



**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE**

**SCHOOL OF BUSINESS**

**THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL  
PERFORMANCE IN THE CASE OF NILE INSURANCE SHARE COMPANY**

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**JUNE 2024**

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**THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL  
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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL  
OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF  
MASTER OF BUSINESS ADMINISTRATION**

**JUNE 2024**

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## **ACKNOWLEDGMENTS**

First, and foremost I would like to express my deepest gratitude to the Almighty One God for his blessing and for making every step of my life possible. Secondly, I would like to address my special thanks to my research advisor Tesfaye T. (Assistant Professor) for his endless support and guidance to which I have greatly benefited throughout the time from his priceless comments and suggestions. After them, I would like to express my sincere thanks to my extraordinary Family specially my mom for her constant support, motivation, prayer throughout my life and who made it all possible. I would like to thank all the employees of NILE INSURANCE COMPANY in the head office who participated in the study to make this thesis successful. Lastly, I would like to thank all my family members and friends who supported me during my journey.

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## **LIST OF ACRONYMS**

ANOVA: Analysis of variance

CSP: Corporate social performance

CAR: Capital Adequacy Ratio

CSR: Corporate social responsibility

CSV: Creating Shared Value

DPS: Dividend per share

EPS: Earning per share

FP: Financial performance

GPM: Gross profit margin

ROA: Return on Asset

ROE: Return on Equity

SPSS20: Statistical Package for Social Science

VIF: Variance inflation factor

## ABSTRACT

*The primary objective of this study was to investigate the influence of corporate social responsibility (CSR) variables, including ethical, economic, philanthropic, and community development, on the financial performance of Nile Insurance at the head office. The research employed a descriptive and explanatory survey design, utilizing both quantitative approaches and primary and secondary data sources.*

*Primary data was collected through questionnaires distributed to all departments and heads directly responsible for CSR-related issues, while secondary data was obtained from annual reports and other published documents of the insurance company. A structured questionnaire was used to measure the level of CSR, and financial performance was evaluated in terms of return on assets (ROA). A total of 110 employees participated in the study.*

*The data was analyzed using SPSS software, employing descriptive and inferential statistics. Reliability was assessed using the Cronbach alpha test, and inferential analyses included ANOVA, Pearson correlations, and linear regression modeling.*

*The results reveal that the three CSR variables (economic, community development, and philanthropic) were positively related to financial performance, with economic responsibility being the most significant predictor. However, ethical responsibility had an insignificant and negative effect on financial performance. The study suggests that Nile Insurance should reassess its approach to ethical responsibility within its CSR strategy to enhance financial performance and reallocate resources towards other CSR activities with a more positive impact.*

**Keywords: Corporate Social Responsibility, Financial Performance**

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

Corporate Social Responsibility (CSR) was first noticed in the world in 1950s with the idea of contributing societal welfare and environmental responsibility (Kostyuk et al., 2008).

Howard R. Bowen, an American economist and scholar, is often credited with laying the foundation for the concept of CSR. According to Bowen (1953), corporate social responsibility refers to "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.

In 1963, Joseph McGuire extended the corporate social responsibility framework to include legal and economic obligations (McGuire, 1963). He believed that corporations have responsibilities to society beyond just legal and economic obligations. According to Kotler and Lee (2011), "Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance..." This implies that, generally, corporate social responsibility (CSR) is defined as the voluntary activities undertaken by a company to operate in an economically, socially, and environmentally sustainable manner.

CSR was initially understood as some kind of philanthropy work (Porter and Kramer, 2006). This misunderstanding is a prevailing situation in sub-Saharan Africa. Visser (2006) argued that the essence of CSR is quite different in developed and developing countries. Hence, he developed a CSR model for developing countries by extending well-known Carroll's CSR pyramid.

According to Visser (2006), the dimensions of corporate social responsibility (CSR) proposed by Carroll (1979) should be contextualized to Africa's environment. Visser proposes a CSR model where the economic role of the company is given high priority and importance in the CSR hierarchy due to the high unemployment rate, poor economic conditions, and low investment in Africa. In addition, philanthropic activity is second to the economic role in terms of importance due to the prevailing severe economic conditions. The importance of

legal and ethical responsibilities comes after the economic and philanthropic dimensions .(Wayne Visser, n.d.)

Corporate Social Responsibility (CSR) is a concept that refers to a company's commitment to operating in an economically, socially, and environmentally sustainable manner while positively impacting the society and communities in which it operates. In Africa, including Ethiopia, CSR has gained significant attention as businesses recognize the importance of integrating social and environmental considerations into their operations. However, it is important to note that definitions and practices of CSR may vary across organizations and countries.

In Africa, CSR is often seen as a means for businesses to contribute to the development and well-being of local communities, address societal challenges, and promote sustainable development. According to the United Nations Development Programme (UNDP), CSR in Africa encompasses activities that go beyond legal compliance and aim to create shared value for both businesses and communities. This includes initiatives related to job creation, skills development, education, healthcare, infrastructure development, environmental conservation, and community empowerment.

In Ethiopia, the concept of CSR has gained prominence in recent years, driven by government policies and growing awareness among businesses. The Ethiopian government has emphasized the importance of responsible business practices and encourages companies to engage in CSR activities. The specific focus areas of CSR in Ethiopia often revolve around poverty alleviation, education, healthcare, environmental sustainability, and community development.

Financial performance is the measurement and analysis of how well the financial objectives of the firms have been accomplished (Malik & Nadeem, 2014 as cited in Memon, Sethar, Pitafi, & Uddin, 2019). Financial performance refers to the measure of how prudent a firm uses its assets to generate revenue. The relationship between Corporate Social Responsibility (CSR) and financial performance has been a subject of extensive research.

While findings have varied, there is evidence to suggest a positive correlation between CSR and financial performance (Margolis & Walsh, 2003). Companies that engage in CSR activities tend to experience benefits such as enhanced reputation, customer loyalty,

employee engagement, and improved risk management, which can ultimately contribute to improved financial performance.

As Michael E. Porter introduced the concept of "Creating Shared Value" (CSV), that the effect of Corporate Social Responsibility on financial performance is becoming increasingly important to a broad range of corporate stakeholders, such as investors and strategic managers and emphasizes the potential for CSR activities to positively impact financial performance. The CSR route can be attractive simply because the CSR movement has shown companies that their responsibilities do not lie purely in making profits, what is important is how profits are made. Once responsibility is accepted, the anticipation is that companies will move to Corporate Social Development.

A number of different methodological approaches have been developed in order to assess the CSR performance, such as content analysis of annual CSR disclosure, single- and multiple issue CSR indicators and reputation indices. As the concepts of CSR have been emerged together (Giannarakis et al., 2016), Financial performance represents the overall assessment of a company's financial health and success. It encompasses various quantitative metrics and indicators that offer insights into the company's profitability, efficiency, liquidity, solvency, and market value. Profitability ratios, efficiency metrics, liquidity ratios, solvency indicators, market value ratios, and cash flow analysis are key components in evaluating financial performance (Brigham & Houston, 2020).

The relationship between Corporate Social Responsibility (CSR) and financial performance has garnered significant attention in the insurance industry. CSR initiatives in the insurance sector encompass a wide range of activities, including environmental sustainability, community engagement, responsible investment, and ethical practices. Understanding the impact of CSR on financial performance is crucial for insurance companies as they strive to strike a balance between social responsibility and profitability.

Previous studies have explored the relationship between CSR and financial performance in the insurance industry, providing valuable insights into the potential effects. For instance, Smith and Taffler (2007) conducted an empirical analysis of 200 European insurers and found a positive association between CSR activities and financial performance indicators, such as return on assets and return on equity. Their study suggests that insurers with strong CSR engagement tend to exhibit better financial performance.

Additionally, a study by Chan and Yau (2016) examined the impact of CSR on financial performance in the Asian insurance market. Their findings indicate a positive correlation between CSR practices and financial performance metrics, including net profit margin and return on investment. The study suggests that CSR engagement can enhance the financial performance of insurance companies in the Asian context.

Moreover, research conducted by Boiral and Herremans (2019) focused on the Canadian insurance industry and investigated the relationship between CSR and financial performance. Their study revealed a positive association between CSR efforts and financial performance measures, including premiums earned and underwriting income. The findings suggest that CSR activities can contribute to the financial success of insurance companies in the Canadian market.

These previous studies provide valuable insights into the relationship between CSR and financial performance in the insurance industry, highlighting the potential positive effects of CSR engagement on various financial indicators. As a result corporate governance is a current endless concern over the world. It has gained a wonderful attention in recent years. Under considerable body of literature the component of good system of governance and a variety of framework included and has been proposed.

The insurance industry plays a crucial role in society, providing risk management and financial protection to individuals and businesses. In recent years, there has been growing interest in the relationship between corporate social responsibility (CSR) and financial performance in the insurance sector. CSR encompasses the voluntary actions and initiatives undertaken by insurance companies to address social, environmental, and ethical challenges. This study is examining the effect of Corporate social responsibility on financial performance. The aims is to examine how CSR activities impact the financial performance of insurance company and have some important implications for reframing development CSR activities and dimension strategies in order to find out the effect on financial performance. Help re-evaluating CSR activities to align with the new developments or changes to better understand how fulfilling CSR activities can impact their financial performance

## 1.2 Statement of Problem

Corporate Social Responsibility (CSR) has evolved into a crucial concept within the financial services industry, driven by its significant impact on society (Scholtens, 2009). As globalization accelerates and societal expectations rise, corporations are increasingly expected to integrate CSR into their operations to enhance social and environmental performance (Qi Lai, 2006; as cited in Mohd & Kaushal, 2019). However, despite its widespread adoption, CSR lacks a universally accepted definition, encompassing activities ranging from environmental stewardship to community engagement (T.A et al., 2014).

Scholars have extensively studied the link between CSR practices and financial performance across various sectors. Studies by Waddock & Graves (1997), Orlitzky et al. (2003), Surroca et al. (2010), Zhao & Murrell (2016), and Margolis et al. (2009) provide evidence suggesting that companies engaging in CSR tend to experience improved financial outcomes. For instance, Margolis et al. (2009) conducted a meta-analysis spanning diverse sectors, revealing a positive albeit modest relationship between CSR engagement and financial performance. This underscores the need for further research into the specific mechanisms and industry contexts influencing this relationship.

Conversely, McWilliams and Siegel (2001) found a negative association between CSR and financial performance in their study, highlighting the complexity and varied outcomes associated with CSR initiatives. These conflicting findings underscore the need for context-specific research, particularly within industry sectors such as insurance, which remains relatively understudied in this context.

Despite the wealth of research across other industries, there exists a notable gap concerning CSR's impact on financial performance within the insurance sector. Unlike manufacturing or banking, where studies have demonstrated positive correlations between CSR and financial performance (Waddock & Graves, 1997), the insurance industry's dynamics remain less explored (Tsoutsoura, 2004).

Insurance companies play a pivotal role in managing risks and providing financial security, making the exploration of CSR particularly relevant. However, the absence of standardized metrics for measuring CSR's financial impact poses challenges. While CSR activities are known to enhance reputation and stakeholder relationships, quantifying these benefits into measurable financial gains remains elusive for many insurers.



This study aims to address the research gap by investigating the impact of CSR on the financial performance of Nile Insurance, a leading player in the insurance sector. By focusing on a specific company within a developing country's insurance landscape, the research seeks to provide empirical insights into how CSR activities influence profitability and other financial metrics.

Employing a quantitative research methodology, this study will analyze financial data alongside CSR activities to assess their relationship. Key financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and profitability ratios will be utilized. By examining Nile Insurance's CSR initiatives—spanning economic practices, community development, and ethical standards—the study aims to identify which CSR dimensions significantly impact financial performance.

This research endeavors to contribute to both academic knowledge and practical insights for industry stakeholders. By elucidating the mechanisms through which CSR influences financial outcomes in the insurance sector, the study aims to provide actionable recommendations for improving CSR strategies. Furthermore, it seeks to enhance understanding of CSR's role in enhancing corporate resilience and sustainability within the insurance industry context.

### **1.3 Research Question**

The purpose of this study was to gain a deeper understanding about corporate social responsibility and the effect on financial performance. This was done by answering the following research questions:

1. what is the effect of Ethical responsibility on financial performance?
2. What is the effect of Economic responsibility CSR on its financial performance?
3. How does philanthropic contribution as measure of CSR activities affect the financial performance?
4. What is the effect of community development CSR on its financial performance?
5. What is the dominant practice of CSR dimension in Nile insurance?

### **1.4 Objectives of the Study**

#### **1.4.1 General Objective of the Study**

The main objective of the study was to investigate the effect of corporate social responsibility on financial performance of Nile insurance.

### **1.4.2 Specific Objectives of the Study**

Specifically, the study has the following objectives; -

1. To determine the effect of Ethical responsibility on its financial performance
2. To determine the effect of Economic development on its financial performance
3. To determine the effect of Philanthropic responsibility on its financial performance
4. To determine the effect of Community development responsibility on financial performance in Nile insurance
5. To investigate the dominant practice of CSR dimension

### **1.5 Scope of the Study**

To make the study manageable the study seeks to explain the relationship between the two variables i.e. the independent variable corporate social responsibility and dependent variable financial performance. The research examines the above variables and related issues in the headquarters of Nile Insurance Share Company which the study was only have carried out on the head office of Nile insurance Gotera, Addis Ababa.

It explores the impact of CSR activities on key financial performance indicators particularly in terms of return on asset, and it encompassed various aspects of CSR dimensions, including Ethical, community development, Philanthropic Contributions, and economic responsibility. The study employed a quantitative research methodology to analyse the relationship between CSR and financial performance in Nile insurance company. It utilized statistical techniques, such as regression analysis or correlation analysis, to assess the significance of the relationship. The Data collection methods included financial reports, and other relevant secondary data sources. The study also incorporated qualitative data through questionnaires and quantitatively encompass financial reports from the recent past years, specifically from 2018 to 2022, to assess the effect of Corporate social responsibility on the financial performance.

### **1.6 Significance of the Study**

The study mainly focused on studying the relationship between corporate social responsibility and financial performance and the effect that corporate social responsibility has on financial performance of Nile insurance head office. Therefore, this research investigated how financial performance can be reflected through corporate social responsibility. The main beneficiary of this study is Nile insurance, to this end, the study contributes to improve awareness on the concept of CSR and its impact on Insurances financial

performance/profitability and. all the employee, top, middle and lower-level managers would be benefited from the findings of the study. It also assists the Nile Insurance share company to identify in which area of CSR activities need to invest to build a positive image and reputations and also to mitigate risk. Besides, based on the results of the study other peer Insurance could evaluate their current CSR practice or might use it as a base for further study.

The study encourages these stakeholders to give due consideration to CSR activities and develop guidelines for their implementation, can help insurance company identify the most effective CSR practices that align with their business objectives and contribute to sustainable development.

### **1.7 Limitation of the study**

The researcher encountered difficulties in obtaining detailed data on insurance firms' expenditure across various corporate social responsibility (CSR) dimensions. Insurance company frequently aggregate and report their CSR spending at an overall level, making it difficult to determine how much was allocated to specific CSR initiatives such as philanthropic responsibility, community development, and economic responsibility.

In addition, the research study focused on a single insurance business, the findings may not be comprehensive or generalizable enough to reflect the whole insurance industry. One insurance firm's policies, priorities, and CSR expenditures may not fully reflect the many approaches and characteristics seen within the greater insurance business. The small sample size of a single organization may limit the capacity to draw broad conclusions or make generalizations regarding insurance companies' CSR spending and strategy. To improve the generalizability of the study's findings, future research should broaden its scope to include a bigger, more representative sample of insurance firms.

### **1.8 Organization of the study**

The study is structured in five chapters. The first chapter provides introduction, the research problem, objectives, significance, scope and limitations of the study. The second chapter deal with the theoretical and empirical reviews of the literature. The third chapter presents the research design, data source and type, data collection instruments, target population and sample of the study, and method of data analysis. The fourth chapter i.e the results and discussions of the study based on the data collected from primary and secondary sources. The

last chapter provides findings of the study, conclusion and recommendations based on the results of the study.

### **1.9 Definition of Key Terms**

Corporate social responsibility: a management concept by which companies incorporate social and environmental concerns to the business operations and interactions with their stakeholders.

Financial performance – It is the measure of how well a firm can use assets from its primary mode of business and generate revenue. (Malik & Nadeem, 2014)

ROA (Return on asset) - is a financial ratio that measures a company's profitability in relation to its total assets and provides insight into how efficiently a company generates profits from its investments in assets. It assesses how effectively a company utilizes its assets to generate earnings. ROA is calculated by dividing a company's net income by its average total assets.

