The Impact of Corporate Social Responsibility on Firm Performance under Challenging Circumstances (2010-2015).

Author's Details:
(1) Chirima Darlington Tinashe (2) Mutanda Clarence
Bindura University of Science Education-Department of Banking and Finance

Abstract:
The major aim of this study was to examine the impact of Corporate Social Responsibility (CSR) on business performance using a sample of 50 firms operating in Zimbabwe. What prompted the study are the underlying adverse general macro-economic conditions prevailing in Zimbabwe. More specifically the study investigated the CSR activities done by firms operating in Bindura and their impact on corporate image and performance. Numerous scholars have observed an escalation in CSR investments proving a worldwide growing interest in the concept. Companies are spending large amounts of money in their commitments to the local communities, work places and market places. The methodology used in this paper employed a descriptive research design. 50 questionnaires were distributed to the most senior managers of the 50 chosen firms and another set of questionnaires was distributed to a sample of 100 members of the public randomly selected. Data analysis was done using regression and correlation analyses utilising the SPSS software. CSR activities done by Zimbabwean firms are diverse and range from sponsoring disadvantaged children's education, sporting activities, training and supporting local SMEs, protecting the environment, poverty alleviation through job creation, construction of schools, computer laboratories for students, to road maintenance activities. The findings show that a positive relationship exists between CSR and performance; and also between CSR and corporate image creation. Zimbabwean firms which invest in CSR are set to outperform those that do not because CSR is being used as a social marketing tool.

Key Words: *Corporate Social Responsibility, Sustainable Development, Good Corporate Citizenship, Ethical Behavior, Corporate Performance, Social Marketing*

1.0 INTRODUCTION

The past five decades have witnessed a rapid worldwide escalation in Corporate Social Responsibility (CSR) interest due to the need for sustainable development and the need for companies to be good Corporate Citizens. The corporate scandals in both the developed and developing countries could have also propelled the concern in social and ethical responsibilities in recent years. Several scholars agree that CSR is a voluntary process initiated and driven by the companies (McWilliams and Siegel, 2001; Jones and George, 2006; Robbins and Coulter, 2012). There is a continuous need for the companies to operate with the needs and interests of the society at heart (Crane et al., 2008). However, the concept of CSR has been widely contested. Friedman (1970) argued that a company's involvement in social responsibility is a waste of stockholders' wealth. On the other hand, scholars like Emmot (2002); Brick et al, (2010); Chandler and Werther (2005) as well as Jones and George (2006) observed that CSR is strategic, and its activities have increased in their importance such that lack of it can jeopardize the organisation's legitimacy and tarnish the name of the company on which the market value depends on.

CSR activities in the African context have of late been perceived as tied to development and improvement of local infrastructure (Amaeshi et al., 2006; Visser, 2008). The need to link CSR to development has been viewed as problematic (Okonye, 2012) since the debate on whether CSR should have a role in development has not been settled (Ite, 2004; Blow Field, 2005). Moreover, Frynas (2005) has argued that if CSR activities are tied to the development agenda, they will have taken over the role that African governments are supposed to be performing. This then poses a serious challenge when we have governments mandatorily asking for corporate contributions towards development. In Zimbabwe, foreign owned firms in the mining sector are expected to

surrender 51% stake to locals, transfer 10% of the stake to the Community Ownership Trust, pay 25% corporate income tax and other levies ranging from local government to national level against nose diving revenues. Okonye (2012) observed that the challenge is worsened in environmental contexts were the government acknowledges a shared CSR role and begins to regulate for private sector firms to involuntarily contribute.

Many studies on the relationship between CSR and company performance have found mixed results (Waddock and Graves, 1997; Alford and Naugthon; 2002; McWilliams and Siegel, 2001). Although the bulk of the studies investigating CSR were a job well done, little is known about CSR in a unique turbulent developing environment. Zimbabwe's contemporary macro-economic landscape distinguishes her. The inconsistent government policies, high tax rates, adverse labour laws, high production costs in an economy with nose-diving turnover figures makes the stance of firms operating in Zimbabwe quite unique. Are there any firms in Zimbabwe still investing in social gooding? What are their motives? Is it beneficial to the firms anywhere? These and other questions are at the heart of this study.

