 2 respondents reached Masters Level. This analysis reveals that respondents answered question have enough educated and meet research questions, the figure 4.2 shows analysis results.

Figure 4.1 Education level



Source: Research data 2014

4.2 Techniques bank applies to evaluate the effectiveness of CSR programs

The CSR indicators are used to see the bank´s real performance on mainly three categories- Environmental management, Responsible financial products and Social conduct. Annual report of the last fiscal year is considered because of lack of other published CSR related reports. In case of lack of annual reports of the last fiscal year, data from the previous fiscal year have been used

4.2.1 What company improve more when engage in CSR

The researcher used interview and questionnaire method where by analysis of the study show that 6 responds that were 12%said that the company improve more share holders wealth when engage in CSR, where 15 of them that is

30% said that the company improves more ROA when engage in CSR and others 29 respondents that is 58% said that reputation of the company is the one improved more. The analysis reveals that CSR can't improve company ROA and shareholders wealth rather can improve reputation of the company.

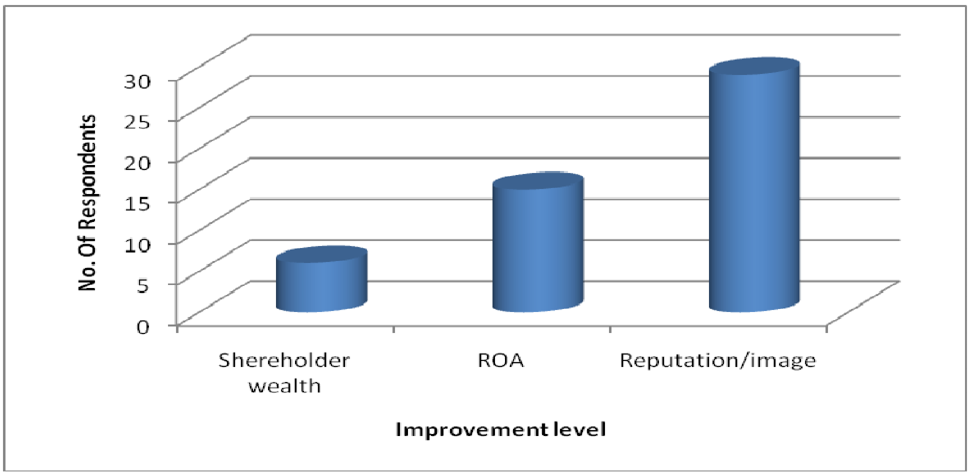
That community surround the company feel great and enjoy when treated as part of the company and improve their social services when government have deficit in budget this make company which engage in CSR to improve its reputation and image of the organization. Table 4.6 and figure 4.6 shows analysis results.

Table 4.6 Improvements of company when engage in CSR

Improvement Level	Frequency	Percent	Valid Percent
Shareholders wealth	06	12%	12
ROA	15	30%	30
Reputation/image	29	58%	58
Total	**50**	**100%**	**100**