## CHAPTER TWO

### REVIEW OF THE RELATED LITERATURE

#### 2. Introduction

This chapter provides a comprehensive review of the existing literature pertaining to the study area of Corporate Social Responsibility (CSR) and financial performance. The literature review encompasses a theoretical perspectives, empirical studies and conceptual framework. The overarching objective of this chapter is to establish a foundation of knowledge and understanding that inform the study, while also identifying a gap.

The theoretical review section delves into the fundamental aspects of CSR, including its definition and conceptual underpinnings. Additionally, it explores the relevant theories that have been proposed to explain the concept of CSR and financial performance.

In the empirical review section, attention is directed towards the studies conducted by other researchers that have investigated the impact of CSR on financial performance. These studies serve as valuable sources of evidence, shedding light on the various dimensions of the CSR-financial performance relationship. By examining the findings of these studies, we can identify trends, patterns, and potential areas of agreement or disagreement among researchers.

#### 2.1 Theoretical Literature Review

##### 2.1.1 Concept and Definitions of CSR

Corporate Social Responsibility (CSR) as a concept has no consensus definition different Literatures on CSR reveal that there are diverse definitions for the concept CSR and a universally accepted definition does not exist (Carroll, 1999, Heemskerk, 2012). Various writers defined it based on their background, interest, exposure, as well as values embodied in the writer's frame of reference. Although the role of business in society has been debated for hundreds of years, if not longer, the concept of corporate social responsibility (or CSR) in its current form first emerged in the 1950s. A convenient marker for the start of the modern CSR era is the publication, in 1953, of Howard R. Bowen's book, *Social Responsibilities of the Businessman*.

Bowen become motivated with these questions and came up with the Corporate social responsibility which remain relevant today. What responsibilities do businesses have to

contribute in positive ways to society? What benefits might be derived from a more enthusiastic assumption of these responsibilities? What practical steps could be taken to encourage businesses to give greater weight to these responsibilities in their decision making? According to Bowen (1953) CSR refers to the obligations of businessmen [and businesswomen] to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society. This definition does not imply that businessmen as members of society lack the rights to criticize the values. It is assumed, however, that as servants of society, they must not disregard socially accepted values or place their own values above those of society. (Howard R. Bowen, 1953).

All of this suggests that when we invoke the phrase “the social responsibilities of the businessman [or businesswoman],” we mean that businessmen [or businesswomen] should oversee the operation of an economic system that fulfils the expectations of the public. And this means in turn that the economy’s means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare. Social responsibility in the final analysis implies a public posture toward society’s economic and human resources and a willingness to see that those resources are utilized for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms. – William C. Frederick, 1960 as cited by Brent D. Beal, 2014

It is also known by a number of other names, which include corporate responsibility, corporate accountability, corporate ethics, corporate citizenship or stewardship, responsible entrepreneurship, and “triple bottom line,” to name just a few.

Most of these definitions agree that corporations have a duty to society and the environment. Furthermore, various researchers, organizations, and businesses companies stress distinct or numerous parts of it. The Definitions of CSR have expanded from specific aspects to include various components throughout time. The following are some of the definitions that may be traced back among many more.

1. Elkington's Triple Bottom Line (1997):

- John Elkington introduced the concept of the Triple Bottom Line (TBL), which focuses on the three dimensions of sustainability: social, environmental, and economic. Elkington argued that organizations should strive for a balance between these three aspects to achieve long-term success.

2. Crane, Matten, and Spence's Definition of CSR (2008):

- Andrew Crane, Laura Spence, and Deborah Matten defined CSR as "the ways in which an organization manages its core business to produce an overall positive impact on society." They emphasized that CSR involves integrating social, environmental, and ethical considerations into business operations.
3. Carroll and Shabana's Definition of CSR (2010):
    - Archie B. Carroll and Kareem M. Shabana defined CSR as "a business's obligation to pursue policies, make decisions, and take actions that align with the objectives and values of society." They highlighted the role of businesses in meeting societal expectations and contributing to sustainable development.
  4. Maignan and Ralston's Definition of CSR (2012):
    - Isabelle Maignan and David A. Ralston defined CSR as "the firm's considerations of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social benefits along with the traditional economic gains which the firm seeks." They highlighted the broader societal considerations that go beyond legal and economic obligations
  5. Visser's Definition of CSR (2017):
    - Wayne Visser defined CSR as "the delivery of a sustainable society by making a positive contribution to economic development, environmental quality, and social progress, while balancing the interests of diverse stakeholders." He focused on the goal of achieving sustainability and balancing stakeholder interests.

CSR is not about pressuring firms into engaging in philanthropy or obligating them to shoulder additional responsibility for different social problems. Considered broadly, CSR is about establishing and perpetuating social norms that make economic markets more transparent and effective in serving societal interests. As we move further into the twenty-first century, CSR is likely to become an increasingly essential framework for reconciling individual interests and the social good. Because of this, CSR is likely to play an increasingly influential role in every aspect of business, from corporate strategy to marketing and human resource management. (Brent D. Beal,2014)

## 2.1.2 CSR Theories

### 2.1.2.1 Triple Bottom Line (TBL) Theory

There are different models used to explain and capture firms' responsibilities as well as understand what society expects from firms i.e. The Triple Bottom Line Theory that was founded by John Elkington (Brin & Nehme, 2019), the same authors also stated that this theory is a CSR frame work to measure performance with three dimensions: economic, social and environmental, according to Kenton (2010), this theory believes that firms should plan to specialize in social and environmental concerns as they are doing on profits. Porter (2011) mentioned that firms should add the CSR issues in their profit function. Firms learn the application of different CSR practices (social, economic and environmental) from different sources and in different ways.

#### **Economic dimension**

According to TBL theory the most important for a company is not to make high profits but to achieve continuous profit for the long term. So Business corporations start to enroll in the TBL CSR framework as well as they draw a strategic plan through calculating expenditures and taxes, forecasting business climate factors, evaluate market benchmark and avoid maximum risk threats

This Economic sustainability manages an economic growth of an organization should be increased in overtime and this profit should be earned without the impact of environmental degradation or from negative social impact (Rogers et al, 2008 cited by Rahel Fekadu 2020).It is related to enhancing the living standard of citizens through increasing of income, giving education, health care, job creation and so on and on the other hand it is directly associated with an economic growth at the aggregate.

#### **Environmental Dimension**

Varied definition has given to environment around the world, some countries put in a very limited way and others gives a broaden and holistic understanding (Sheate, 2010 cited by Rahel). This implied that each country has its own rule on environment supported its context. Environmental sustainability comprises safeguarding of species on the earth. Ecological variables related with of degradation and natural resources consumption, gives potential influences on its viability. Concentration of oxide, Sulphur dioxide concentration, Excessive nutrient, Electricity consumption, selected priority pollutants, fuel consumption, Solid waste



management and unsafe waste management Change in land use/land cover are some of the examples. (Slaper, 2011). The influence of its products or operations on the environment, and plus the nature of its emissions and waste and how it is dealing with them. Corporations must pay attention to environmental changes and obey the new environmental laws with being careful to the consumption of natural resources. Corporations have to use the alternative energy sources in order to minimize the consumption of traditional sources of energy (for example oil, gas, coal, etc.), and it has to safe air and water sources, with disposing of toxic and solid waste in an environmental manner. All these factors maintain environmental sustainability. ( Mohamad Nassif,2019)

### **Social Dimension**

Social sustainability deals with a non-market entities or social aspect of an activity that deals with outside of market framework. Societies can influence the CSR activity of business through their right as a consumer, and business in turn can influence societies through practices of a high level of CSR activity (Rogers et al, 2008, cited by Rahel).

Business must pay attention to its social affairs as well as paying attention to its financial affairs. Achieving social sustainability by a corporation is a must in the TBL CSR framework. But since societies differ from region to another, every corporation has to collect data from national authorities concerning social affairs, as unemployment rates, human rights, female labor force participation, health services, educational services provided by government, etc. After determining the community priorities, shareholders must take decisions to satisfy as much as possible the social needs. So for a business to be stable over the long term social activities of a business corporation must satisfy surrounding society needs as much as possible. ( Mohamad Nassif,2019)

#### **2.1.2.2Carroll's CSR pyramid**

Carroll made a specific theory for the way that corporation interact with its surrounding community and the whole world, this theory is known nowadays as Carroll's Pyramid of CSR (Fig. 1). Carroll's theory is composed of four obligations that create a foundation or infrastructure for the business's responsibilities toward society.

The highly renowned model of CSR is Carroll's CSR pyramid. Carroll (1991) suggested four forms of social responsibilities constitute CSR that they should keep an eye on these four components: -

1. Economic responsibility
2. Legal responsibility
3. Ethical responsibility
4. Philanthropic responsibility, which are also known as the pyramid of CSR

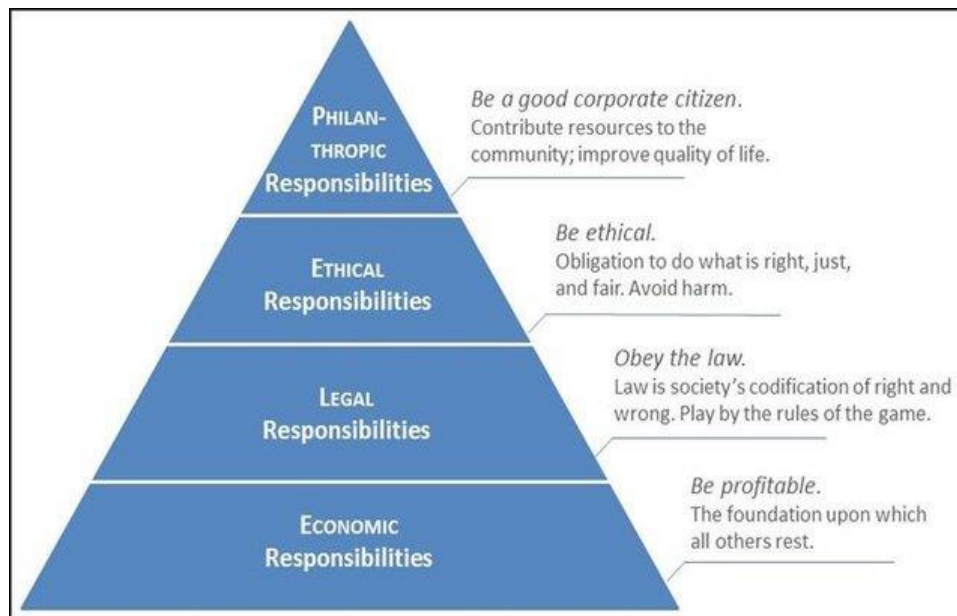


Figure 2.1 Carroll's pyramid model of corporate social responsibility (Carroll, 1991).

#### 2.1.2.2.1 Economic responsibility

Carroll in 1979, economic responsibility of business was to make profit by producing goods and rendering service and selling them to the market. Also imply that economic responsibility of an organization is about creating job and fair pay to employees, introducing new technological advancement, offering a return on investment to shareholders and owners, creation of new product and discovering new resources, which makes a company, is main concern of the society.

Carroll placed the economic obligation in the base of the CSR Pyramid because it's vital for business survival. Any corporation or organization, even if it's a non-profitable organization, as charities association needs assets in order to succeed and sustain. According to Carroll, the first step in implementing CSR is to enroll in business operations and to make profits. Carroll added that profits are necessary to reward investors and owners. Moreover, profits must be reinvested back to maintain business growth. Economic responsibility is represented by a corporation through investments, marketing strategies, business operations, and long-term

financial strategies with variant stakeholders. For example, when a corporation enrolls into business operations, it must hire a number of employees and it will deal with different stakeholders as vendors, sellers, marketing consultants, stockholders, investors, insurance companies, banks, and financial institutes. Variant stakeholders will be affected positively if corporation achieves profits, this what economic scholars named as Win-Win theory. As a result, stakeholders will make profits, money circulation process will improve and a corporation will successfully achieve its CSR economic responsibility. (Mohamad Nassif, 2019)

#### **2.1.2.2.2 Legal responsibility**

The next responsibility is the legal concern which describes about legal compliance and playing by “rules of the game”. So that, the society looks for organizations to accomplish the economic responsibility within the legal requirements of the society system and stated that “Society has not only sanctioned business to operate according to the profit motive; at the same time business was expected to comply with the laws and regulations. (Caroll ,1991).

According to Carroll’s Pyramid theory, Legal Responsibility placed in the second level of the CSR Pyramid. A responsible corporation is a corporation that accepts rules of a fair business game. A responsible corporation adheres to law because it believes that fair business reflects positively on the whole economy and society. If a corporation makes tax evasion process, or deals with money laundering activities, or even produces a toxic product, it is illogical to consider it is sharing in CSR values. (Mohamad Nassif, 2019)

Carroll and Shabana, (2010) described the legal responsibility as law and regulation of society which can be positive and negative, obligation of business on its operation. In addition to that legal responsibility in different countries possibly will incorporate conformity with different legal requirements like keeping safety of workers, environmental standard and compliance of tax law and regulations. (Ramasamy and Yeung, 2009)

#### **2.1.2.2.3. Ethical responsibility**

Corporations must behave as a good citizen in its society. Such responsibility allows corporations to make what is good for society even if the law didn’t require it. Carroll mentioned that corporations must be responsive to the spirit of the law, not just to the letter of law. In other words, ethical responsibility embraces fair activities done by a corporation and expected by society. (Mohamad Nassif, 2019)

Entails those activities which cannot be stated by the law but that are expected to fulfil by the members of the society like averting social harm, forbidding social injury and honouring elders and peoples around them. This kind of responsibility can only be found on human right commitment and human principles of religious convictions. (Novac, 1996). But it is known of its unclear definition and trouble to deal about it. (Caroll, 1979).

#### **2.1.2.2.4 Philanthropic responsibility**

Also known as discretionary responsibility, merely it is responsibility which is voluntary and the decision to implement depends on the business willingness rather than forced by the law, which indirectly means that the business was not taken as unethical if not applied on the firm (Caroll, 1991). philanthropic responsibility is a pure giving for society, it's an activity or project created by a corporation and purely dedicated to community expectation. At the philanthropic level, the business corporations could satisfy what is desired by their society. To fulfil in philanthropic responsibility, corporations engage in various giving forms, as sponsoring sports activities like an annual marathon or volunteering employees in donation campaigns, etc. The value behind philanthropic activities is to reveal a good citizenship image of the company and increase its reputation. (Mohamad Nassif, 2019) Some of them responsibilities are solving societal problems, activities like going in-house training for drug abusers, increasing rate of literacy (Caroll, 1991). This type is known for its contentiousness of all due to the fact that its implication might result in conflict on the economics and profit-making activity of firms.

#### **2.1.2.3 Slack Resource Theory**

Stakeholder theory, which has been described by Edward Freeman and others, is the mirror image of corporate social responsibility. Instead of starting with a business and looking out into the world to see what ethical obligations are there, stakeholder theory starts in the world. It lists and describes those individuals and groups who will be affected by (or affect) the company's actions and asks, "What are their legitimate claims on the business?" "What rights do they have with respect to the company's actions?" and "What kind of responsibilities and obligations can they justifiably impose on a particular business?" In a single sentence, stakeholder theory affirms that those whose lives are touched by a corporation hold a right and obligation to participate in directing it. (Mohamad Nassif,2019)

This theory proposes that companies with slack resources at their disposal have an opportunity to invest more on CSR activities thus improving its corporate social performance

(Wissink, 2012). Waddock and Grave (1997) noted that a company is enabled to perform its CSR activities when it has improved financial performance due to the availability of slack resources. The insinuation of this approach is that Corporate Social Responsibility is an extra cost and social actions by companies can only be pursued if the firm has extra resources or cash flows (McGuire, 1988). Proper utilization of slack resources enhances effectiveness and efficiency and can augment to achievement of organizational goals. Buchholtz (1999) further argued that this enables a firm to effectively adjust to inside burden for modification or to outside burdens for modification in policy.

Whereas Corporate Social Responsibility may influence the company's financial performance, there is a different direction of causation in this theory where by a Corporate Social Responsibility is involved. The financial performance is interpreted as the independent variable and it is the one that drives the corporate social performance which is the dependent variable (Ahmed, 2014). It shows an interesting cycle where by responsibility and improved performance goes hand in hand. There is no clear evidence showing whether slack resources enhance or hinders financial performance (Zhong, 2011). Managers can make decisions that encourage use of its extra resources to engage in useful projects thus positively influence performance. However, agency theory proposed by (Ross, 1973) tends to differ as it suggests that slack resources can be a source of agency problem and can cause inefficiencies and thus negatively influence performance.