2.0 LITERATURE REVIEW

2.1 Overview of CSR

Even though the debate on the CSR concept has spawn many decades, the fundamental principle remains unchallenged- the link between the corporate world and the society. Jones and George (2006), as well as Robbins and Coulter, (2003), define CSR as the organisation's obligation to give back to the society and pursue long term goals that are good for the society beyond what is economically and legally required. Crane et al. (2008) state that CSR is the deliberate inclusion of public interest into corporate decision making. Being socially responsible means people and businesses must act with sensitivity towards social, cultural, economic and environmental issues. This helps individuals, communities and business societies to achieve the bottom line results.

Empirical evidence suggests that companies that exhibit CSR have a better reputation, enhanced firm's brand publicity which converts into customer loyalty. CSR can improve a company's reputation, competitiveness, legitimacy, and branding and this, in turn, improves the prospects for the company to be more effective in the way that it manages communications and marketing in efforts to attract new customers and increase market share (Rowley and Berman, 2000; Chandler and Werther, (2005); Halgh and Jones, 2006). CSR as a concept with various tools can help a company to position itself in the marketplace as a company that is more responsible and more sustainable than its competitors. Kotler and Lee (2005) suggest that the issue of CSR has brought about a new term 'Societal Marketing.' Moreover, CSR helps to differentiate a company and its goods and services (Lyon 2009). Customers want to support companies who are doing the right, legal and ethical thing. Investing in CSR is a positive step in enhancing the public image of the organisation (Caroll and Buchholtz, 2006). As a result, companies that possess CSR are more likely to sell their wares and services than those that are profit oriented only (Chandler and Werther, 2005).

CSR reduces employee turnover rate and improves employee motivation if firms practice good relations with its workers (Crane et al., 2008). Employees who view a company as ethical will be highly motivated to work for the company. Companies that employ CSR related perspectives and tools tend to be businesses that provide the pre-conditions for increased loyalty and commitment from employees (Caroll and Buchholtz, 2006). These pre-conditions can serve to help to recruit employees, retain employees, motivate employees to develop skills, and encourage employees to pursue learning to find innovative ways to not only reduce costs but to also spot and take advantage of new opportunities (Lyon 2009).

Companies with good CSR frameworks will attract more and more investors, thereby increasing the business access to capital. Reputation is of utmost importance for the investors who want to invest in any company (Lyton, 2009; Chandler and Werther, 2005; Caroll and Buchholtz, 2006). A better reputation means better

public perception. The investment community has been exploring the links between corporate social responsibility and financial performance of business. There is growing evidence that companies that embrace the essential qualities of CSR generally outperform their counterparts that do not use features of CSR (Maxwell 2009).

Arguments against CSR appear to exist simply because of the differences in defining CSR by scholars and organisations alike. According to Baker (2008), the responsibility that organisations have to tackle must be to do with the core activities not simply about organisations giving money away to charity. Baker (2008), identified the key arguments most often used against CSR and they include the following;

i. Businesses are owned by shareholders and money spent on CSR by managers is theft of the rightful property of the owners (Friedman, 1970). From a purely economic perspective, when a company is engaged in social responsibility, it is just wasting its resources and reduces its profits and the capacity to achieve growth (McWilliam and Siegiel, 2001).
ii. The leading companies with the most effective business leaders do not waste time with this stuff. By becoming a socially responsible company, this means management will divert from and dilute the main purpose of the company.
iii. A company may be too busy to survive hard times to do CSR- the company may not afford to take the eyes off the ball. The company has to focus on core business.
iv. CSR is the responsibility of the politician to deal with all this stuff not the role of the business (Amaeshi et al., 2006; Visser, 2008; Okonye, 2012)
v. Corporations don't care; they are just out there to screw the poor and the environment to make their obscene profits.

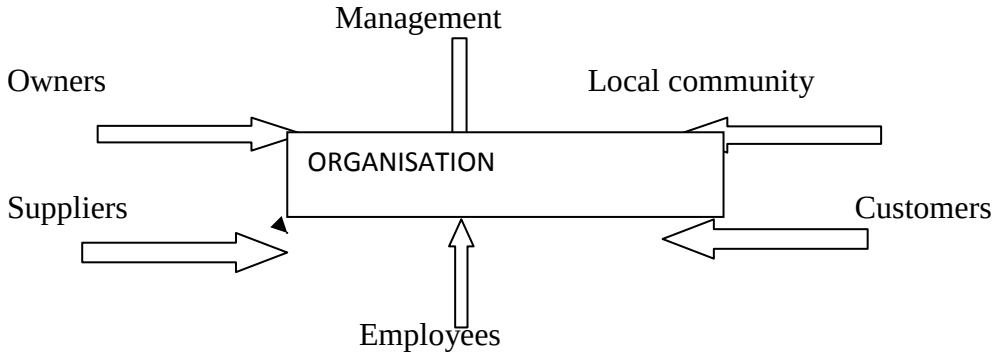
2.2 Theoretical framework

The CSR field presents a multiplicity of approaches today and some of the major ones include;