Source: Field data 2014

Figure 4.2 improvements of company when engage in CSR

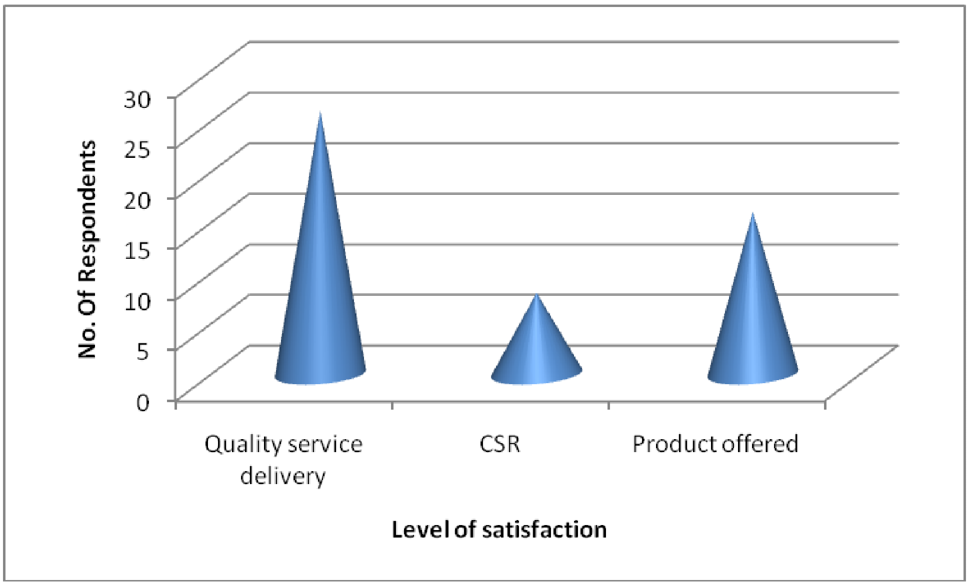


Source: Field data 2014

4.2.2 Customer consideration in their satisfaction

Customer satisfaction is very important concepts that companies must understand if they want to remain competitive and grow. In today's competitive environment delivering high quality service is the key for a sustainable competitive advantage. Customer satisfaction does have a positive effect on an organization's profitability. Satisfied customers form the foundation of any successful business as customer satisfaction leads to repeat purchase, brand loyalty, and positive word of mouth. In the study the researcher used questionnaire method to find out customer considerations in their satisfaction at NMB PLC and the analysis shows that 26 respondents that are52% said that quality service delivery to customer, where 8 respondents that were 16% said that CSR is the one considered in the customer satisfaction and 16 respondent that were 32% said that products offered by NMB, This analysis results reveal that quality service delivered to customer is high ranked to make customer to satisfy more and encourage them to repeat product. Figure 4.7 of the analysis result shows.

Figure 4.3 Customers consideration in their satisfaction



Source: Field data 2014

4.3 The contribution of CSR on NMB PLC performance.

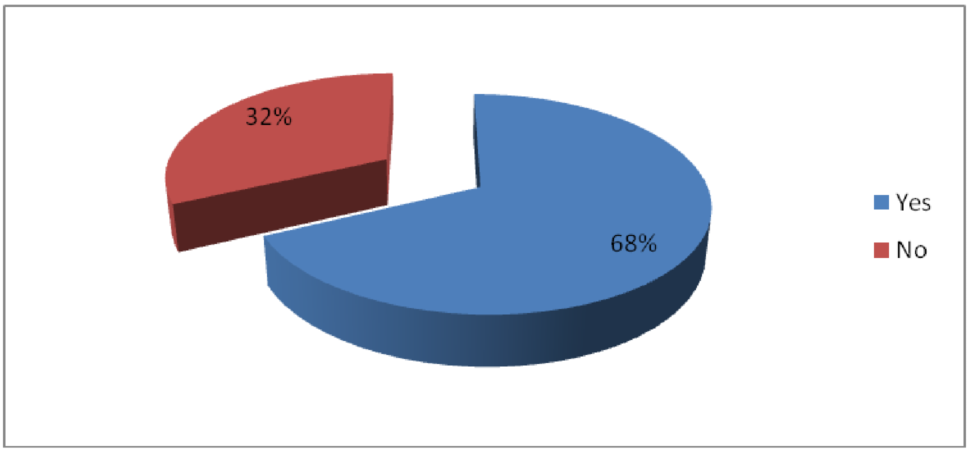
The implementation of CSR programs would not be relevant without effective evaluation. The feedback either from internal or external source from such evaluation has to be properly applied before launching new CSR programs. In order to survive in the society, they have to evaluate whether the programs are equivalence with the expectations of the society (Sethi, 1979). The evaluation of firm´s social performance should not only concentrate on the benefits to the firms, rather, the effect of programs on people and organizations.