### **2.1.3 Financial performance**

Financial performance measures are lag indicators and capture historical performance arising from mostly tangible assets. They often fail to properly record performance from intangible assets such as customer relationships, employee satisfaction, innovation, investment in research and development, and the like that have become significant sources of competitive advantage for firms in recent times (Lev,2010). Performance measurement refers to the process of measuring the action's efficiency and effectiveness. Performance measurement is the transference of the complex reality of performance in organized symbols that can be related and relayed under the same circumstances. In the current business management, performance measurement is considered to be in a more critical role compared to quantification and accounting (Koufopouloset, al, 2008). This is consistent with (Bititci, et al. 2017) who described performance management as a process wherein the organization manages its performance to match its corporate and functional strategies and objectives. (Robel Yohannes, 2022)

### 2.1.3.1 Measurements of Financial Performance

The assessment of a firm's financial performance commonly relies on key accounting based measures, with Return on Asset (ROA), Return on Equity (ROE), and Gross Profit Margin (GPM) being the most frequently utilized metrics (Barauskaite & Streimikiene, 2021)

Return on Asset (ROA), calculated as the ratio of net income to total assets, serves as a pivotal measure for evaluating the efficiency of utilizing the company's total asset base to generate profits. It provides insights into the company's ability to generate earnings from its overall asset portfolio. ROA is measured with total assets over net income across time.

$$\text{ROA} = \frac{\text{NetIncome}}{\text{TotalAsset}}$$

Higher ROA indicates more asset efficiency. The ROA, in basic terms, tells you what earnings were generated from invested capital (assets).

Blackburn et al. (1994) as cited by (Licandro et al., 2024) pointed out that selecting the financial performance measures is an easier decision than selecting indices to measure CSR because it comes down to conventional financial measures (Jones and Wicks 1999a) as cited by (Licandro et al., 2024)). These measures are divided into two types: those based on accounting (accounting performance) and others based on the stock market (investors' performance).

Also, as (Griffin and Mahon, 2017) have reviewed different studies on CSR and firm's performance relationship and found that as many as different types of Financial Performance measures have been used. Firm size, ROA, ROE, EPS, asset age, and return on sales are frequently used as Financial Performance measures. Particularly, ROA and ROE are consistently claimed to be an authentic measure of Financial Performance. (Lev,2010, cited by Robel)

Cochran and Wood (1984) pointed at the lack of agreement as to which of the two is the type of measure(the accounting measurements such as ROE,ROA and the investors performance) most adequate to study the relationship between CSR and financial performance.

The idea backing the position of those who prefer the market measures is that performance should be measured from the viewpoint of investors, while those who prefer the accounting-type measures deem them to allow a better assessment of the role of managerial decisions in relation to financial performance (Cochran and Wood 1984).

## **Accounting-Based Measurements**

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

The rate of return on assets and the rate of return on equity are the performance measures most commonly used in studies of the relationship between corporate social responsibility and financial performance (Waddock & Graves, 2017). Return on assets measured by the annual net profit/average total assets ratio and return on equity by the net profit after preferred dividends/average total equity ratio for the previous two years. Several control variables is taken into account. Various researchers, notably (Baird et al., 2012), following (Griffin and Mahon, 2017) and (Waddock and Graves, 2017), argue that the relationship between corporate social responsibility and financial performance depends on interactions between many factors, in particular the specific capabilities of the company and the industrial context. A countless number of ways have been brought forward to measure financial performance.

## **Market-Based Measurements**

The second type of measurement is the market-based measurement which is categorized as long term. The market-based measurement is characterized by its forward-looking aspect and its reflection of the expectations of the shareholders concerning the firm's future performance which has its basis on previous or current performance. Some measurements cannot capitalize under either accounting or marketing measurements such as output per staff, cost per service provided and cost per client served; these factors is tested by (Kankpang and Okonkwo, 2012) as cited by (Al-Matari et al., 2014).

According to Richard et al. (2019), the return on equity (ROE) and return on asset (ROA) model represent a well-known approach to analysing bank profitability using financial ratios. The procedure combines balance sheet and income statement figures to calculate ratios that compare performance over time and relative to peers. Bank managers and bank analysts generally evaluate overall bank profitability in terms of return on equity (ROE) and return on assets (ROA) (Robel Yohannes,2022).

McGuire et al. (1988) indicated that the types of measures used might have an effect on the results of research work because the two “focus on different aspects of performance, and each is subject to specific biases” .

Both groups of indices imply advantages and disadvantages, and, in general, the advantages in one case are disadvantages in the other case. Those who advocate the use of measurements based on accounting affirm that they are (1) easier to work with, (2) based on the actual historical behaviour of companies rather than on future expectations and (3) are significant for most stakeholders (and not just for investors). On the other hand, those keen on using stock market (Market based measurement ) indices have stated that those strengths also imply weaknesses because (1) expectations about future performance are also important, especially in the case of investors (McGuire et al. 1988; Blackburn et al. 1994), (2) accounting measurements might bear the influence of differences existing in the accounting procedures and could lead to difficulties in the comparison (McGuire et al. 1988), (3) such measurements are liable of being manipulated by managers, and (4) they do not comprise the effects of risks (Blackburn et al. 1994) as cited by (Licandro et al., 2024)

Considering the advantages and the disadvantages of each group of measurements, some authors recommend using a combination thereof (McGuire et al. 1988; Blackburn et al. 1994). Certain authors noted that the comparison based on the price of stock shares must be combined with the income due to dividends (Cochran and Wood 1984). Others insist on using the profits of stock shares along with risk indices (Alexander and Buchholz 1978; Cochran and Wood 1984). The viewpoint of Alexander and Buchholz (1978) is based on the fact that “it is generally accepted that higher risk securities should have higher returns than lower risk securities” .

## **2.4 Empirical Literature**

Over the years, the relationship between CSR and firms’ financial performance has been conducted. It's still undecided whether this link is helpful, harmful, or unnecessary.

Empirical literature on the relationship between Corporate Social Responsibility (CSR) and financial performance of insurance companies has yielded mixed findings, with some studies suggesting a positive correlation, while others argue for a negative correlation. a research paper written by Sandra A. Waddock and Samuel B. Graves and published in the Strategic Management Journal in 1997. The paper examines the relationship between corporate social performance (CSR) and financial performance (FP).CSR refers to a company's social and



environmental performance, while FP refers to its financial results. The authors argue that there is a positive relationship between CSR and FP, meaning that companies that engage in socially responsible practices tend to perform better financially.

The authors argue that there are several reasons why CSP may lead to improved FP. For example, CSP can help companies to attract and retain employees, improve their reputation, and reduce their costs. Additionally, CSP can help companies to mitigate risks associated with social and environmental issues. The paper concludes that CSP is an important factor in achieving long-term financial success. Companies that want to improve their financial performance should consider adopting socially responsible practices. Additionally, a study by Setegn and Robel Yohannes investigated the CSR practices of Wegagen Bank S.C. The findings suggested that the bank's CSR practices positively influenced its economic and ethical responsibilities, such as job opportunities, staff capacity building, and ethical behavior. The study also mentioned that the bank was motivated to practice CSR due to competitive advantages, social and political legitimacy, and the desire to solve social and environmental problems.

While in (Friedman, 1970) point of view in his article, Friedman indeed argued that in a free society, the sole social responsibility of a business is to utilize its resources and engage in activities intended to increase its profits, as long as it operates within the established rules of the game, which include open and free competition without deception or fraud.

Friedman did not deny the existence of social problems, but he contended that if managers intended to pursue social objectives, they should do so as individuals and not as corporate executives. This means that they should not use shareholders' money for their personal or social goals. Instead, according to Friedman, individuals should pursue social good through their own means rather than through the resources of the company.

A study carried out by (Amole Bilqis Bolanle, n.d.) 2012 on the impact of CSR on the profitability of Nigerian banks, which made use of ordinary least square (OLS) model of regression in testing the relationship between dependent and independent variables. The study used data on corporate social responsibility expenditure and profit after tax for the period of 2001-2010. It adopts model on the causal relationship between CSR and firms' financial performance (FFP). The study also concludes that there is positive relationship between CSR expenditure and banks profitability thus suggesting causal relationship between the CSR and profitability of banks and it concludes that Corporate Social Responsibility spending in the

long run provides better returns on the next marginal naira, thus every Banks in Nigeria should integrate it into their spending culture.

McWilliams and Siegel conducted a meta-analysis, which involves analyzing and synthesizing findings from multiple studies. They examined over 50 empirical studies published between 1972 and 1998 that investigated the relationship between CSR and financial performance. The researchers found that the overall relationship between CSR and financial performance was negative. McWilliams and Siegel discussed several arguments to explain the negative relationship they found:

- a. Agency Theory: They argued that engaging in CSR activities may divert resources and attention away from core business activities, leading to lower financial performance.
- b. Stakeholder Theory: They proposed that companies with high CSR engagement may face higher costs due to meeting multiple stakeholders demands, which could negatively impact financial performance.

Taddesse Shiferaw conducted a regression analysis on aa research conducted on Ethiopian Insurance and he concluded that it has a positive effect on there financial performance of the insurance company and that the profitability was highly affected by the company's factor and the external factor. He measured the profitability of the company in terms of ROE and ROA indicating that the independent variables such as size, loss ratio and leverage has a negative impact on the profitability in terms of ROE AND ROA while liquidity, economic growth, premium growth has a positive impact on profitability of the insurance.

Melese (2014) studied CSR practices of commercial banks the case of Nib International Bank S.C. Specifically, the study assesses the bank's culture of fulfilling tax obligations required by the law and the practice of responsible lending. He used a sample size of 90 people the bank manager and other employees by employing purposive sampling and then analyzed the collected data through questioners using frequency, percentage and descriptive analysis technique. Melese's finding showed that there is a very low involvement in the community social activates that the bank involves, and that there are no opportunities for the poor and disadvantaged social groups to credit access by the bank but there are acceptable levels of interest rate for those customers who have access to credit and the decision making process of the Bank considers abiding to laws and regulations set by the government, not social responsibility.

Lidiya (2021) studied the effect of CSR on financial performance of commercial banks in Ethiopia. The study employed both primary and secondary sources of data. Primary data was collected using questioners from the banks managers/ department heads who directly work or involve in the area of CSR. The data was collected from 11 commercial banks namely Awash international bank , Oromia international bank , Dashin Bank , Abyssinia Bank , Hibret Bank , Zemen Bank , Addis International Bank , Abay Bank , Cooperative Bank of Oromia , Bunna Bank and Birhan . Lidiya's finding showed that social responsibility measured as a fraction of donation expense to total expense has a positive but insignificant effect on financial performance, rather size, income diversification and credit risk showed a negative and significant effect on the dependent variable.

## **2.5 Conceptual Framework of the Study**

Archie Carroll's pyramid of corporate social responsibility (CSR) is a model increasingly used to define business social responsibility. This model was divided into four categories which are the economic, legal, ethical, and philanthropic demands of Business. Which these are key ingredients of profitability in Corporate Social responsibility.

Community Development Corporate Social Responsibility (CSR) in insurance firms involves initiatives and activities aimed at supporting and enhancing the well-being of local communities which will create a moral contract between the insurance and the society in which it focuses on addressing social, economic, and environmental challenges faced by communities where insurance companies operate thereby increasing uptake of insurance products.

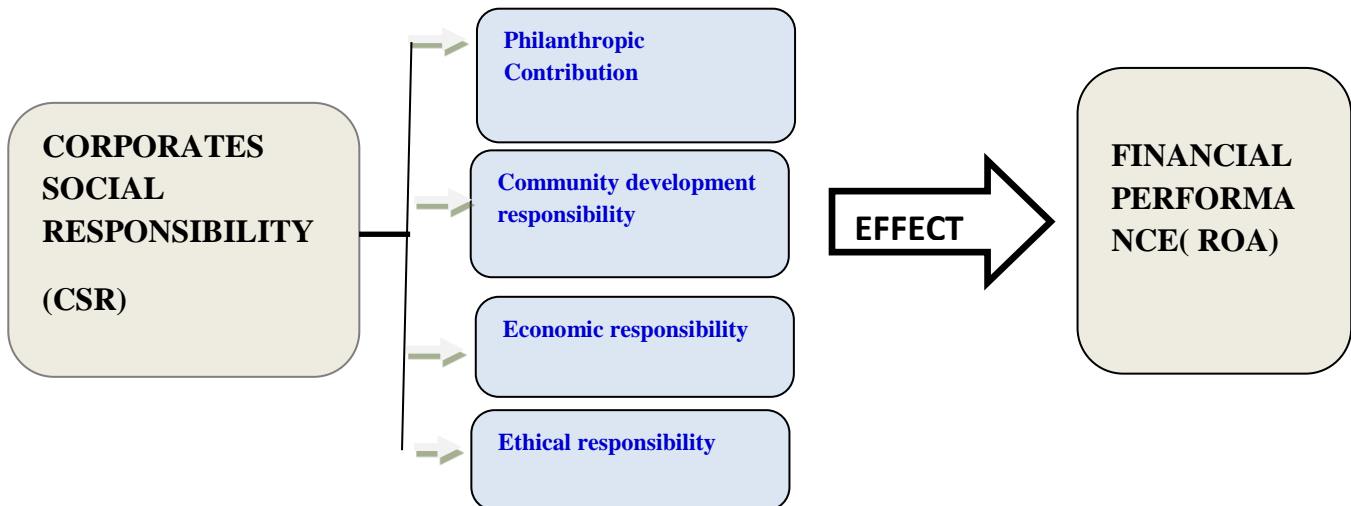
Philanthropic activities is bettering society as a whole which the societal confidence level toward the management and opens way for many to access insurance products, while the economic responsibility on the other hand by integrating responsible business practices, insurance companies can contribute to economic growth, stability, risk mitigation offering risk management services, promoting risk awareness and prevention, and supporting resilience-building measures, and social progress while fulfilling their core function of providing insurance protection.

The following theoretical framework model has been developed for this study. Corporate social responsibility disclosure such as Philanthropic contribution, economic responsibility, economic and ethical responsibility practices by company is considered as independent

variable whereas, financial performance Indicators in terms of ROA are considered as dependent variable to measure firm performance.

### Conceptual framework

Figure: 2.2 Conceptual framework corporate social responsibility and financial performance



### 2.6 Hypothesis of the study

H1: There is a positive and significant relationship between economic responsibility and financial performance.

H2: There is a positive and significant relationship between philanthropic responsibility and financial performance of insurance company.

H3: Community development CSR has no significant effect on the financial performance of Insurance.

H4: There is a positive significant relationship between ethical responsibility and financial performance.

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

#### 3. Introduction

In this chapter, an elaborate discussion is provided regarding the framework of the research methodology that was employed to conduct the study. The chapter elucidated on various components including the research design, population, sampling design and sample size, as well as the data collection methods utilized and the subsequent data analysis procedures.

#### 3.1 Research Approach

There are three fundamental research approaches mixed, quantitative and qualitative approaches. These approaches have been used by researchers depending on the type of research, nature of the problem, and data employed. According to Kothari (2004) distinguishes is made between quantitative and qualitative research approaches. The former involves gathering quantitative data for rigorous analysis, while the latter involves subjective assessment of attitudes, opinions, and behavior.

Quantitative method is appropriate to examine the relationship between two and more variables in the study, and is mainly relevant for theory testing and the qualitative method is appropriate to explore the phenomenon in the study situation through using interviews, observations, and document reviews (Tsang, 2014). Mixed approach is research whereby researchers collect and analyze both quantitative and qualitative data within the same study.

The primary aim of this study was to assess the effect of Corporate Social Responsibility (CSR) on the financial performance of Nile Insurance Share Company. In order to achieve this objective, the researcher opted for a quantitative approach, which facilitated the investigation and to answer the research questions this method is used and the fulfillment of the study's objectives.

#### 3.2 Research Design

According to Jeanne Ellis Ormrod (2019) defined research design as "the overall plan for obtaining answers to research questions." They emphasized the importance of a well-thought-out plan that specifies the research approach, data collection methods, and data analysis procedures to guide the research process effectively. There are different types of research

designs or research types depending on the purpose, time dimension and or based on Controlling method of the research.

Based on the purpose of the research, research design can be categorized as exploratory, descriptive, explanatory while based on the time dimension its cross-sectional design and Longitudinal and based on the Controlling method of the research its Experimental and Quasi experimental research design.