2.2.1 The Stakeholder Theory (Freeman, 2003)

According to Wijnberg (2000), Freeman et al., (2003), each stakeholder has a right to claim something from the firm for example shareholders have the right to ask certain actions from management who are custodians of their investments. Jensen (2000), states that companies which are socially responsible should balance the interests of all stakeholders. Different stakeholders of the organisation are shown below.

Fig 1: The Stakeholder Theory



Source: (Freeman, et al., 2003; Jensen, 2000)

Phillips (2003) observed that the interests of stakeholders are interchangeable. Freeman et al. (2003), states that owners of the firm have a financial stake in the form of stocks and they anticipate dividends or capital gains.

Apart from owners, Donaldson and Preston (2003), state that employees play their part in the organisation by providing labour to the organisation and in return expect job security, salaries, and benefits. Other key stakeholders who have a claim on the organisation are the suppliers, customers, government, and communities.

2.2.2 The Triple Bottom Line Theory

According to Crane (2004), the triple bottom line theory is a concept which claims that companies should not only focus on economic goals but should also focus on environmental and social values. The concept is linked to the stakeholder theory since it focuses on economic value, environmental value, and social value. Freeman (2003) argued that there is a need to create synergy amongst these three dimensions. Richardson (2004), states that this theory enables the company to be relevant to society and the natural environment in which it operates. Furthermore, McKague et al., (2005), observed that the concept facilitates sustainable development to avoid extinction of species.

2.2.3 The Shareholder Value Approach

The Shareholder Value Theory has its roots in the classical ground breaking proposition by Friedman (1970). Friedman (1970), as cited by Athreya (2009) as well as Story and Price (2006), states that a good criterion in doing business is that which takes the straightforward contribution to shareholder value maximisation. According to this group of scholars, the only responsibility of a company is to use its resources and be involved in activities that will increase its profit as long as it is within acceptable boundaries. From this perspective, any investment in social gooding that would yield shareholder value maximisation should be made, but if the social demands impose risks on the organisation, they should be rejected. Chandler and Werther (2005) criticised Friedmanians arguing that due to the increased importance of CSR, lack of it can jeopardize the organisation's legitimacy and tarnish the name of the organisation. According to Grayson (2001), organisations that only focus on profit are seen as doing business from a short-term perspective.

2.2.4 Corporate constitutionalism

Wijnberg (2000) explored the role of power that an organisation has in the community and the social impact of this power and introduced organizational power as a new concept in the debate of CSR. Philips (2003) holds that an organisation is a social institution and it must use power responsibly. Dion (2001), states that an organisation that does not use its social power in the right manner will lose it because other groups will finally come in to assume those duties. Since the company practice CSR, it has created a favourable image to clients, and it can even charge a bit higher prices which clients may not quickly notice because they have the company at heart.

2.2.5 Corporate citizenship

Matten et al. (2003), defines corporate citizenship as the organisation's ability to become actively involved in activities that enhance the welfare of people. Wood and Logsdon (2002) treat corporate citizenship as CSR, and they argue that in CSR a company is treated as outside the community, but corporate citizenship takes the company as part of the society. Furthermore, Altman and Vidaver-Cohen (2000), proposed that corporate citizenship exposes the role of the company in society.

2.2.6 Social responsiveness

Dick-Forde (2005), defines social responsiveness as the concept by which a company can identify, give value and reacts accordingly to social and political factors that may affect the society. Donaldson and Dunfee (2000), states that there is need to consider the difference between what the firm is doing in respect to the expectation of the public and the firm's actual performance. The firm should see the gap and take action in order to close the

gap. Companies quickly intervine to rescue the society if a need arises showing a great element of social responsiveness.

2.2.7 Sustainable development

Cashore (2002), states that Sustainable Development (SD) is another values-based concept, which has recently gained momentum. According to Colbert et al. (2008), SD attempts to satisfy the needs of the present generation without compromising the ability to meet the needs of future generation. According to the WBCSD (2000), SD needs the integration of economic, social, and environmental considerations in order to draw a balanced conclusion for the long term.