4.3.1 Relationships between CSR and NMB financial performance

The relationship between CSR and financial performance is shown by different authors that there is positive relationship and negative relationship of CSR and financial performance.

The researcher used questionnaire method to find out the relationship between CSR and financial performance where out of total respondents 34 respondents that is 68% said that yes there is relationship between CSR where 16 respondents that is 32% said that there is no relationship between CSR and financial performance. When asked to give reasons for those accept that there is relationship between CSR and financial performance says that the impact of CSR is publicity, reputation, increase share capital, when that done effective then financial performance, the other group who reject that no relationship says that most area which got CSR are contribute nothing to the bank performance but just treated as aid and to make community enjoy. The result of analysis implies that there is no direct relationship between CSR and financial performance as reason of the respondents said yes there is explain. Figure 4.2 shows the analysis result.

Figure 4.4 Relationships between CSR and Financial Performance

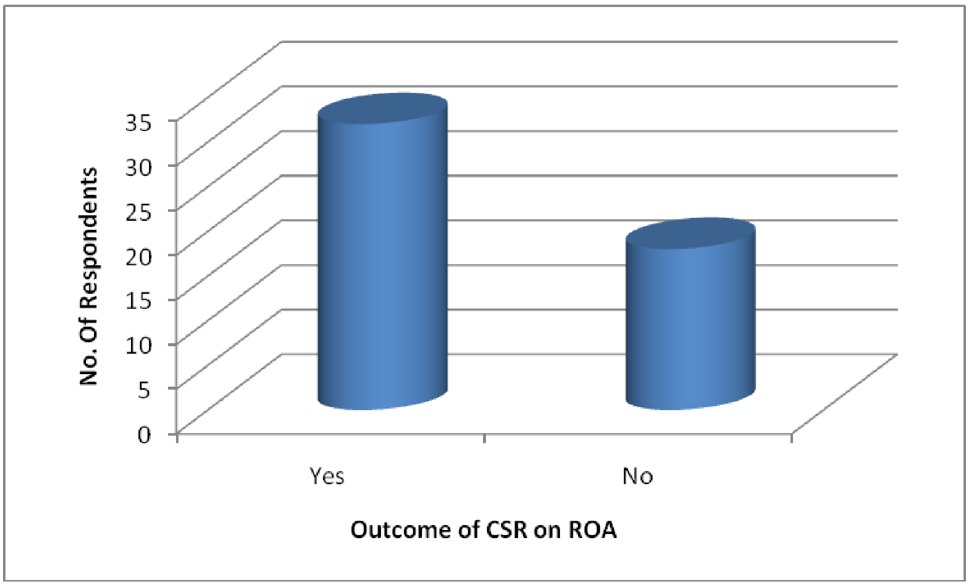


Source: Field data 2014

4.3.2 ROA of the bank can be affected by CSR

Researcher used interview and questionnaire to know how return on asset of NMB PLC is affected by activities of CSR, the analysis show that 32 respondents that are 64% said that yes ROA is affected by CSR activities, because is return which reduced each time where CSR take place, where 18 respondents that are 36% said that no CSR activities does not affect ROA because CSR activities add value in community and its implication is to increase market share and customer. The analysis revealed that activities of CSR affect return of the company by reducing amount of profit rather than reinvest it and increase value of Asset. Figure 4.3 shows analysis result.