Exploratory study is a valuable means of finding out ‘what is happening; to seek new insights; to ask questions and to assess phenomena in a new light’ (Robson, 2002:59). Is appropriate where there is little or no prior knowledge about the issue under investigation or when the problem is not well understood. The major emphasis is on the discovery of ideas and insights.

Descriptive research is aimed to portray an accurate profile of persons, events or situations (Robson, 2002). It is aimed to provide an accurate and valid representation of the factors or variables that pertain / are relevant to the research question.

Descriptive research is concerned with describing the characteristics of a particular individual, group or community. It answers the questions, what, who, where, how and when. While Explanatory design it is also called analytical study. It is aimed to identify any causal links between the factors or variables that pertain to the research problem. Studying a situation or a problem in order to explain the relationships between variables via stating hypothesis (causal research). Explanatory research focuses on why questions. It attempts to “connect the dots” in research, by identifying causal factors and outcomes of the target phenomenon (Bhattacharjee,2012).

For the purpose of this study, an explanatory and descriptive research design was employed to address the research question and achieve the general objective. The chosen approach involved a cross-sectional method, focusing on data collection at a specific point in time, specifically over a five-year period. This design aimed to elucidate the impact of Corporate Social Responsibility (CSR) on the financial performance of insurance company.

Explanatory research goes beyond mere description or exploration of relationships; it endeavors to establish cause-and-effect relationships between variables. In this study, explanatory research involved hypothesis testing and statistical analysis to ascertain the extent to which CSR influences financial performance.

Given the objective of examining the effect of CSR on financial performance within insurance firms, a correlation research design was deemed appropriate. This design facilitated the exploration of the relationship between CSR activities and financial performance metrics within the insurance.

The independent variable, CSR, was measured using four sub-variables: Ethical, philanthropic activities, community development responsibility, and economic responsibility. These sub-variables allowed for a comprehensive assessment of CSR practices within insurance companies. The dependent variable, financial performance, was assessed in terms of return on asset profitability of the insurance firms. This Explanatory research helps to better understand the problem and to establish any association between those independent and dependent variables mentioned. By employing this correlation research design, the study aimed to provide valuable insights into the relationship between CSR initiatives and financial performance in the insurance.

### **3.3 Data Type and Source**

The study utilized both secondary and primary data to achieve its objectives. Quantitative secondary data were obtained from published annual reports of Nile insurance firm. These reports provided essential financial performance metrics such as Net profit after tax/profits, total assets. Additionally, they encompassed CSR-related information such as CSR expenditures, or CSR performance indicators reported in the annual reports.

Furthermore, primary data were incorporated into the study, collected through structured questionnaires. These questionnaires were designed to gather the perspectives and experiences of company managers and employees directly involved in CSR-related activities and other employees Participated included from all various departments such as finance, marketing, customer service, and other relevant areas within the insurance company.

The research instrument was consisted of some closed-ended questionnaire and like scart questionnaires.

### **3.4 Population, Sample size and Sampling Techniques**

Since the aim of this paper is to identify the effect of CSR on financial performance the researcher focuses on Nile insurance with available data regarding their CSR involvement therefore the target group for this research included both current management and non-

management staff members from different departments, employees of Nile insurance in Head office. According to Nile insurance 2022 annual report there are 37 branches in Addis Ababa region and 24 branches outside of Addis Ababa which is a total of 61 branches operated in the country. Since the complete coverage of the total population is not possible, a subset of population is selected because of the easy access to data, cost effectiveness and easy manageability of the study, and based on number of total employee's availability. The target population of this research was head office employees of Nile insurance selected using probability sampling technique particularly simple random sampling technique. The current staff in Nile insurance at head office is 185 employees.

### **3.5 Sample technique**

A random probability sampling method was used to select the participants from the population. In probability sampling, all people within the research population have a specifiable chance of being selected. These types of samples are used if the researcher wishes to explain, predict or generalize to the whole research population (Dawson, 2002).

Consequently, the researcher decided on personnel in all departments of understanding that allows you to make the take a look at entire. The organization's personnel had been decided on primarily based on simple random Sampling technique to collect the applicable data.

#### **3.5.1 Sample population**

In order to determine the sample size from the population, the researcher used Slovin's formula statistics Canada (2010) as cited by (Kebite, 2018) as well as Yamane's (1967) formula as cited in Dereje (2020). He provided a simplified formula to calculate the sample size. This formula is based on a 95% desired confidence level and a 5% desired level of precision. Determining sample size is a very important issue because if samples are too large may waste a lot of time, resource and money, while samples that are too small may lead to inaccurate results. So, from the data acquired from the company the organization has 185 staff members from them sample size for this research was randomly selected 126 participants, employees, who have interaction with the company. This has been done by using Yamane (1967) formula stated as follows.

So the formula is:  $n = \frac{N}{1 + N(e)^2}$

n= total sample size,

N=total population (drivers) in the study area,



$e$ =precision degree/ error (5%=0.05). Therefore, the sample size is: Example to estimate the total sample size  $N=185$

$$n = \frac{185}{1+185(0.05)^2} \quad n= 126$$

Based on the above formula a sample of 126 employees were selected from the target population from the Nile insurance.

### **3.6 Data Collection Techniques**

The study employed a combination of primary and secondary data, deemed necessary to achieve its objectives. Quantitative secondary data were gathered from published annual financial reports of the period of a five-year period from 2018 to 2022. These reports served as a valuable source of reliable and relevant information regarding the financial performance of the target insurance company.

In addition to secondary data, primary data were collected through the use of structured questionnaires. The questionnaires were designed to elicit responses from participants using a five-point Likert scale, ensuring a standardized approach to data collection. Participants were provided with self-administered questionnaires to complete at their convenience.

The questionnaire consisted of two sections. The first section focused on gathering demographic information from respondents, such as their role within the company, age, educational level and years of experience. This demographic data helped to contextualize and interpret the responses gathered in the second section.

The second section of the questionnaire addressed each of the four predetermined independent variables and the dependent variable. Participants were asked to provide their perspectives and insights on these variables, using the Likert scale to indicate their level of agreement or disagreement with various statements or propositions.

The data obtained from the questionnaires were coded, captured and edited. The Statistical Package for Social Sciences (SPSS version 20) was used to analyze the results.

### **3.7 Methods of data Analysis**

For this study an analysis occurred within the quantitative approach, and be collected from the target population and the quantitative data was analysed using SPSS, qualitative data was collected through questioner and secondary documents review. As an analysis technique, a correlation research design is considered appropriate for this study.

This design enables the examination of the relationship between CSR and financial performance within insurance, and a regression analysis was employed to identify the effect of CSR on the financial performance of insurance company. This helps to examine the relationship between variables to assess the impact of CSR initiatives on financial performance and in order to predict the value of dependent variable on the independent variable. The dependent variable could be financial performance metrics in terms of as return on assets (ROA), while the independent variable would be the level of CSR activities/ dimensions such as (Ethical, economic, philanthropic and community development responsibilities).

In this research, demographic characteristics of respondents were analysed and presented using frequencies and percentages. These statistical tools were appropriate for visualizing the numbers and proportions of respondents at each level of demographic and responded-related variables (gender, education, work experience, etc.). In addition to these, by using SPSS different descriptive statistics was generated to help the researcher to make inferences and generalizations.

### **3.8 Reliability and validity of data**

Reliability refers to the consistency and stability of the data collection process and the measurements obtained. To ensure the reliability in data collection: Standardized Data Collection Procedures will be using standardized structured questionnaires, interview scripts and Cronbach's coefficient alpha will used to measure the reliability of the questionnaire. According to (Bryman & Bell 2015) Reliability is fundamentally concerned about consistency and It refers to which the data collection and analysis procedures have yielded consistent findings. Cronbach Alpha measures the internal consistency of the items in a scale. It indicates that the extent to which the items in a questionnaire are related to each other (Hair et al., 2003). The normal range of Cronbach's coefficient alpha value ranges between 0-1 and the higher values reflects a higher degree of internal consistency. George and Mallery (2017) suggested the following general guidelines for interpreting Cronbach's alpha values:

- Below 0.60: Poor internal consistency
- 0.60 to 0.69: Questionable internal consistency
- 0.70 to 0.79: Acceptable internal consistency
- 0.80 to 0.89: Good internal consistency

- 0.90 and above: Excellent internal consistency

For this particular study, the questionnaires Likert scale items reliability is checked by Cronbach's - alpha coefficient with the help of SPSS software.

**Table 3.1 Reliability Test Result**

Variables	Cronbach Alpha
Ethical Responsibility	0.879
Economic Responsibility	0.863
Philanthropic Responsibility	0.849
Community Development	0.827
Financial performance	0.815

Reliability Statistics	
Cronbach's Alpha	N of Items
.960	44

### 3.9 Ethical Considerations:

The research will adhere to ethical guidelines regarding data confidentiality, anonymity, and informed consent. The use of secondary data will ensure compliance with relevant legal and ethical requirements.

**Informed consent:** Regarding the questionnaire itself, the cover page will outline the goal of the research and advise respondents of their right to request further information on any topics related to the study.

**Confidentiality:** The respondents will be guaranteed that their answers will be kept private and that they won't be misinterpreted. The data they supplied will be private and solely utilize for academic purposes.

**Organizational approval–** the researcher will get approval and will obtain a written recommendation letter from St. Mary's University. The letter will explain the idea and purpose of the research with a request for cooperation. And of course, the research will be based on the full consent and highest cooperation of the plant.

## CHAPTER FOUR

### DATA PRESENTATION, RESULT AND DISCUSSION

#### 4.1 Response Rate

The data collected through questionnaire is presented in this section using tables and graphical formats. As stated in chapter three i.e. research methodology, 126 questionnaires were to be distributed. After distribution a total of 110(87%) surveys were returned. Out of the total questionnaires distributed 16 questionnaires were unreturned due to various problems.

Table 4.1 Response Rate

Questionnaire	Frequency	Percentage
Distributed	126	100%
Returned	110	87.3%
Unreturned	16	12.6%
Response rate	$(110/126) * 100$	87.3%

**Source own survey 2024**

#### 4.2 Demographic Profile of Respondent

The first section of the survey questionnaire provides the demographic profile of the respondents which serves as a building frame for the interpretation of the results. The respondents' profile is organized in terms of gender, age, level of education, total years of experience. The result of this demographic presentation is stated below using descriptive statistics analysis. The respondents' demographic profile is captured and analysed below.

Table 4.2 Respondents' profile

No.	Item	Response		
		No	%	
1	Gender of Respondents	a) Male	59	53.6%
		b) Female	51	46.4%
		<b>Total</b>	<b>110</b>	<b>100.0</b>
2	Education level	a) Diploma	8	7.3%
		b) Degree	54	49.1%
		c) Masters	48	43.6%
		d) MA and above		
		<b>Total</b>	<b>110</b>	<b>100</b>

The demographic data for gender obtained from questionnaire shown above table 4.2 reveals that out of 110 respondents 59 (53.6%) were males respondents formed the majority of the target population and the remaining 51 (46.4%) were females. This explains that the number of male respondents were greater than female respondents who participated in the study.

It is evidenced that the employees of Nile Insurance hold a range of educational qualification from Diploma to Masters. Although for this study the majority of respondents 54 (49.1%) were Degree holders. The next group would be master's which represent 48 (43.6%) while the remaining are diploma holders which are 7.3% of the total with 8 respondents. Based on this the above data it's possible to say that most employees in Nile Insurance are Degree holders and Masters secondly which means most employees in the insurance are well educated and have better knowledge and expectation.

Table 4.3 Age of Respondents

		Freque ncy	Percent	Minimu m	Maximu m	Mean	Mode	SD	kurtosis	Skewness
<b>Age</b>	25.00	3	2.7%	25	48	34.109	29	5.9235	-0.665	0.528
	26.00	4	3.6%							
	27.00	6	5.5%							
	28.00	7	6.4%							
	29.00	9	8.2%							
	30.00	8	7.3%							
	31.00	7	6.4%							
	32.00	9	8.2%							
	33.00	8	7.3%							
	34.00	4	3.6%							
	35.00	2	1.8%							
	36.00	8	7.3%							
	37.00	3	2.7%							
	38.00	4	3.6%							
	39.00	5	4.5%							
	40.00	3	2.7%							
	41.00	3	2.7%							
	42.00	6	5.5%							
	43.00	2	1.8%							
	44.00	3	2.7%							
45.00	1	.9%								
46.00	2	1.8%								
47.00	1	.9%								
48.00	2	1.8%								
Total	110	100.0%								

Based on the provided data, the age of the respondents ranges from a minimum of 25 to a maximum of 48. The mean age of the respondents is 34.109, indicating that, on average, the respondents are in their early to mid-thirties. The mode, which is the most frequently

occurring age, is 29, suggesting that a significant number of respondents fall within this age category.

Table 4.4 work experience of respondent's

		Frequency	Percent	Minimum	Maximum	Mean	Median	Mode	SD	Kurtosis	skewness
<b>Work experience</b>	2.00	1	1.9%	2	25	10.836	9.5	6	5.7157	-0.615	0.540
	3.00	8	7.3%								
	4.00	6	5.5%								
	5.00	4	3.6%								
	6.00	11	10.0%								
	7.00	8	7.3%								
	8.00	7	6.4%								
	9.00	10	9.1%								
	10.00	7	6.4%								
	11.00	3	2.7%								
	12.00	4	3.6%								
	13.00	8	7.3%								
	14.00	3	2.7%								
	15.00	5	4.5%								
	16.00	4	3.6%								
	17.00	3	2.7%								
	18.00	4	3.6%								
	19.00	4	3.6%								
20.00	3	2.7%									

21.00	2	1.8%								
22.00	1	.9%								
23.00	2	1.8%								
24.00	1	.9%								
25.00	1	.9%								
Total	110	100.0%								

Respondents were also asked their length of service year in the insurance, based on the provided data, the work experience of the respondent's ranges from a minimum of 2 to a maximum of 25 years of experience. The mean work experience of the respondents is 10.83, indicating that, on average; the respondents have approximately 10 years of work experience in the insurance. The mode, which is the most frequently occurring work experience, is 6, suggesting that a significant number of respondents fall within this category.

### 4.3 Descriptive Statistics

In this section, various statistical data analysis tools such as mean, standard deviation, frequency, and percentile are used to analyse the collected data from respondents. The study sought to examine the effect of corporate social responsibility on financial performance (ROA) in Nile insurance Head office. CSR factors were viewed in terms of Philanthropy responsibility, community, Ethical responsibility and Economic Responsibility as the independent variables and financial performance (ROA) as the dependent variable. The data collected from the questionnaires were analysed quantitatively. Statistics of mean score and standard deviation were used. The standard deviation measures how concentrated the data are around the mean; the more concentrated, the smaller the standard deviation and according to Zaidaton & Bagheri (2009) the mean score below 3.45 was considered as low, the mean score from 3.40 up to 3.79 was considered as moderate and mean score above 3.8 was considers as high. The summary of descriptive statistics of all variables that are evaluated based on a 5-point Likert scale ("1" being "strongly agreed" to "5" being "strongly disagreed") indicators whereby "1" point was accorded to 'Strongly agree', 2 point as 'agree', 3-point as 'Neutral', 4-point as 'Disagree', and 5-point as 'Strongly Disagree'. Thus, detail of the analysis was presented as follow.



### 4.3.1 Awareness and practice of CSR.

Table 4.5 Respondents opinion on Awareness on CSR

		Category	Frequen cy	Percent	Valid percent	Cumulative percent
Are you familiar with theconcept of Corporate Social Responsibility (CSR)?	Group 1	Yes	81	73.6%	73.6	73.6
	Group 2	No	29	26.4%	26.4	100
	Total		110	100%	100	
Does your insurance have a CSR policy?	Group 1	yes	72	65.5%	65.5	65.5
	Group 2	No	38	34.5%	34.5	100
	Total		110	100		
Does your insurance disclose his corporate social responsibility policy?	Group 1	Yes	53	48.2%	48.2	48.2
	Group 2	No	57	51.8%	51.8	100
	Total		110	100		

The above table 4.5 indicates that about 73.6% of responses from Nile insurance indicated that the company were familiar with the concept of CSR, with only about 26.4% stating they were not familiar with the concept of CSR. With this significant difference between the proportions of responses agreeing or disagreeing to familiarity with the concept of CSR respectively that it can be concluded that a majority of the surveyed individuals have some level of knowledge or awareness of CSR. On the other hand, on the issue of availability of policy of CSR, the responses, as shown in table 4.5, indicated that 65.5% of the respondents with affirming the availability of CSR policy and 34.5% respondents affirming do not have operational CSR policies. This indicates that Nile insurance have specific CSR policies or initiatives in their firm.