2.3 Empirical evidence

Mohr et al. (2001), conducted a survey to see the impact of CSR on buying behavour. They sought to investigate if CSR affects purchasing decisions. Mohr et al. (2001), found that most of the respondents indicated that they are positive towards business in general and towards socially responsible companies and they would like to have systematic information on company's social responsibility records. Husted and Allen (2009) conducted a study in Mexico with the objective of investigating the condition under which CSR is related to value creation. The study utilised a questionnaire survey and a sample size of 478 firms. The study found that multinational enterprises in Mexico are more likely to create value from CSR programs when such programs arise as a result of industry, tax or regulatory constraints.

Goll and Rasheed (2004) carried out this research to determine the relationship between social responsibility and firm performance using a sample size of 62 firms. In their study, they found out that there is a statistically significant relationship between two measures of firm performance that is ROA and ROS and discretionary social responsibility in both highly munificent and in low munificent environments. Bhattacharya and Sen (2011) conducted a study investigating the relationship between CSR and competitive advantage. Their intention was to demonstrate the efficacy of CSR as a challenger's competitive weapon against the market leader. They found that CSR is a complementary marketing strategy to win a competitive advantage. The results provide an insight into the efficacy of CSR as a challenger's competitive instrument against a market leader.

3.0 METHODOLOGY

This study made use of a mixed approach where both qualitative data and quantitative data was utilized. Zikmund (2007), states that descriptive survey is a social science research method which makes use of questionnaires and interviews in order to obtain data. Punch (2006), defines it as the method that looks at the phenomenon with intense accuracy and then describes briefly what the researcher sees. Questionnaires with both open ended and closed questions were self-administered. The population under investigation were the mining, manufacturing, retailing, and service companies operating in Bindura, Zimbabwe. Data was then collected from a sample of CEOs, General Managers, Directors or CFOs drew from 50 companies operating in Bindura using stratified random sampling. Another set of 100 questionnaires was self-administered to the general public of Bindura town randomly. A pilot test of the research instrument was done prior to the final distribution of the questionnaires.

Multiple regression and correlation analysis were used to find the relationship between dependent and independent variables. The regression equation used is for unstandardised data $Y=\alpha+\beta_1X_1 + \beta_2X_2 + \beta_3X_3 +\ldots\ldots\ldots+ \beta_n X_n$ where α is a constant, β_1 is the coefficient of the first independent variable (X_1), β_2 is the coefficient of the second independent variable (X_2) up to the nth term and Y will be the dependent variable. Corporate image and performance were the dependent variables against all other related variables under study. Regression was tested at 5% level of significance. The study managed to achieve a response rate of 84% mainly because of self-administering the research instruments.

4.0 FINDINGS

4.1 CSR activities done by organization's in Bindura

Table 1: Socially responsible activities done by organisations in Bindura

	Giveback	Caring	Conditions	Funding	Advertising	community	Sponsoring
N Valid	42	42	42	42	42	42	42
Missing	0	0	0	0	0	0	0
Mean	1.50	1.00	1.00	2.17	2.79	1.00	1.00
Median	1.00	1.00	1.00	2.00	3.00	1.00	1.00
Mode	1	1	1	2	1	1	1
S Deviation	1.153	.000	.000	1.034	1.601	.000	.000

Source: Primary data

A corporate socially responsible company is the one who is able to balance the needs of all stakeholders. The first element given was assessing whether companies have a duty to give back to the communities they operate in and the results obtained revealed a mean of 1.5, a median of 1, a mode of 1 and a standard deviation of 1.153. The results indicate that the general public expects companies to give back to the communities from which they operate in. On the provision of sponsorship to sporting activities, the results obtained indicated a mean of 1, median of 1, mode of 1 and standard deviation of 0. The results support that companies strongly support sports sponsorship. The results also make it clear that organizations are engaged in social investment through sustainable development, sponsoring education by providing fees to students and participating in community development programs. Organisations contributes to poverty eradication by providing assistance to the society.

The bulk of the sampled organisations in Bindura are engaged in ESOS which improve the welfare of workers. According to Freda Rebecca annual report of 2014, the company indicated that it had established a corporate social investment (CSI) frame work. The company conserves the environment, it has been certified with ISO 14001 and finally it puts a priority on employee health and safety. Most companies in Bindura managed to promote the welfare of citizens which greatly raised the people's standard of living. Delta beverages and Econet are some of the companies which have very loud CSI activities.