Figure: 4.5 ROA of the bank can be affected by CSR



Source: field data 2014

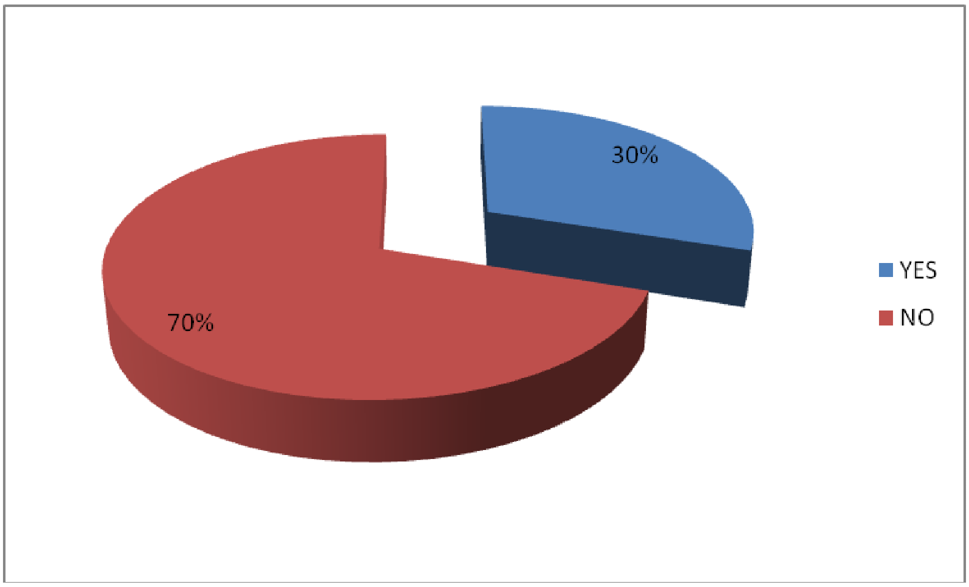
4.4 Challenge facing NMB PLC on corporate social responsibility

Many challenges like economic turmoil, shareholders intentions, size of firm, budget and so on can affect proper execution of CSR programs. External economic situation like economic recession can affect the execution of CSR activities, as a survey of 121 members (senior executives, directors or managers) of the Chartered Institute of Purchasing and Supply shows in UK. (Harwood et.al.2011). Besides big organizations, small businesses can have challenges for implementing CSR programs especially because of lack of resources. It had evident from a study that conducted to small business owner-manager of 23 businesses in western Canada to address the challenges of Social Responsibility (SR) implementation that aligning SR commitments and affiliations, balancing varied stakeholders with SR ideals and costs, and negotiating value conflicts with SR practices can be a daunting task while implementing CSR practices (Fenwick, 2010).

4.4.1 Agent theory with CSR

The researcher use questionnaire and interview method where analysis of the study shows that out of total respondents only 15 respondents that is 30% said that yes agent theory match with CSR and other respondents 35 that is 70% said that no agent theory does not match with CSR because rather than maximize shareholders wealth they minimize it when you look profit after tax is where you got amount for share holder if not for retaining. The result implies that shareholders are not willing to offer CSR as wealth not maximized but minimized. Figure 4.4 shows analysis result