After knowing the availability CSR policy in insurance, respondents were requested to responded for whether their insurance firm disclose CSR policy or not. The result as indicated in table 4.5 above, 48.2% of the respondents revealed that their insurance have disclosed CSR policy while 51.8% affirming that their insurance firm don't disclose CSR policy. Though the majority of respondents indicated that their insurance does not have

disclosed CSR policy, Thus, although that Nile insurance are largely familiar with CSR and CSR policy for pursuing the CSR agenda, according to the respondents they didn't disclose their CSR policy.

Table 4.6 Methods of Learning about CSR

**If you know the concept of CSR, how do you come to know about CSR?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Through formal education	42	38.2	38.2	38.2
	Through my own reading	18	16.4	16.4	54.5
	Through training provided by the Insurance	15	13.6	13.6	68.2
	Your company's code	6	5.5	5.5	73.6
	none	29	26.4	26.4	100.0
	Total	110	100.0	100.0	

The above table 4.6 indicates that about 38.2% of respondents from Nile insurance indicated that their awareness about the concept of CSR has come through formal education; while 16.4% of the respondents stated that they became aware of CSR through their own reading. The study revealed that only 5.5% and 15% of the respondents stated that they became aware of CSR through the company's code and trainings provided by the insurance about CSR respectively. This indicates that Nile Insurance didn't give emphasis about awareness creation of CSR to their employees.

Table 4.7 Corporate social responsibility activity in the Insurance

What type of CSR activities the insurance engages in?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	philanthropy,	32	29.1	29.1	29.1
	community involvement	29	26.4	26.4	55.5

	ethical responsibilities	35	31.8	31.8	87.3
	economic responsibility	14	12.7	12.7	100.0
	Total	110	100.0	100.0	

it is observed from the above table 4.7 that the insurance has given the highest percentage (31.8%) for Ethical responsibility to be the first area that their firm have mostly engaged in. In the second rank, majority of the respondents (29.1%) have given their votes for Philanthropic responsibility. On the third and fourth rank, majority of the respondents with 26.4% and 12.7% have mentioned community development and economic responsibility respectively as their focus activities of CSR.

Table 4.8 Concrete Community Actions by Insurance Company

<b>Which of the following concrete actions towards community were carried out by the insurance?</b>				
	Frequency	Percent	Standard Deviation	Mean
Donation to vulnerable groups and charitable nonprofit organizations	35	31.8	1.888	2.954
Environmental Protection activities	20	18.2		
Disaster management	9	8.2		
Education	29	26.4		
Sponsorship of Cultural or other events	6	5.5		
none	11	10.0		
Total	110	100.0		

it is observed from the above table 4.8 that the insurance has given the highest percentage (31.8%) for Donation to vulnerable groups and charitable nonprofit organizations to be the first area that their firm have mostly engaged in making it the most common community

action. It involves providing financial support or resources to vulnerable groups and nonprofit organizations that serve the community. In the second rank, majority of the respondents (26.4%) have given their votes for Education This includes actions such as offering scholarships, educational support, or programs to enhance educational opportunities and outcomes within the community. On the third and fourth rank, majority of the respondents with 18.2% and 8.2% have mentioned Environmental Protection activities and disaster management respectively as their focus activities of CSR by promoting sustainability, providing support and assistance during times of natural disasters or emergencies, such as financial aid, volunteering, or participating in relief efforts to help affected communities recover and lastly 5.5% respondent vote for that the insurance engage in the Sponsorship of Cultural or Other Events.

#### **4.3.2. Ethical responsibility in Nile insurance**

On a Likert scale of 1 to 5, respondents were asked to indicate the extent to which their insurance engaged in various ethical-related CSR activities.

Table 4.9 shows a descriptive statistic that reveal from insurances' perspective the extent to which the firm engage in the various CSR activities for Ethical Responsibility.

An ethical responsibility can be referred in terms of an organization or companies to have an obligation to act in an ethical manner that involves decision making, openness and transparency in relationship with stakeholders, employee, community, treating customers fairly and honestly, also it involves creating a positive work environment that respects employees' rights, promotes fairness, and values diversity and inclusion, engaging with and supporting the communities in which the organization operates, and complying with governmental organization relevant laws and regulations and others.

**Note: (SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree, SD=Strongly disagree)**

Table 4.9 Respondents opinion on Ethical responsibility dimension

ITEM	N	Mean	SD	Variance	skewness	kurtosis	Agreement Scale				
							SA%	A%	N%	D%	SD%
The insurance has well developed ethical business principal practice.	110	3.027	1.384	1.917	-0.155	-1.288	20	18.2	16.4	30	15.5
The insurance upholds high standards of integrity and ethical conduct in its business dealings.	110	3.063	1.349	1.822	-0.072	-1.241	15.5	23.6	17.3	26.4	17.3
The insurance operates in a manner consistent with expectations of societal and ethical norms and consistently complies with relevant laws, regulations, and industry standards	110	2.509	1.002	1.005	0.448	-0.144	14.5	39.1	30.9	11.8	3.6
The insurance encourages a culture of social responsibility and ethical decision-making among its employees.	110	2.772	1.193	1.425	0.320	-0.690	14.5	30	30	14.5	10.9
The company values and respects its employees' rights and well-being.	110	2.618	1.172	1.376	0.092	-1.319	20	32.7	14.5	30.9	1.8

The insurance aims to work towards improving working conditions to its employees.	110	2.918	1.188	1.413	-0.031	-1.057	10.9	29.1	20	30.9	9.1
The insurance facilitates various training opportunities for its employees in order to make them capable for ethical decision.	110	2.890	1.198	1.438	0.116	-0.945	12.7	29.1	24.5	23.6	10
The insurance motivates/stimulates its employees through recognition, appreciation, and reward.	110	3.027	1.266	1.605	-0.052	-1.069	13.6	23.6	22.7	26.4	13.6
The insurance has policies in place to prevent conflicts of interest and ensure fair treatment of customers	110	2.636	1.352	1.830	0.464	-1.022	22.7	33.6	14.5	15.5	13.6
The insurance is transparent in its communication and disclosure of information.	110	3.190	1.330	1.771	-0.239	-1.165	13.6	20.9	16.4	30.9	18.2
GRAND	110	2.826	1.243				15.8	27.9	20.7	24	11.3

**Source: own questioner Survey, 2024**

In the above table 4.7 shows the findings presented indicate the respondents' attitudes towards the existing ethical responsibility practices. According to the table it reveals that a significant portion (38.2%) of respondents either agreed (18.2%) or strongly agreed (20%) that the insurance company has well-developed ethical business principles/practices.

However, a considerable percentage (45.5%) expressed disagree (30%) or strong disagreement (15.5%), indicating some skepticism or dissatisfaction with the company's ethical practices. The negative skewness (-0.155) indicates a slightly left-skewed distribution, meaning there are slightly more values below the mean than above it and The negative kurtosis value of -1.288 indicates a platykurtic distribution indicates the distribution has a flatter, more dispersed shape around the mean value of 3.0273, with fewer extreme values (both high and low) and a more evenly distributed set of ethical practices.

This may signal Lack of Trust, that a portion of respondents does not trust or have confidence in the insurance company's ethical practices. This lack of trust could stem from perceived inconsistencies or unethical behaviour observed or experienced.

A relatively smaller proportion (15.5% strongly agree and 23.6% agree) of respondents that the insurance company upholds high standards of integrity and ethical conduct in its business dealings and a significant percentage (26.4% disagree and 17.3 % strongly disagree) expressed disagreement or strong disagreement, suggesting that there may be concerns or doubts about the company's ethical conduct, while the skewness value of -0.072 is very close to 0, indicating the distribution is approximately symmetric and the negative kurtosis value of -1.241 indicates a platykurtic distribution. This suggests the insurance company's ethical business practices exhibit a wider spread and more dispersed distribution around the mean, with fewer extreme high or low values. This may question the company's commitment to upholding ethical standards in its business dealings, which could include issues such as honesty, transparency, and fair treatment of customers and stakeholders.

A relatively larger proportion (53.6%) of respondents either agreed (39.1%) and (14.5%) strongly agreed that the insurance company operates in a manner consistent with societal and ethical norms while complying with relevant laws, regulations, and industry standards. However, a notable percentage (15.4%) expressed (11.8%) disagree and (3.6%) strong disagreement, suggesting that there may be some concerns or doubts about the company's adherence to ethical and legal standards and neutral response provided by 30.9% of respondents regarding the insurance company's operations being consistent with societal and ethical norms, as well as compliance with laws, regulations, and industry standards. The kurtosis value of -0.144 indicates a distribution that is slightly platykurtic, meaning it has a flatter and more spread-out shape compared to a normal distribution while the positive skewness value of 0.448 indicates the distribution has a slight positive skew. This means the

distribution has a longer right tail, with more values clustered towards the lower end of the scale.

A significant proportion of respondents strongly agree (14.5%) and agreed (30%) that the insurance company encourages a culture of social responsibility and ethical decision-making among its employees. However, there is also a notable percentage (25.4%) who expressed disagreement (14.5%) or strongly disagree (10.9%) there may be areas where the company can improve its efforts to promote ethical behaviour and social responsibility among its employees., and a 30% neutral Responses. The kurtosis value of -0.690 indicates a slightly platykurtic distribution while the positive skewness value of 0.320 indicates a slight right-skew in the distribution.

A significant proportion (52.7%) of respondents either agreed or strongly agreed that the insurance company values and respects its employees' rights and well-being. However, a considerable percentage (32.7%) expressed disagreement or strong disagreement, this indicating that there may be concerns or dissatisfaction regarding employee treatment. The skewness value of 0.092 indicates the distribution is very slightly positively skewed while the kurtosis value of -1.319 indicates a strongly platykurtic distribution. This means the distribution of employee rights and well-being practices has a very flat and spread-out shape compared to a normal distribution

Based on the respondent's considerable proportion (41.8%) of respondents either agreed or strongly agreed that the insurance company provides training opportunities to enhance employees' capability for ethical decision-making. However, a notable percentage (33.6%) expressed disagreement or strong disagreement, suggesting potential gaps in training programs.

A smaller proportion (13.6%) of respondents strongly agreed and (23.6%) agree that the insurance company motivates and stimulates its employees through recognition, appreciation, and rewards. However, a 26.4% expressed disagreement and 13.6% strong disagreement, indicating potential areas for improving employee motivation strategies. The skewness value of -0.052 indicates the distribution is very slightly negatively skewed, this means the distribution has a slightly longer left tail However, the skewness value being close to 0 suggests the distribution is very close to symmetrical and also the kurtosis value of -1.069 indicates a strongly platykurtic distribution. This means the distribution of employee



motivation and stimulation practices has a very flat and spread-out shape compared to a normal distribution.

A significant proportion (56.3%) of respondents either agreed or strongly agreed that the insurance company has policies to prevent conflicts of interest and ensure fair treatment of customers. However, a notable percentage (29.1%) expressed disagreement or strong disagreement. The positive skewness value of 0.464 indicates a slight right-skew in the distribution while the kurtosis value of -1.022 indicates a strongly platykurtic distribution, this means the distribution of fairness and conflict of interest prevention practices has a very flat and spread-out shape compared to a normal distribution.

A considerable proportion (34.5%) of respondents either agreed (20.9%) or strongly agreed (13.6%) that the insurance company is transparent in its communication and disclosure of information. However, a notable percentage (49.1%) expressed disagree (30.9%) or strongly disagree (18.2%), this indicating potential areas for improving transparency practices. The negative skewness value of -0.239 indicates a slightly left-skewed distribution and also the kurtosis value of -1.165 indicates a strongly platykurtic distribution, this means the distribution of transparency and information disclosure practices has a very flat and spread-out shape compared to a normal distribution.

#### **4.3.3. Economic responsibility in Nile insurance**

Economic responsibility, as one dimension of Corporate Social Responsibility (CSR), pertains to a company's commitment to fulfilling its economic obligations and contributing to the overall economic well-being of society. It encompasses several aspects that focus on involves generating job opportunities for the local community, entails paying employees fair and decent wages that are comparable to industry standards, providing reasonable benefits to employees and maintaining high quality standards, continuous product improvement, and a focus on customer satisfaction.

Table 4.10 Respondents opinion on Economic responsibility dimension

Items	N	Mean	SD	Variance	Skewness	kurtosis	Agreement scale				
							SA %	A %	N %	D %	SD %
The insurance has good risk management policies and strategies.	110	2.990	1.070	0.953	0.247	-1.005	3.6	38.2	21.8	28.2	8.2
The insurance effectively manages costs and expenses to maximize profitability	110	2.654	1.136	1.292	0.105	-1.120	17.3	32.7	20	27.3	2.7
Compared to its competitors, the insurance maintains a healthy/strong financial position	110	2.700	1.177	1.386	0.160	-0.855	18.2	27.3	27.3	20.9	6.4
The insurance develops new product redefining the existing ones and creating new channels based on customer demand.	110	2.709	1.287	1.658	0.299	-1.105	19.1	33.6	14.5	22.7	10
The insurance consistently achieves its financial goals and targets.	110	2.727	1.248	1.558	0.015	-1.323	20.9	27.3	14.5	32.7	4.5

The insurance invests in research and development to drive innovation and competitive advantage.	110	2.890	1.025	1.052	0.222	-0.572	6.4	32.7	32.7	21.8	6.4
The insurance is paying decent wage comparing with others	110	2.709	1.043	1.089	0.414	-0.489	9.1	40	27.3	18.2	5.5
The insurance provides reasonable benefits for employees (medical services, performance bonuses, holiday pay, transport allowances etc.)	110	2.900	1.048	1.100	-0.088	-1.054	8.2	32.7	22.7	33.6	2.7
The insurance demonstrates a long-term perspective in its financial decision-making.	110	2.772	1.028	1.058	-0.044	-0.726	11.8	28.2	33.6	23.6	2.7
The insurance engaging in Economic CSR initiatives have a competitive advantage over those that do not.	110	2.854	1.090	1.190	0.468	-0.720	5.5	41.8	23.6	20	9.1
Economic CSR activities contribute	110	2.927	1.450	2.105	0.037	-1.460	21.8	25.5	8.2	27.3	17.3

positively to the financial performance and profitability of businesses.												
Economic CSR initiatives positively affect the overall sustainability and resilience of businesses.	110	2.900	1.074	1.155	0.383	-1.022	3.6	44.5	17.3	27.3	7.3	
<b>Grand Mean</b>	<b>110</b>	<b>2.811</b>	<b>1.139</b>				<b>12.1</b>	<b>33.7</b>	<b>21.9</b>	<b>25.3</b>	<b>6.9</b>	

The analysis of responses relating to the Economic Responsibility CSR activity in Nile Insurance head office the respondents answer regarding to that the insurance has good risk management policies and strategies , A significant number combined percentage of respondents who either strongly agree and agree (41.8%) this indicates that a significant proportion of respondents believe that the insurance company has effective risk management practices in place., Neutral (21.8%) , disagree (28.2%) indicating that there is a portion of respondents who do not perceive the insurance company's risk management policies and strategies as good or effective. Additionally, a smaller percentage (8.2%) strongly disagreed with the statement, suggesting a stronger negative perception. The skewness value of 0.247 indicates the distribution is slightly positively skewed. This means the distribution has a longer right tail, with a few more values on the higher end of the scale and the kurtosis value of -1.005 indicates a strongly platykurtic distribution.

These insights suggest that the company should improve its communication and transparency regarding its risk management policies and strategies. This will help raise awareness among employees and stakeholders, ensuring that they have a clear understanding of the company's approach to managing risks and also to further strengthen risk management, the company should actively involve employees in the process.

The analysis of responses regarding the insurance company's management of costs and expenses to maximize profitability provides insights into the perceptions of the respondents. The combined percentage of respondents who either strongly agree or agree (50%) indicates that a significant proportion of respondents believe that the insurance company effectively manages costs and expenses to maximize profitability. This suggests that respondents perceive the company as having efficient cost management practices and a focus on maximizing profitability.

However, it is worth noting that a considerable percentage of respondents (27.3%) expressed disagreement, indicating that there is a portion of respondents who do not believe that the insurance company effectively manages costs and expenses to maximize profitability. Additionally, a small percentage (2.7%) strongly disagreed with the statement, suggesting a stronger negative perception. The neutral response rate of 20% indicates that a significant number of respondents neither agreed nor disagreed with the statement. This suggests that there may be a lack of clarity or awareness among respondents regarding the insurance company's cost management practices and their impact on profitability. The skewness value of 0.105 indicates the distribution is very slightly positively skewed. And The kurtosis value of -1.120 indicates a strongly platykurtic distribution, this means the distribution of the insurance industry's cost and expense management effectiveness has a very flat and spread-out shape compared to a normal distribution.