Delta is engaged in sponsoring the premier soccer league through the Castle Larger brand; it sponsors education; it sponsors people with disabilities through the Daniko program; and also makes great visible strides to improve the health and safety of its employees. Econet provides fees to intelligent individuals who are disadvantaged through Capernaum Trust (CT) and Joshua Nkomo Scholarships. Econet has also established a computer laboratory at Bindura University to assist students in their studies. All sampled companies in the retail sector avoid selling expired products, they charge reasonable prices and try to achieve their profit motive in the most appropriate manner, even though the operating environment is tense.

4.2 The impact of CSR on corporate image

In this case, we are testing the existence and strength of the relationship between independent and dependent variables of the equation at 5% significance level. The first equation measures the relationship between corporate image (CI) or reputation as dependent variable against advertising (AD), environment (E), regulatory(R), attributes (A), funding (F) and recycling (RC) as independent variables.

Table 2: Pearson's correlation coefficient

Dependent variable	Independent variable	Correlation
CI	AD	0.219
CI	E	0.369
CI	R	0.892
CI	RC	0.372
CI	A	-1.52
CI	F	-1.78

Source: Primary data

From the above diagram, it is clearly shown that ethical advertising, integration of environmental management, the establishment of CSR compliance and regulatory measures have a positive impact on the corporate image. The relationship is high (0.892) when organisations dwell much on establishing CSR compliance and regulatory frame work measures. This is possibly because what the law requires is the basic and fundamental and hence attaining that improves corporate reputation.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.899[a]	.807	.774	.147

Source: Primary data

In this case, our R square is 0.807 or 80.7% meaning that the model is good and its prediction since the coefficient of determination is very close to one. Accordingly, this implies that 80.7% of the changes in our dependent variable, corporate image, is a result of changes in independent variables (provision of product quality and ethical advertising, involvement in environment management, funding community projects, establishing CSR compliance, and regulatory measures, improving product attributes and recycling of raw materials and equipment).

Table 4: Anova

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.153	6	.525	24.452	.000[a]
	Residual	.752	35	.021		
	Total	3.905	41			

Source: Primary data

Predictors- A, AD, R, RC, E and F, Dependent variable (Corporate Image). Since the value of sig F is 0 which is less than 5% our level of significance, therefore the joint relationship between dependent and independent variables is extremely significant.

Table 5: Coefficients of variables

Model		Un standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.167	.201		.831	.411
	Funding	.002	.033	.007	.067	.050
	Advertising	.019	.039	.101	.499	.001
	Environment	-.044	.072	-.184	-.604	.000
	Regulatory	.872	.081	.965	10.721	.000
	Recycling	-.012	.111	-.025	-.105	.917
	Attributes	-.005	.033	-.019	-.155	.878

Source: Primary data

The regression line is Y=a+bx, using the unstandardised data the equation is given below;

Using multiple regression system $Y=\alpha+\beta_1X_1 + \beta_2X_2 + \beta_3X_3 +\ldots\ldots\ldots+ \beta_n X_n$. This implies that

$$CI = 0.167 + 0.02F + 0.19AD - 0.44E + 0.872R - 0.12RC - 0.05A$$

The regression equation indicates that provision of funding to the community, ethical advertising by organisations, the establishment of a CSR compliance and regulatory measure have a positive impact on business reputation or corporate image. However, the spending of money on recycling of raw materials and an increase in products attributes appears to be negatively related to the corporate image. The first three elements support the idea that CSR activities positively affect the reputation of the organisation.

These findings are similar to those obtained by Mohr et al. (2001), who found out that most respondents have an interest in socially responsible companies and consequently affect their purchasing decisions. David et al. (2005) carried out a study to investigate the impact of CSR on corporate identity and purchasing decisions. In their study, they found out that CSR initiatives seem to have a positive effect on corporate identity and purchasing intentions.

4.3 Testing the relationship between CSR and business performance

The dependent variable is performance (PM), and the independent variables are F, A, AD, R, RC, and E using a 0.05 level of significance.

Table 6: CSR v. Performance- Pearson's correlation coefficient.