Figure 4.6 Agents theory with CSR



Source: Field data 2014

4.4.2 The implication of CSR in your company

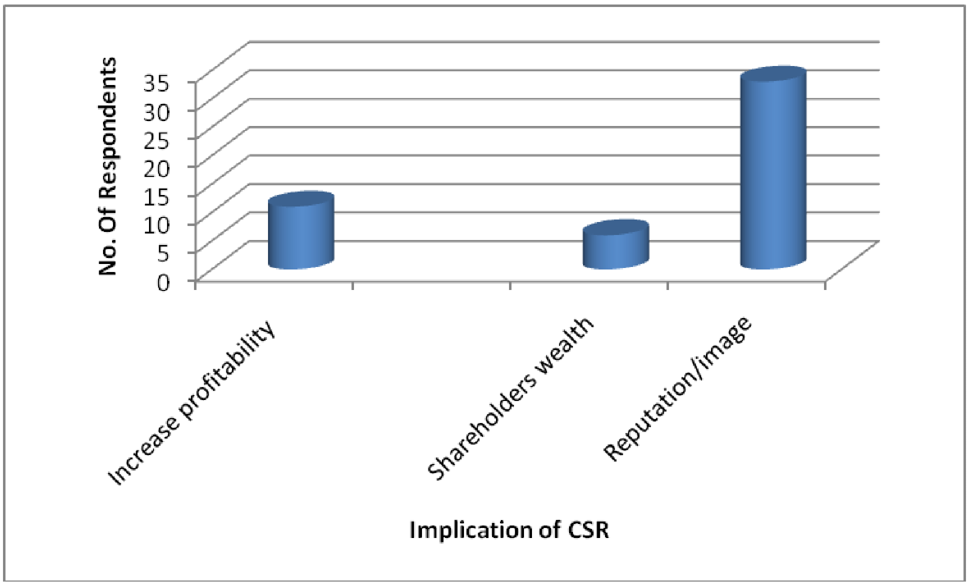
The researcher used questionnaire method to find out the implication of CSR in their company, where analysis show that 33 respondents which was 66% said that CSR increase reputation and image of company where by 11 (22%) of them said that increase profitability of the company and the rest 6 respondents that was 12% said that increase shareholders wealth. There analysis implies that for increase reputation and company image mean were benefit through increasing customer because they feel part of the company where increase profitability group means their sure after encourage community by engaging in CSR it multiplier is high sales and profitability. That means company engage in CSR just to increase company reputation and image, the multiplier effect is outcome of reputation that may occur or not, table 4.2.2 and figure 4.5 shows analysis result.

Table 4.2.2 implication of CSR in your company

Implication Level	Frequency	Percent	Valid Percent
Increase profitability	11	22%	22
Shareholders wealth	06	12%	12
Reputation/image	33	66%	66
Total	**50**	**100%**	**100**

Source: Field data 2014

Figure 4.5 Implication of CSR in your company



Source: Field data 2014

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 Introduction

This chapter covers the discussions of the findings. In that respect, this chapter has been extracted from different documents, questionnaires responses by respondents, interviews conducted during this research at NMB PLC Morogoro Municipality. The results obtained will be discussed in terms of the findings of other researchers in the field and implications for practice will be highlighted for each dimension impacting on CSR and financial performance. In addition, perceived contribution of CSR on financial performance will be identified.

5.2 Techniques bank applies to evaluate the effectiveness of CSR programs

The analysis reveals that CSR can't improve company ROA and shareholders wealth rather than improve reputation of the company. That effectiveness of CSR program is confirmed on reputation and emerges of the bank, the community surround company feel great and enjoy when treated as part of the company and improve their social services when government have deficit in budget this make company which engage in CSR to improve its reputation and image of the organization.

The implementation of CSR programs would not be relevant without effective evaluation. The feedback either from internal or external source from such evaluation has to be properly applied before launching new CSR programs. In order to survive in the society, they have to evaluate whether the programs are equivalence with the expectations of the society (Sethi, 1979). The evaluation of firm´s social performance should not only concentrate on the benefits to the firms, rather, the effect of rograms on people and organizations, natural and physical environments and external social systems and institutions should also be gauged (Wood, 2010). On the other hand, CSR programs should also meet the strategic purposes. A study of managers and professionals views on ethical and social responsibility reputations in 60 well-known Australian and International companies shows that they are clear on the social and ethical reputations of corporations. Managers evaluate the reputation of the companies before they begin to work; get the services and buy shares from companies (Cacioppe et al, 2007). Therefore, the proper balance between societal and organizational benefits of any CSR activities should be ensured for organizational progress. The following section describes the techniques of corporation´s social contributions only as this study measures bank´s CSR performance.

5.3 The contribution of CSR on NMB PLC performance

The analysis reveal that relationship between CSR and financial performance is that the impact of CSR is publicity, reputation, increase share capital, when that done effective then financial performance of the bank, the other group who reject that no relationship says that most area which got CSR are contribute nothing to the bank performance but just treated as aid and to make community enjoy. That means there is no direct relationship between CSR and financial performance as two sides of respondents commented.