The combined percentage of respondents who either strongly agree or agree (45.5%) suggests that a significant proportion of respondents believe that the insurance company maintains a healthy/strong financial position compared to its competitors. This indicates that the company's financial strength is perceived positively by a substantial portion of the respondents. And The skewness value of 0.160 indicates the distribution is slightly positively skewed while the kurtosis value of -0.855 indicates a platykurtic distribution.

This means the distribution of the insurance company's financial position relative to its competitors has a flatter and more spread-out shape compared to a normal distribution.

However, a notable percentage (27.3%) expressed a neutral stance, indicating that there may be an equal number of respondents who neither agree nor disagree with the statement. Additionally, a considerable percentage (27.3%) expressed disagreement or strong disagreement, suggesting that there is a segment of respondents who do not perceive the insurance company's financial position as healthy or strong compared to its competitors.

The combined percentage of respondents who either strongly agree or agree (52.7%) indicates that a majority of respondents believe that the insurance company develops new products, redefines existing ones, and creates new channels based on customer demand. This suggests that the company's efforts in product development and adaptation to customer needs are perceived positively by the respondents.

However, a notable percentage (33.6%) expressed disagreement or strong disagreement, suggesting that there is a segment of respondents who do not believe that the insurance company effectively develops new products or adapts existing ones to customer demand. The skewness value of 0.299 indicates the distribution is moderately positively skewed, this means the distribution has a longer right tail, with a greater number of values on the higher end of the scale while the kurtosis value of -1.105 indicates a strongly platykurtic distribution, this means the distribution of the insurance company's product and channel innovation efforts has a very flat and spread-out shape compared to a normal distribution.

This indicates that the company may need to address concerns and improve its product innovation strategies to meet customer expectations.

The combined percentage of respondents who either strongly agree or agree (48.2%) suggests that a minority of respondents believe that the insurance company consistently achieves its financial goals and targets. However, a significant percentage (32.7%) expressed disagreement, indicating a perception that the company may struggle to consistently meet its financial objectives. Additionally, a small percentage (4.5%) strongly disagreed with the statement.

The combined percentage of respondents who either strongly agree or agree (39.1%) suggests that a minority of respondents believe that the insurance company invests in research and development to drive innovation and gain a competitive advantage. However, a notable percentage (32.7%) expressed a neutral stance, indicating a lack of clarity or awareness regarding the company's investment in research and development. Additionally, a significant percentage (28.2%) expressed disagreement or strong disagreement, suggesting that the company's efforts in this area may not be perceived as sufficient or effective by some respondents.

This insight suggests that the company should enhance its communication and transparency regarding its financial position, goals, and achievements. This will help address any misperceptions and build trust among stakeholders and the company should further focus on

developing new products and refining existing ones based on customer demands. Conducting market research and gathering customer feedback can provide valuable insights for product development, ensuring that the company meets customer expectations and Align Financial Goals and Targets by review its financial goals and targets to ensure they are realistic and achievable. Regular monitoring and evaluation of financial performance can help identify areas for improvement and enable the company to make necessary adjustments to achieve its targets.

The combined percentage of respondents who either strongly agree or agree (49.1%) indicates that a minority of respondents believe that the insurance company pays a decent wage compared to others. However, a significant percentage (45.5%) expressed either disagreement or a neutral stance, suggesting that there may be a perception that the insurance company's wage levels are not competitive or satisfactory.

The combined percentage of respondents who either strongly agree or agree (40.9%) suggests that a minority of respondents believe that the insurance company provides reasonable benefits for employees. However, a considerable percentage (36.3%) expressed disagreement, indicating that there is a perception among respondents that the benefits provided by the company may not be considered reasonable. It is worth noting that a significant percentage (22.7%) expressed a neutral stance, suggesting a lack of clarity or awareness regarding the benefits offered by the company. While the skewness value of -0.088 indicates the distribution is nearly symmetric, with a very slight negative skew and the kurtosis value of -1.054 indicates a strongly platykurtic distribution. This means the distribution of employee benefits provided by the insurance company has a very flat and spread-out shape compared to a normal distribution

The combined percentage of respondents who either strongly agree or agree (40%) indicates that a minority of respondents believe that the insurance company demonstrates a long-term perspective in its financial decision-making. However, a considerable percentage (57.2%) expressed disagreement or a neutral stance, suggesting that there may be a perception that the company's financial decision-making does not prioritize long-term considerations.

The combined percentage of respondents who either strongly agree or agree (47.3%) suggests that a minority of respondents believe that the insurance company engaging in Economic Corporate Social Responsibility (CSR) initiatives has a competitive advantage over those that do not. With a skewness value of 0.468 indicates the distribution is moderately positively

skewed and kurtosis value of -0.720 indicates a platykurtic distribution, this means the distribution of the competitive advantage derived from economic CSR initiatives has a flatter and more spread-out shape compared to a normal distribution. However, a notable percentage (29.1%) expressed disagreement, indicating that there is a perception that engaging in Economic CSR initiatives may not provide a competitive advantage. Additionally, a small percentage (9.1%) strongly disagreed with the statement.

The company should conduct a thorough analysis of industry wage standards and benchmark its wage levels against competitors. If necessary, adjustments should be made to ensure that the company offers competitive wages to attract and retain talented employees.

The company should review its employee benefits package and compare it with industry standards. Identifying gaps and areas for improvement can help enhance employee satisfaction and attract top talent.

The company should improve communication and transparency regarding its long-term financial decision-making. This can be achieved through regular updates, reports, and presentations that demonstrate the company's commitment to sustainable growth and value creation.

The combined percentage of respondents who either strongly agree or agree (48.1%) suggests that a minority of respondents believe that economic Corporate Social Responsibility (CSR) initiatives positively affect the overall sustainability and resilience of businesses. This indicates that there is a perception among some respondents that engaging in economic CSR initiatives can contribute to the long-term viability and resilience of businesses. The skewness value of 0.037 indicates the distribution is very slightly positively skewed this skewness value being close to 0 suggests the distribution is very close to symmetrical and the kurtosis value of -1.460 indicates a strongly platykurtic distribution.

However, a significant percentage (34.6%) expressed disagreement or strong disagreement, suggesting that there is a segment of respondents who do not share the belief that economic CSR initiatives have a positive impact on business sustainability and resilience. Additionally, a notable percentage (17.3%) expressed a neutral stance, indicating a lack of clarity or awareness regarding the relationship between economic CSR initiatives and business sustainability. The skewness value of 0.383 indicates the distribution is slightly positively skewed, this means the distribution has a longer right tail, with a few more values on the



higher end of the scale while the kurtosis value of -1.022 indicates a strongly platykurtic distribution.

#### 4.3.4 Philanthropic responsibility in Nile insurance

Table 4.11 Respondents opinion on Philanthropic responsibility dimension

Items	N	Mea n	Standard deviation	Variance	skewness	kurtosis	Agreement scale				
							SA (%)	A (%)	N (%)	D (%)	SD (%)
The insurance provides contributions and donations to charitable organizations, and community activities or events.	110	2.6545	1.28817	1.659	0.385	-1.125	19.1	39.1	8.2	24.5	9.1
The insurance donates a significant portion of its profits to philanthropic initiatives.	110	2.6545	1.17650	1.384	0.223	-0.959	18.2	31.8	21.8	22.7	5.5
The insurance engages in partnerships with nonprofit organizations to address societal challenges	110	2.6000	1.10212	1.215	-0.028	-1.024	20.9	23.6	31.8	21.8	1.8
The insurance responds to natural and man-made disasters by helping victims with food and shelter.	110	2.5091	1.32544	1.757	0.365	-1.107	30.9	22.7	19.1	19.1	8.2
The insurance promotes volunteerism among its employees for community service	110	2.8455	1.28639	1.655	-0.338	-1.422	24.5	14.5	15.5	42.7	2.7
The insurance measures and reports its philanthropic impact and outcomes.	110	2.9455	1.22539	1.502	-0.047	-1.008	14.5	23.6	24.5	27.3	10

Philanthropic responsibility enhances the reputation and goodwill of a company	110	2.6182	1.18849	1.413	0.548	-0.691	15.5	40.9	19.1	15.5	9.1
The insurance philanthropic efforts positively contribute to society and make a difference	110	2.7909	1.15015	1.323	0.273	-0.801	11.8	34.5	24.5	20.9	8.2
The insurance supports initiatives that promote education, healthcare, or environmental sustainability.	110	3.0545	1.02121	1.043	0.468	-0.800	0.9	35.5	31.8	20.9	10.9
<b>Grand Mean</b>	<b>110</b>	<b>2.7413</b>	<b>1.19597</b>				<b>17.3</b>	<b>29.5</b>	<b>21.8</b>	<b>23.9</b>	<b>7.2</b>

The study was intended to evaluate the existence of CSR dimension in Nile insurance head office. Hence, 9 questions were designed and distributed to the sampled employees and requested their level of agreement and the responses were summarized and presented in the above table. For the question that asks respondents as Nile insurance has provides contributions and donations to charitable organizations, and community activities or events they answer 19.1% strongly Agree and 39.1 % Agreeing, it suggests a substantial portion of employees does perceive a culture of providing contributions and donations to charitable organizations. The skewness value of 0.385 indicates a moderate positive skew in the distribution. This means the distribution of insurance companies' contributions and donations to charitable organizations, community activities, and events is slightly tilted towards the higher end of the scale. While the kurtosis value of -1.125 indicates a strongly platykurtic distribution, this means the distribution of insurance companies' charitable and community contributions is very flat and spread-out, with few extreme outliers in either direction.

For the question that was forwarded to respondents if the insurance donates a significant portion of its profits to philanthropic initiatives, a combined percentage of respondents who either strongly agree or agree (50%) indicates that half of the respondents believe that the insurance company donates a significant portion of its profits to philanthropic initiatives, However, a notable percentage (21.8%, 22.7% and 5.5%) expressed neutral, disagreement, or strong disagreement respectively.

While the skewness value of 0.223 indicates a mild positive skew in the distribution, this means the distribution of insurance companies' philanthropic donations as a portion of their profits is slightly tilted towards the higher end of the scale. And the kurtosis value of -0.959 indicates a platykurtic distribution. This indicting the distribution of philanthropic donation levels is relatively flat and spread-out, with fewer extreme outliers compared to a normal distribution.

The combined percentage of respondents who either strongly agree or agree (44.5%) suggests that there is a moderate level of agreement regarding the insurance company's engagement in partnerships with nonprofit organizations to address societal challenges. However, a significant proportion (31.8%) expressed neutral opinions, indicating a lack of clarity or awareness regarding the company's partnerships. Additionally, a notable percentage (23.6%) expressed disagreement or strong disagreement, suggesting that the company's efforts in this area may be perceived as lacking or insufficient by some respondents.

In addition, both the skewness value and kurtosis value resulting negative that the skewness value of -0.028 indicates a near-zero skewness, meaning the distribution is essentially symmetrical. This suggests that the insurance industry's level of engagement in partnerships with nonprofit organizations to address societal challenges is relatively evenly distributed, with no significant skew towards either the higher or lower end of the spectrum. And the kurtosis value of -1.024 indicates a platykurtic distribution.

This means the distribution of insurance companies' engagement in nonprofit partnerships is relatively flat and spread-out, with fewer extreme outliers compared to a normal distribution.

The combined percentage of respondents who either strongly agree or agree (53.6%) indicates that a majority of respondents believe that the insurance company responds to natural and man-made disasters by providing assistance to victims with food and shelter. However, a notable percentage (19.1%) expressed neutral opinions and (27.3%) disagreement and strongly disagree, suggesting that some respondents may feel that the company's response efforts could be improved or are not perceived as impactful enough. And The skewness value of 0.365 indicates a mild positive skew in the distribution while the kurtosis value of -1.107 indicates a highly platykurtic distribution, meaning that the distribution is very flat and spread-out.

The combined percentage of respondents who either strongly agree or agree (39%) indicates that a minority of respondents believe that the insurance company promotes volunteerism

among its employees for community service. However, a significant proportion (45.2%) expressed disagreement or strong disagreement, suggesting that there may be a perception that the company's efforts in promoting volunteerism among employees for community service are lacking or inadequate. In addition, both the skewness and kurtosis value resulting negatively with the skewness value of -0.338 indicates a mild negative skew in the distribution and the kurtosis value of -1.422 indicates a highly platykurtic distribution, this means the distribution of insurance companies' promotion of employee volunteerism is very flat and spread-out.

The combined percentage of respondents who either strongly agree or agree (38.1%) suggests that a minority of respondents believe that the insurance company measures and reports its philanthropic impact and outcomes. However, a notable percentage (37.3%) expressed neutral opinions or disagreement, implying a lack of clarity or awareness regarding the company's measurement and reporting practices. This indicates that the company may need to improve its communication and transparency in this area.

The combined percentage of respondents who either strongly agree or agree (56.4%) suggests that a majority of respondents believe that philanthropic responsibility enhances the reputation and goodwill of a company. This indicates that the company's philanthropic efforts are likely perceived positively, with stakeholders recognizing the potential benefits of engaging in philanthropy. The skewness value of 0.548 indicates a moderate positive skew in the distribution and the kurtosis value of -0.691 indicates a platykurtic distribution. This indicates that the distribution of companies' perception that philanthropic responsibility enhances their reputation and goodwill is tilted towards the higher end of the scale and is relatively flat and spread-out.

The combined percentage of respondents who either strongly agree or agree (46.3%) suggests that a minority of respondents perceive the insurance company's philanthropic efforts as positively contributing to society and making a difference. However, a notable percentage (29.1%) expressed disagreement or strong disagreement, indicating that there may be room for improvement in the company's philanthropic initiatives to enhance their impact and effectiveness.

The combined percentage of respondents who either strongly agree or agree (36.4%) suggests that a minority of respondents believe that the insurance company supports initiatives that promote education, healthcare, or environmental sustainability. However, a significant

proportion (31.8%) expressed neutral opinions, indicating a lack of clarity or awareness regarding the company's specific initiatives. Additionally, a notable percentage (31.8%) expressed disagreement or strong disagreement, suggesting that the company's efforts in this area may be perceived as insufficient. The skewness value of 0.468 indicates a moderate positive skew in the distribution, this means the distribution of insurance companies' support for initiatives that promote education, healthcare, or environmental sustainability is tilted towards the higher end of the scale. And the kurtosis value of -0.800 indicates a platykurtic distribution.

Overall, the percentages indicate a mixed perception of the insurance company's philanthropic CSR activities. While there are areas where the company's efforts are recognized and positively perceived, such as enhancing reputation and goodwill, there are also areas where improvements can be made. The company should address the concerns raised by respondents who expressed disagreement or strong disagreement and work on increasing awareness and transparency regarding its philanthropic initiatives. By doing so, the company can enhance its philanthropic CSR activities and strengthen its positive impact on society and can work towards improving stakeholder perceptions and making a more positive impact on the community too.

#### 4.3.5 Community Development responsibility

Table 4.12 Respondents opinion on community development responsibility dimension

Items	N	Mea n	Standard deviation	Variance	skewness	kurtosis	Agreement scale				
							SA (%)	A (%)	N (%)	D (%)	SD (%)
The insurance actively engages/regularly in initiatives that contribute to the development of local communities.	110	2.95	1.14	1.31	0.015	-0.928	10	29.1	24.5	28.2	8.2
The insurance provides scholarships for	110	2.60	1.15	1.34	0.343	-0.586	19.1	29.1	30.9	13.6	7.3

needy students.												
The insurance supports and stimulates the national economy through supporting small and medium enterprises	110	2.74	1.02	1.05	0.117	-0.617	10.9	31.8	32.7	20.9	3.6	
The insurance listens to the needs and concerns of the local community and takes them into account in decision-making.	110	3.01	1.10	1.22	-0.119	-0.832	9.1	25.5	27.3	30.9	7.3	
The insurance has provides job opportunity to the local community.	110	2.93	1.14	1.30	-0.136	-0.761	13.6	20	32.7	26.4	7.3	
The insurance encourages employee involvement in community service activities.	110	3.23	1.24	1.55	-0.057	-1.224	6.4	30	16.4	28.2	19.1	
The insurance community development efforts have a positive and lasting effect on the community.	110	2.93	1.22	1.49	0.062	-1.123	11.8	31.8	17.3	29.1	10	
The insurance	110	2.82	.917	0.84	0.280	0.016	5.5	30.9	43.6	15.5	4.5	

implemented any community development initiatives in the past 5 years											
Grand Mean	<b>110</b>	<b>2.90</b>	<b>1.11</b>	<b>1.26</b>			<b>10.8</b>	<b>28.52</b>	<b>28.17</b>	<b>24.1</b>	<b>8.41</b>

The insurance engage in development of community, a considerable combined portion (39.1%) strongly agree(10%) and agrees(29.1%) with the organization's regularly in initiatives that contribute to the development of local communities, a quarter (24.5%) respondents remains neutral suggesting a mixed perception regarding the organization's engagement in the community.