Dependent variable	Independent variable	Correlation
PM	AD	0.384
PM	E	0.539
PM	R	0.866
PM	RC	0.535
PM	A	-0.222
PM	F	-2.14

Source: Primary data

Table 6 above shows the strength of the relationship between dependent and independent variables. The table shows that AD, E, R, RC are positively related to performance while A and F are negatively related to performance. This implies that if the firm is engaged in ethical advertising, provides support to the environment, establish CSR compliance and regulatory measures alongside with the recycling of raw materials, this will greatly influence firm performance.

Table 7: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882[a]	.778	.740	.246

Source: Primary data

The value of R square is 0.778 or 77.8% meaning that the model is good and its prediction is strong. This model best fit our data since the coefficient of determination is close to one. 77.8% of changes in performance (dependent variable) is mainly caused by changes in our independent variables which are the provision of product quality and ethical advertising, involvement in environment management, funding community projects, establishing CSR compliance, and regulatory measure, improving product attributes and recycling of raw materials and equipment.

Table 8: Anova

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.394	6	1.232	20.432	.000[a]
	Residual	2.111	35	.060		
	Total	9.505	41			

Source: Primary data

The Anova table shows that the value of sig F is 0 meaning that the joint relationship between the dependent and independent variable is very strong and significant.

Table 9 Coefficients of variables

Model		Un standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.622	.337		-1.848	.073
	Funding	.070	.056	.150	1.250	.000
	Advertising	.048	.065	.160	.736	.000
	Environment	.044	.121	.118	.360	.021
	Regulatory	1.117	.136	.792	8.195	.000
	Recycling	.028	.186	.039	.150	.000
	Attributes	.033	.056	.077	.583	.045

Source: Primary data

Using the unstandardised data, the equation is

$$PM = -O.622 + 0.07F + 0.048AD + 0.044E + 1.117R + 0.028RC + 0.033A$$

The regression equation shows that CSR activities positively influence business performance. As shown in the equation, the provision of funds to the community, ethical advertising, engagement in environmental management, the establishment of a CSR compliance and regulatory frame work, recycling of raw materials and the improvement of product attributes positively affect the performance of the firm. Goll and Rasheed (2004) carried out their study to investigate the relationship between CSR and firm performance. They found out that there is a significant positive relationship between ROA and social responsibility. Brik et al. (2010) also found out that CSR has synergistic effect on the impact of market orientation on business performance.

5.0 SUMMARY

The study investigated the impact of CSR on business performance on firms operating in Bindura and the socio-economic effects it had. The study was restricted to organisations in Bindura and the period under study was from the year 2010 to 2015. The review of the related literature was done which enabled the researcher to define and limit the problem, to place the study in a historical and associational point of view to avoid unintentional and unnecessary duplication. This study utilized the descriptive survey research design and the sample under study consisted of 50 firms operating in Bindura and 100 members of the public randomly selected for the questionnaire survey. The overall response rate was 84%.

The study found that organisations are operating in Bindura like Freda Rebecca mine, Econet, Delta Beverages, Bindura University, Fruit Delight and Ok Zimbabwe among others, have numerous CSR initiatives impacting upon the communities, employees, and the nation. These organisations are engaged in social responsibility activities like sponsoring intelligent students who face financial constraints, sports sponsorships, community development programs, environmental conservation programs, SMEs training, and support, local farmers' training and support, poverty alleviation through the provision of jobs and contracts to locals, etc.

More so, the another important finding was the realization that CSR has a positive impact on the corporate image. An R value of 0.807 indicates that 80.7% of changes in the corporate image are a result of changes in the independent variables. This implies that 19.3% of changes in the corporate image are a result of other factors besides CSR.

Finally, the findings also show that CSR has a positive impact on business performance. The value of R Square was 77.8%, implying that 77.8% of changes in performance were a result of changes in our independent variables. In other words, 22.2% of changes in business performance were caused by other factors besides CSR.

6.0 RECOMMENDATIONS

In light of the findings above, this study, therefore, proposes the following recommendations:

i. Companies must have a functional CSR framework and regulatory measures as part of their policies.
ii. The government should provide incentives, like tax cuts, to companies that invest in CSR activities.
iii. The government should offer annual awards openly to companies that dwell more on CSR activities.
iv. Companies should establish CSR departments responsible for CSR initiatives and policies.

6.2 Recommendations for future research

Since this study mainly concentrated on a sample of 50 firms operating in Bindura town, Zimbabwe, the researchers recommend that future studies must try to survey the whole country. Moreover, it will be more beneficial if the exact impact of CSR initiatives on performance is investigated using actual financial data across an extended period say over 10 years using either ROE or ROA or ROS.

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