Of the 51 studies carried out between 1970 and 1995, 33 found a positive relationship, 9 found a negative relationship and 9 found no relationship between CSR and financial performance (Chand 2006). This sub-section looks at some of the most important and relevant empirical studies that have been carried out in the past.

Negative Relationships between CSR and Financial Performance

The first study to find a negative relationship between CSR and financial performance was Vance (1975). The study looked at share price and found that in building a portfolio an investor would be better off investing in companies who reported little or no CSR. His concluding comment, "companies have more reasons to be socially responsible than only how it affects the per share value of their common stock"3 summed up Vance's findings.

The Bank encourages its employees' initiatives on participating in the CSR activities. Various activities were carried out during the year including supporting schools by providing school desks. The Bank launched financial fitness program with the objective of teaching secondary school students basic skills on financial management.

CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 Summary of the major findings

The researcher used case study design, and NMB in Morogoro was selected as case study. The methods used in data collection were observation, interview and questionnaire. Collected data were analyzed using Ms Excel and statistical package for social sciences (SPSS).Data presentation was based on tables and figures shows frequencies and percentages.

Finding were presented on three research objectives that is to examine techniques bank applies to evaluate the effectiveness of CSR programs, to determine the contribution of corporate social responsibility on NMB PLC performance and to examine challenges facing NMB PLC on corporate social responsibility where on technique bank applies to evaluate the effectiveness of CSR program analysis shows that effectiveness of CSR program is confirmed on reputation and images of the bank, the community surround company feel great and enjoy when treated as part of the company and improve their social services. On the side of contribution of CSR on bank performance the finding shows that there is no direct relationship between CSR and bank performance that most area which receive CSR are contribute nothing to the bank performance rather than through company reputation. On the area of challenge facing NMB PLC on CSR respondent commented that shareholders are not willing to offer CSR because their wealth are not maximized but minimized when part of profit after tax is taken.

6.2 Conclusions

There is an extensive debate concerning the legitimacy and value of being a socially responsible business. There are different views of the role of a firm in society and disagreement as to whether wealth maximization should be the sole goal of a corporation. Most people identify certain benefits for a business being socially responsible, but most of these benefits are still hard to quantify and measure.

Relationship between CSR and NMB financial performance, analysis of the study shows that there is relationship between CSR and financial performance even though is appear in positive and negative perspective and in this study the analysis revealed that there is negative relationship between CSR and financial performance as commented in agents theory, ROA, customer considerations and implications of CSR in the company financial performance where larger number of respondents comment that CSR improve more reputations and company image.

Contribution of corporate social responsibility on NMB PLC profit, analysis of the study shows that CSR does not contribute to profit/return of company because ROA is affected by CSR activities, and return is reduced each time by CSR activities when take place.

Challenge facing NMB PLC on corporate social responsibility, the analysis of the study shows that still CSR program is challenge to many business organization when you look small business organizations they fail to engage in CSR program, the respondent also comment on agent theory that shareholders are not willing to engage in CSR program as wealth are not maximized but minimized.

6.3 Recommendations

i. CSR and company profitability is that, it is a firm's financial performance that influences CSR and not the other way round, contrary to what the majority of researchers think. The idea is that firms that have 'spare cash' available are more likely to invest in society and the environment (McGuire et al. 1988). Firms take on the extra costs to benefit society as a whole and at the expense of their shareholders' personal wealth (McGuire et al. 1988). Therefore Small firm which have no spare cash should not invest in CSR to maximize shareholders wealth and share capital.
ii. CAG should find the solution of enforcing company Accountants departments consider to state CSR in their financial statement rather than just

state to their reports only, this can make shareholder to feel that their worth are not minimized.

iii. Government should introduce law which will enforce larger corporation with high profit and spare cash to engage in CSR rather than small business which need to grow.

6.3 Implication to policy Markers

The policy makers play a big role in the development of a nation. Bank of Tanzania (BOT) in collaboration with Ministry of finance, they should continue to formulate policies that strive to underscore the importance of community and customer focus by supporting the community through CSR that can insure the bank industry to create better reputation and emerge of the bank to the society and its customer.