The responses indicate a mixed perception regarding the insurance company's provision of scholarships for needy students. While a combined 48.2% (SA19.1 + A29.1) agree or strongly agree with the statement, a significant percentage (30.9%) remains neutral, and a smaller percentage (21.9%) disagrees or strongly disagrees.

The skewness value of 0.015 indicates a near-zero, or symmetrical, distribution, this means the distribution of insurance companies' engagement in initiatives that contribute to local community development is very close to a normal, symmetric distribution, and the kurtosis value of -0.928 indicates a platykurtic distribution.

Regarding the insurance company's support and stimulation of the national economy through its support for small and medium enterprises. While a combined 42.7% (SA10.9 + A31.8) agree or strongly agree with the statement, a significant percentage (32.7%) remains neutral, and a notable portion (24.5%) disagrees or strongly disagrees.

Regarding the insurance company's responsiveness to the needs and concerns of the local community. While a combined 34.6% (SA9.1 + A25.5) agree or strongly agree with the statement, a significant percentage (58.2%) remains neutral or disagrees and both skewness and kurtosis value showing a negative result that the skewness value of -0.119 indicates a very slight negative skew in the distribution and the kurtosis value of -0.832 indicates a platykurtic distribution.

This indicates that a portion of respondents feels that the insurance company does not sufficiently listen to the needs and concerns of the local community or that they do not take them into account in decision-making.

Regarding the insurance company's provision of job opportunities to the local community. While a combined 33.6% (SA13.6 + A20) agree or strongly agree with the statement, a significant percentage (59.1%) remains neutral or disagrees. In addition, both the skewness and kurtosis value of showing a negatively result that the skewness value of -0.136 indicates a very slight negative skew in the distribution and the kurtosis value of -0.761 indicates a platykurtic distribution, this means the distribution is flatter and more spread-out compared to a normal distribution, with fewer extreme outliers. This implies that there is uncertainty or lack of awareness about the insurance company's efforts in providing job opportunities to the local community.

The responses indicate a mixed perception regarding the insurance company's encouragement of employee involvement in community service activities. While a combined 36.4% (SA6.4 + A30) agree or strongly agree with the statement, a significant percentage (47.6%) remains neutral or disagrees. While the skewness value of 0.062 indicates a near-zero, or symmetrical, distribution and the kurtosis value of -1.123 indicates a platykurtic distribution. This suggests that there may be varying levels of employee involvement in community service activities within the insurance company.

perception regarding the implementation of community development initiatives by the insurance company in the past 5 years. While a combined 36.4% (SA5.5 + A30.9) agree or strongly agree that such initiatives have been implemented, a significant percentage (43.6%) remains neutral and disagrees 20% (D 15.5% + SD 4.5%). And both the skewness and kurtosis value resulting a positive value with a skewness value of 0.280 indicates a mild positive skew in the distribution and a kurtosis value of 0.016 indicates a distribution very close to a normal, mesokurtic distribution, The kurtosis value close to 0 indicates that the distribution is neither too peaked nor too flat, suggesting a relatively consistent level of engagement across the insurance.

In conclusion there is agreement that the insurance company provides scholarships for needy students (combined 48.2% agree or strongly agree) and supports the national economy through small and medium enterprise support (combined 42.7% agree or strongly agree). This indicates that there is a portion of the respondents who acknowledge and appreciate the



company's efforts in these specific domains in these areas suggest that the insurance company should continue and further enhance its efforts in providing scholarships for needy students and supporting small and medium enterprises. Building upon these positive perceptions can help strengthen the company's reputation and community engagement. It would be beneficial for the insurance company to leverage these findings to communicate and promote these initiatives, showcasing their commitment to social responsibility and economic development. Additionally, the company can consider expanding its outreach and impact in these areas, ensuring that more students in need are supported through scholarships and that small and medium enterprises receive continued support to drive economic growth. On the other hand, there are areas like the insurance company should actively engage with the local community to better understand their needs and concerns. This can be done through regular and open dialogues, surveys, and community meetings. By listening to community feedback and incorporating it into decision-making processes, the company can demonstrate its commitment to addressing community concerns and improving its practices.

## **4.4. Inferential Statistical Analysis**

### **4.4.1. Correlation Analysis**

It is a statistical measure that shows the strength of association between different variables within a study and relative movement of variables as well. The value of correlation coefficient is needed to be within -1 to +1. The table below shows that correlation coefficients of this research. The Pearson's correlation coefficient analysis helped the researcher to better understand whether there was a positive relationship, negative relationship, or no correlation between dependent variables and independent variable. Thus, the strength and direction of relationship between variables was analysed by the researcher using Pearson's correlation coefficient analysis. In addition, the researcher used it to measure whether there was a significant relationship between independent variables and dependent variable.

The following points are the accepted guidelines for interpreting the correlation coefficient.

Coefficient range	Interpretation
0.00-0.1	Negligible correlation
0.11-0.39	Weak correlation
0.40-0.69	Moderate correlation
0.70-0.89	Strong correlation
0.90-1.00	Very strong correlation

Table 4.13: Correlation Analysis Matrix

Correlations						
		ETHICALRES PONSIBILITY	ECONOMI C	PHILANTR OPHIC	COMMUNI TY	FINANCI AL
ETHICALRESPONS IBILITY	Pearson Correlation	1				
	Sig. (1-tailed)					
	N	110				
ECONOMIC	Pearson Correlation	.811**	1			
	Sig. (1-tailed)	.000				
	N	110	110			
PHILANTHROPIC	Pearson Correlation	.692**	.777**	1		
	Sig. (1-tailed)	.000	.000			
	N	110	110	110		
COMMUNITY	Pearson Correlation	.781**	.777**	.754**	1	
	Sig. (1-tailed)	.000	.000	.000		
	N	110	110	110	110	
FINANCIAL	Pearson Correlation	.658**	.743**	.690**	.734**	1
	Sig. (1-tailed)	.000	.000	.000	.000	
	N	110	110	110	110	110

\*\* . Correlation is significant at the 0.01 level (1-tailed).

Source: Own Questionnaire Survey, 2024

Table 4.13 above shown the correlation between CSR dimensions (Ethical, Economic, philanthropy, and community responsibilities) and financial performance ROA in Nile Insurance. From the Pearson correlation analysis; Financial performance measured by ROA was found to have a strong (very high) positive correlation with the Economic responsibility dimension ( $r=0.743$ ;  $p < 0.01$ ), indicating a statistically significant relationship. This suggests that when Nile Insurance focuses on Economic responsibilities, their financial performance tends to improve, followed by Strongly positive correlation with the community responsibility of CSR dimensions ( $r=0.734$ ;  $p < 0.01$ ), and Philanthropy responsibility with ( $r=0.690$ ;  $p < 0.01$ ) followed by lastly a correlation analysis of financial performance and Ethical responsibility ( $r=0.658$ ;  $p < 0.01$ ) was found to have a moderate positive correlation. From the correlation analysis of Nile Insurance's CSR dimensions (Ethical, Economic, Community, and Philanthropy responsibilities) and financial performance provides valuable insights. The findings indicate strong positive correlations between financial performance and Economic responsibility, and community responsibility mean While a moderate correlation with and ethical responsibility and philanthropy responsibility. This suggests that Nile Insurance's profitability is positively influenced by its focus on economic practices, community development initiatives, and philanthropic efforts. Therefore, all dimensions of CSR were positively correlated with the Insurance's Financial performance.

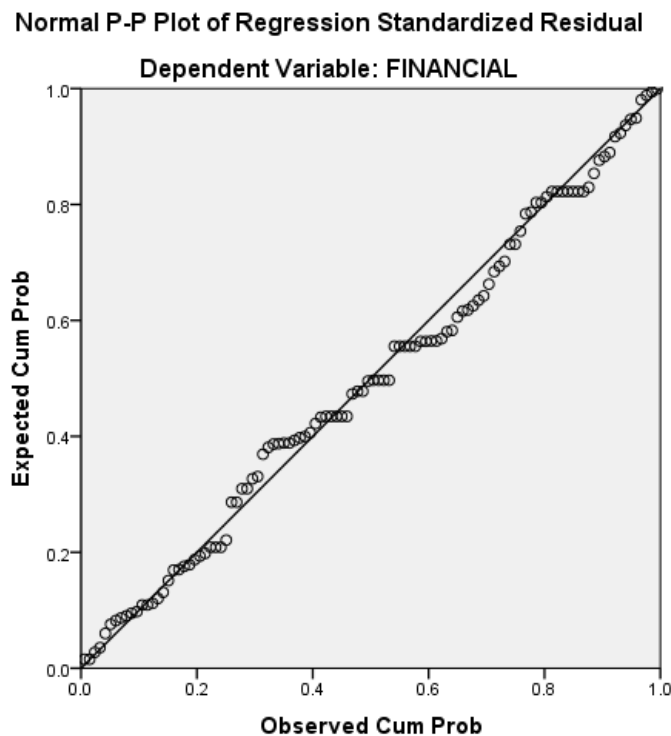
#### **4.4.2.1. Testing Assumptions**

##### **Linearity**

One assumption is linearity in which the relationship between independent and dependent variables must be linear. The linear regression equation should be in  $Y = a + bX$  form where  $x$  is the independent variable,  $y$  is the dependent variable and  $b$  is the coefficient. (Gujarat, 2004)

The normal probability plot was employed to test linearity using SPSS 20 software. And as we can see from the below output of the Normal P-P plot the relationship is linear as the points are close to the straight line.

Fig 4.1:- Normal P-P plot model



### Multicollinearity

In any practical context, the correlation between explanatory variables will be non-zero, although this will generally be relatively benign in the sense that a small degree of association between explanatory variables will almost always occur but will not cause too much loss of precision. However, a problem occurs when the explanatory variables are very highly correlated with each other, and this problem is known as multicollinearity.

As a par rule, if the value of variance inflation factor (VIF) on each variable is less than 10 and if the value  $1 / VIF$  is greater than 0.1 or 10%, multicollinearity is not a serious problem in the model. As shown below, the individual value of VIF for each explanatory variable is very lower than 10, again the values of  $1/VIF$  are highly greater than 0.10 or 10%. So, there is no evidence for the existence of a Multicollinearity problem in this data set. Therefore, the researcher concluded that multicollinearity is not a serious problem in this model. (Brooks, 2008)

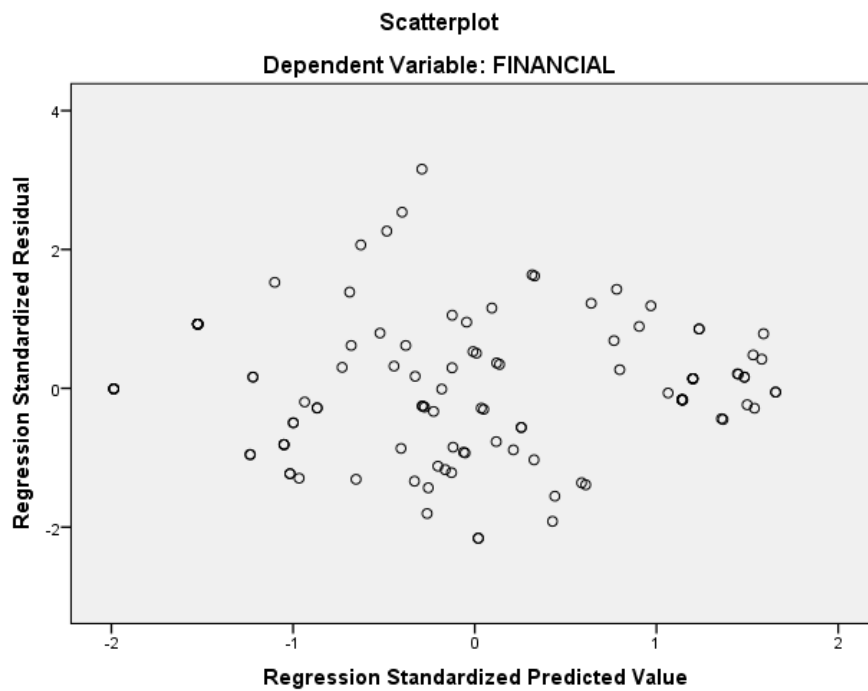
Table 4.14 Multicollinearity

<b>Coefficients</b>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	ETHICAL RESPONSIBILITY	.285	3.506
	ECONOMIC RESPONSIBILITY	.244	4.105
	PHILANTHROPIC RESPONSIBILITY	.339	2.946
	COMMUNITY RESPONSIBILITY	.291	3.441
a. Dependent Variable: FINANCIAL PERFORMANCE			

### **Homoscedasticity**

Homoscedasticity is the assumption that the variance of the errors is constant. If the errors do not have a constant variance, they are said to be heteroscedastic (Brooks, 2014). Heteroskedasticity refers to situations where the variance of the residuals is unequal over a range of measured values. When running a regression analysis, heteroskedasticity results in an unequal scatter of the residuals (also known as the error term). I used scattered plot to check if there is heteroscedasticity problem. If the dots in the scattered plot diagram are diffused and not forming a regular pattern then we can say that there is no heteroscedasticity problem. From the below figure we can see that the dots are scattered and not forming regular pattern like cone –shaped, which shows that we do not have heteroscedasticity problem.

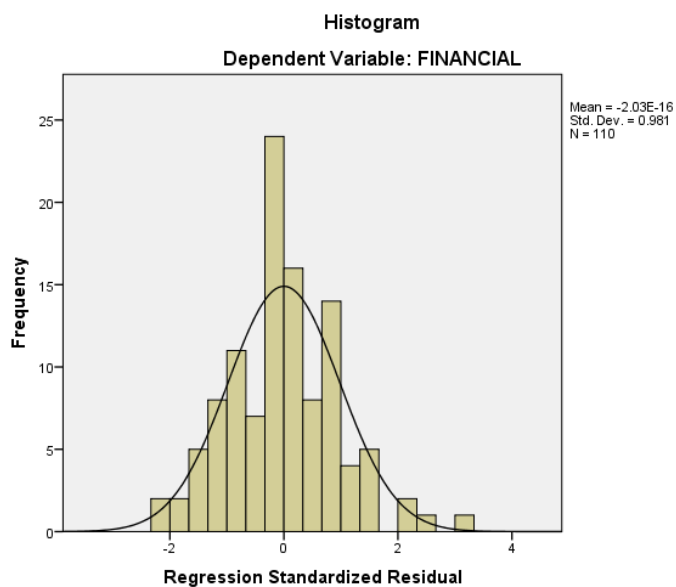
Fig 4.2: - scatterplot of homoscedasticity



### Normality of residuals

Normality test is used to check whether the error terms are normally distributed between their mean and variance or not.

Fig: - 4.3 Normality Histogram



#### 4.4.2.2 Regression Analysis

Regression analysis is a set of statistical processes for estimating the relationships between a dependent variable (often called the 'outcome' or 'response' variable, or a 'label' in machine learning parlance) and one or more independent variables (often called 'predictors', 'covariates', 'explanatory variables' or 'features').

Since we have more than one independent variable, multiple linear regressions are used. And in this section the different tests (homoscedasticity, normality, multi-collinearity and linearity) are discussed in order to make sure the data passes the basic assumptions of classical linear regression model.

Multiple linear regressions have been used to examine the relationship between the independent variables (Ethical, Economic, philanthropy and community responsibilities) and the dependent variable (Financial performance) in Nile Insurance Head office.