Therefore, policy makers are supposed to strives every possible means to make sure that policies are implemented in time

6.3.1 Policy Recommendation

To the Government

It is hereby recommended that the Government should ensure that the policy and legal regime is established to regulate CSR programmed in Tanzania by way of which the process should be fully participatory indiscriminately involving all CSR stakeholders in the country.

That the Government should ensure that all public sector personnel including the rank and file, middle cadre staff, senior executives and political leaders are strictly disengaged from coordination of CSR programmes, but the beneficiaries' own entrusted representatives, in which case communities setting their own priorities and determining allocation and spending of CSR resources.

To the Companies

It is hereby recommended that companies should rescind from setting own agenda, priorities and strategies for executing CSR programmes without active involvement and participation of the intended benefiting communities and national organizations.

That collectively, the companies conduct critical self assessment and evaluation of their overall CSR programmes to identify strategic entry points of cooperation with CSR strategic stakeholders meant to ensure best practice and coordinated impact of CSR programmes.

To the Civil Society Organizations

It is hereby recommended that civil society organizations should Endeavour to plan and carryout more studies as means to get such authentic evidence necessary to backup quantitative and qualitative analyses, knowledge about the stock of CSR magnitude, appropriate CSR policy design, and development of viable CSR programmes in the country.

6.4 Area for further research

Since research is a continuous process, the same research should be done in other areas or other financial institution in Tanzania, not only that but also another research should be done on how CSR contribute to community social service development and individual economy

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APPENDIX I

Questionnaire for National Microfinance Bank PLC workers as respondents

Dear respondent;

The purpose of this questionnaire is to ask for your honest responses related to the impact of corporate social responsibility on organization financial performance a case of NMB PLC Tanzania. The finding will help to implement policy, bylaws and methods that NMB PLC can adopt them and improve shareholders wealth maximization where can increase profitability of NMB. The information offered will not be disclosed to anybody else since the report is for academic purpose only.

General instructions

a) Please tick (V) where appropriate

1. Sex of respondent

a) female ☐

b) Male ☐

2. Education level of respondent

a) primary ☐

b) Secondary ☐

c) Certificate/diploma ☐

d) Bachelor/master degree ☐

3. How do your companies apply CSR?

a) Environmental protection ☐

b) Charity works ☐

c) Human management ☐

d) Sponsorships ☐

4. Is there any relationship between CSR and Financial Performance

a) Yes ☐

b) No ☐

5. If yes explain what the relationship is? ……………………………….

6. If No explain ……………………………………………………………

7. When did the NMB plc implement the policy of CSR? ……………………

8. Are the customer of National Microfinance Bank public listed company consider actively work with corporate social responsibility?

a) Yes

b) No

9. What is your customer consider more in their satisfaction?

a) Quality service delivery

b) CSR

c) Products offered

10. What make National Microfinance Bank public listed company have high financial performance?

a) Quality service delivery to customer

b) Apply of corporate social responsibility

c) Products they offered

11. Do you believe that return on asset of the bank can be affected by corporate social responsibility?

a) Yes

b) No

12. Are the agent theory matches with corporate social responsibility?

a) Yes

b) No

If yes how? ………………………………….

13. Why do the companies engage in corporate social responsibility?

a) Improve reputation and image

b) Improve financial performance ☐

c) Improve market share ☐

14. Which area do your company have corporate social responsibility?

a) Environment ☐

b) Social issues ☐

c) Working environment ☐

d) Urban investment ☐

15. What are the implications of corporate social responsibility in your company?

a) Increase profitability ☐

b) Increase shareholders wealth ☐

c) Increase reputation ☐

16. What the company improve more when engage in corporate social responsibility?

a) Shareholders wealth ☐

b) Return on Asset ☐

c) Reputation and image ☐