Table 4.15: Model Summary with Predictors

<b>Model Summary</b>						
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.789 <sup>a</sup>	.623	.608		2.63947	1.795
a. Predictors: (Constant), COMMUNITY RESPONSIBILITY, PHILANTHROPIC RESPONSIBILITY, ETHICAL RESPONSIBILITY, ECONOMIC RESPONSIBILITY						
b. Dependent Variable: FINANCIAL PERFORMANCE						

Source survey 2024

Table 4.15 above shows a model summary of regression analysis between four independent variables Ethical, Economic, philanthropy and community responsibilities and the dependent variable (Financial performance). The value is 0.789 which shows strong correlation between CSR dimension practice and the financial performance of insurance. when observing The R Square shows how much of dependent variable can be explained or accounted for by the independent variables, the sum effects of the predictors (Independent variable) on financial performance (table 4.15) above, 62.3% of variance in the dependent variables (Financial performance) can be accounted in the independent variable (CSR) practice. This means that the CSR practices, including ethical responsibilities, community development, and philanthropy initiatives, have a significant influence on the profitability of the insurance company.

Table 4.16 Overall Model Fit of the Regression Model (ANOVA)

ANOVA						
Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	1207.938	4	301.984	43.346	.000 <sup>b</sup>
	Residual	731.517	105	6.967		
	Total	1939.455	109			
a. Dependent Variable: FINANCIAL PERFORMANCE						
b. Predictors: (Constant), COMMUNITY RESPONSIBILITY, PHILANTHROPIC RESPONSIBILITY, ETHICAL RESPONSIBILITY, ECONOMIC RESPONSIBILITY						

The ANOVA test in the table above determines whether or not the predictors in this study predict financial success (profitability). This can be answered by examining the model's overall significance, which is normally shown by a p-value of less than 0.05. This demonstrates that the independent variables have a strong and significant influence on the dependent variable, and the sample data gives sufficient evidence to infer that the regression model is well fitted. This suggests that corporate social responsibility practices have a major impact on financial performance. The independent variable (CSR) is a statistically significant predictor of the dependent variable (Profitability) at  $F = 43.346$ ,  $p = .000$ .

Hence, the regression model is good fit of the data. Furthermore, CSR dimensions of philanthropic, ethical economic and community activities has statistically significant impact on the profitability.

Table 4.17 Multiple Regression Coefficients

Coefficients										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error				Beta	Lower Bound	Upper Bound	Tolerance
1	(Constant)	1.027	1.069		.961	.339	-1.092	3.147		



	ETHICALRESPONSIBILITY	-.009	.055	-.018	-.159	.874	-.117	.100	.285	3.506
	ECONOMIC	.179	.059	.369	3.043	.003	.063	.296	.244	4.105
	PHILANTHROPIC	.091	.060	.157	1.527	.130	-.027	.210	.339	2.946
	COMMUNITY	.239	.077	.343	3.082	.003	.085	.392	.291	3.441
2	(Constant)	14.636	.402		36.392	.000	13.839	15.433		

a. Dependent Variable: FINANCIAL

**Source survey 2024**

**Standardized Beta Coefficient:** It is the coefficients that can explain the relative importance of explanatory variables. These coefficients are obtained from regression analysis after all the explanatory variables are standardized. As can be seen from table 4.17 above the standardized coefficient of recognition is the largest value followed by Economic, community, philanthropy and ethical responsibilities respectively. The larger the standardized coefficient, the higher is the relative effect of the factors to the better financial performance. As it can be viewed from above table, the three independent variables has a positive impact on the dependent variable presented respectively with the value of economic (0.369), community (0.343), philanthropy (0.157), and a negative effect of ethical responsibility with the value of ( -0.018) this means an increase in the predictor variable is associated with a decrease in the dependent variable.

From the regression findings, the substitution of the equation:

$(Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4)$  becomes:

$$ROA = 1.027 - 0.018X_1 + 0.369X_2 + 0.157X_3 + 0.343X_4$$

Where Y is the dependent variable (ROA), X1 is Ethical, X2 is economic, X3 is philanthropic and X4 is community responsibility.

A unit increase in Ethical responsibility will lead to -0.018 decreases in the level of ROA recorded by insurance company. Similarly, a unit increase in economic responsibility will lead to a 0.369 increase in the level of ROA recorded by insurance company. A unit increase in philanthropic responsibility will lead to 0.157% increase in the ROA recorded by the

insurance, and finally, a unit increase in community development responsibility will lead to 0.343 increase in the ROA recorded by the insurance.

At 95% level of confidence, economic and community development responsibilities has a significance of 0.03, ethical had a significance of 0.874, and philanthropic responsibility had a significance of 0.130. These shows that ethical and philanthropic was not significant while the other two CSR dimension variables were significant.

In this case, a negative standardized beta coefficient suggests that as the level of ethical responsibility increases, the profitability of the insurance company tends to decrease. This means that a stronger focus on ethical practices may have a slight negative impact on the company's financial performance.

**Unstandardized Beta Coefficient ( $\beta$ ):** the unstandardized coefficients are the coefficients of the estimated regression model. Accordingly, the regression constant value showed statistically significant relationship that when the independent variables (ethical, economic, philanthropy, community) are constant at zero, while considering the degree to which the independent variables affect the dependent variable. The unstandardized coefficient B1 of ethical responsibility is equal to -0.09 which indicates that an increase in one unit of ethical activities results to a decrease of -0.09 units in financial performance of insurance. Likewise, the unstandardized coefficient B2 of economic responsibility is equal to 0.179; this indicates that an increase in one unit of economic activities results to an increase of 0.179 unit in ROA of the insurance. Furthermore, an increase in one unit of philanthropy responsibility (B3) results to an increase of 0.091 unit in insurance profit and also an increase in one unit of community responsibility (B4) results to an increase of 0.239 in insurance ROA.

### **Measurement of Financial performance**

Return on Asset (ROA), calculated as the ratio of net income to total assets, serves as a pivotal measure for evaluating the efficiency of utilizing the company's total asset base to generate profits. It provides insights into the company's ability to generate earnings from its overall asset portfolio.

$$\text{ROA} = \frac{\text{NetIncome}}{\text{TotalAsset}}$$

Higher ROA indicates more asset efficiency. The ROA, in basic terms, tells you what earnings were generated from invested capital (assets).

Table 4.18 Return on Asset: Efficiency Measure of Profit Generation from Total Asset Base

Year	Profit after Tax (Net Income)	Total Asset	ROA = Profit after tax / Total Asset	Donations
2018	63,511,000	1,117,767	=63,511,000/1,117,767= <b>56.82</b>	226,000
2019	110,524,000	1,383,604	=110,524,000/ 1,383,604 = <b>79.88</b>	1,957,000
2020	112,054,000	1,554,025	=112,054 / 1,554,025 = <b>72.10</b>	64,000
2021	134,188,000	1,973,867	=134,188,000/ 1,973,867 = <b>67.98</b>	20,000
2022	197,528,000	2,613,902	=197,528,000/ 2,613,902 = <b>75.56</b>	441,000

Growth Rate = ((Current Year Donation - Previous Year Donation) / Previous Year Donation) \* 100

A positive growth rate indicates an increase in donations from the previous year, while a negative growth rate indicates a decrease. The magnitude of the growth rate indicates the extent of the change: a higher growth rate signifies a larger increase or decrease compared to a lower growth rate.

Table 4.19 Growth rate for Donation

Year	Growth Rate
2018	226,000 – 38,382.78 / 38,382.78 = 4.88
2019	1,957,000-226,000 / 226,000 = 7.66
2020	64,000-1,957,000 / 1,957,000= -0.96
2021	20,000- 64,000 / 64,000 = -0.68
2022	441,000 – 20,000 / 20,000 = 21.05

- In 2018, the donation amount was 226,000, but the ROA was relatively high at 56.82.
- In 2019, the donation amount increased significantly to 1,957,000, and the ROA also increased to 79.88.
- In 2020, the donation amount decreased to 64,000, and the ROA decreased to 72.10.
- In 2021, the donation amount decreased further to 20,000, and the ROA decreased to 67.98.
- In 2022, the donation amount increased to 441,000, and the ROA increased to 75.56.

2018: The growth rate of donations is 4.88%. The company donated 226,000 thousand birr in this year. The relatively low growth rate suggests a stable or moderate increase in donations. The impact of CSR on financial performance, specifically ROA, can be assessed by considering the corresponding ROA value of 56.82. This indicates that despite a relatively low growth rate of donations, the company achieved a relatively moderate ROA.

2019: The growth rate of donations is 7.66%, indicating a significant increase in donations compared to the previous year. The company donated 1,957,000 thousand birr, signifying a substantial expansion of its CSR efforts. The higher growth rate suggests that the company has allocated more resources towards CSR initiatives. The corresponding ROA value of 79.88 indicates a further improvement in financial performance. This suggests that the increased focus on CSR and higher donation amounts have positively influenced the company's ability to generate returns on its assets.

2020: The growth rate of donations is -0.96%, indicating a slight decrease in donations compared to the previous year. The company donated 64,000 thousand birr. Despite the negative growth rate, the absolute donation amount is still relatively significant. The corresponding ROA value of 72.10 suggests a relatively high financial performance even though we can see that there is a slight decrease compared to the previous year of 2019. This indicates that even with a slight decline in donations, the company has managed to maintain a strong return on assets, showcasing the effectiveness of its CSR initiatives in generating positive financial outcomes.

2021: The growth rate of donations is -0.68%, indicating a further decrease in donations compared to the previous year. The company donated 20,000 birr. Although the growth rate

of donations is negative, the absolute donation amount is relatively low. However, the corresponding ROA value of 67.98 still indicates a relatively moderate financial performance. This suggests that even with reduced CSR spending, the company has been able to maintain a moderate return on assets, indicating the efficiency and effectiveness of its CSR activities in generating positive financial outcomes. But compare to the year 2020 when the donation has decreased to 20,000 thousand birr this year there ROA has also slight decreases.

2022: The growth rate of donations is 21.05%, indicating a significant increase in donations compared to the previous year 2021. The company donated 441,000 thousand birr, signifying a substantial expansion of its CSR efforts. The higher growth rate suggests that the company has further allocated resources towards CSR initiatives. The corresponding ROA value of 75.56 indicates a continued positive impact on financial performance. This suggests that the increased focus on CSR and higher donation amounts have positively influenced the company's ability to generate returns on its assets.

Overall, despite fluctuations in the growth rate of donations over the years, the consistent high ROA values indicate that the company's CSR efforts, as reflected in the donation amounts, have had a positive impact on its financial performance. The company's ability to maintain strong returns on assets suggests that its CSR initiatives are effectively contributing to its overall success. However, it's important to consider other factors that may influence financial performance and conduct a more comprehensive analysis to fully understand the relationship between CSR donations and financial outcomes.

#### **4.5 Discussion of Study Findings**

The study is associated with the dimensions of CSR towards financial performance (ROA) in insurance company. The objective of this study is to examine the effect of CSR practice and financial performance in the insurance, specifically in Nile insurance Share company. The first research questions of this study were to investigate the relationship between ethical responsibility and financial performance /ROA in Nile insurance. In line with the research findings as observed from data analysis, the results of regression analysis a show that ethical responsibility has a negative and insignificant relationship with ROA of the Insurance with  $p < 0.05$ . This implies that ethical CSR had a statistically insignificant negative effect on the financial performance of insurance firms as measured by return on assets. The standardized beta coefficient of ethical responsibility has a beta value of -0.018, which implies a unit change in ethical responsibility or a unit increase in expenditure on ethical CSR initiatives

would result changes in financial performance of insurance firm as measured by ROA of Insurance by (-0.018) units. The researcher expected a positive and significant relationship between ethical responsibility and financial performance in terms of return on asset. However the results in this study showed a negative and insignificant relationship Therefore, the null hypothesis is rejected.

The second research questions of this study were to examine the relationship between economic responsibility and financial performance in Nile insurance. The result of the correlation analysis  $r = 0.743^{**}$ ,  $p < 0.01$  exhibits that economic responsibility has a positive and strong relationship with insurance s financial performance. This reflects that an increase in economic responsibility will results an increase in insurance ROA. The results of regression analysis also shows that economic responsibility has a positive and significant relationship with ROA of the Insurance with  $p < 0.05$  of significance level. The standardized beta coefficient of economic responsibility has a beta value of 0.369, which implies a unit change in economic responsibility changes ROA of Insurance by 0.369 units. The researcher expected a positive and significant relationship between economic responsibility and financial performance in terms of return on asset. However the results in this study showed a positive and significant relationship Therefore, the null hypothesis is accepted.

The third research questions of this study were to examine the relationship between philanthropic responsibility and financial performance in Nile insurance. The result of the correlation analysis  $r = 0.690^{**}$ ,  $p < 0.01$  exhibits that philanthropic responsibility has a positive and strong relationship with insurance s financial performance. This reflects that an increase in philanthropic responsibility will results an increase in insurance ROA. The results of regression analysis also shows that philanthropic responsibility has a positive and significant relationship with ROA of the Insurance with  $p < 0.05$  of significance level. The standardized beta coefficient of economic responsibility has a beta value of 0.157, which implies a unit change in philanthropic responsibility changes ROA of Insurance by 0.157 units. The researcher expected a positive and significant relationship between philanthropic responsibility and financial performance in terms of return on asset. However the results in this study showed a positive and significant relationship Therefore, the null hypothesis is accepted.

The fourth research questions of this study were to examine the relationship between community development responsibility and financial performance in Nile insurance. The

result of the correlation analysis  $r = 0.734^{**}$ ,  $p < 0.01$  exhibits that community responsibility has a positive and strong relationship with insurance s financial performance. This reflects that an increase in community service responsibility will results an increase in insurance ROA. The results of regression analysis also shows that community responsibility has a positive and significant relationship with ROA of the Insurance with  $p < 0.05$  of significance level. The standardized beta coefficient of economic responsibility has a beta value of 0.343, which implies a unit change in community responsibility changes ROA of Insurance by 0.343 units. The researcher expected a there will not be a significant relationship has no effect on the financial performance between community development responsibility and financial performance in terms of return on asset. However the results in this study showed a positive and significant relationship Therefore, the null hypothesis is rejected.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary of Finding

This chapter presents a summary of the major findings, conclusions drawn from the findings and the study recommendations. It also presents the study limitations and areas suggested for further research.

- In pursuant of the study's main purpose, the study sought to achieve the specific objectives mentioned at the first chapter of the study. In exploring the familiarity of CSR among the Nile Insurance share company, the study revealed that about 73.6% of the insurance firm are familiar with the concept of corporate social responsibility (CSR), with only about 26.4% stating otherwise. With this, it is reasonable to it can be concluded that Nile Insurance are largely familiar with the knowledge, concept and growing phenomenon of corporate social responsibility.
- The research reveals that CSR is a relatively well-known and understood concept in Nile insurance, with the vast majority of respondents knowing with the term. This suggests that CSR might play a significant influence in the company. besides this According to the research data, a significant portion of Nile insurance respondents, approximately 38.2%, stated that they learned about corporate social responsibility (CSR) through formal education. This suggests that a substantial portion of the company's CSR knowledge comes from outside sources rather than internal activities/ initiatives.
- Based on the results of the descriptive analysis all the four dimensions of CSR are commonly practiced in Nile Insurance and the Ethical responsibilities of CSR dimensions is the most dominant practice in insurance firm. The data analysis delves deeper into the relationship between the specific dimensions of corporate social responsibility (CSR) and the financial performance of insurance companies, as measured by return on assets (ROA).
- The findings show that there is a positive and statistically significant association between the insurance firms' return on assets (ROA) and all four CSR dimensions: economic obligations, community development activities, philanthropic initiatives, and ethical responsibilities.



- The economic responsibilities of the insurance companies demonstrate the strongest relationship, with a correlation coefficient of 0.743 ( $p < 0.01$ ). This suggests that the insurance firms' focus on economic performance, profitability, and responsible financial practices has the most substantial impact on their overall financial standing. Community development activities follow closely, with a correlation value is 0.734 ( $p < 0.01$ ). This emphasises how crucial it is for insurance firms to get involved with and support the communities in which they operate. With a coefficient of 0.690 ( $p < 0.01$ ), the philanthropic responsibility component likewise shows a positive link with ROA. While not as strongly correlated as the economic and community dimensions, still play a meaningful role in enhancing their financial performance. Finally, with a coefficient of 0.658 ( $p < 0.01$ ), the ethical obligations of insurance companies show a moderately favourable link with ROA. This emphasises how crucial it is to upholding ethical standards, principles, and practices, as these can contribute to the overall financial well-being of the insurance firms.
- Based on the standardized beta coefficients three dimensions of CSR activities specifically economic, community development and philanthropic responsibilities has a positive impact on financial performance measured in terms of ROA of insurance firm while ethical responsibility have a negative impact. Economic responsibility with a beta value of 0.369 is the highest predictors of financial performance (ROA) of Nile Insurance. Followed by community responsibility with a beta value of 0.343, philanthropic responsibility with a beta value of 0.157 and ethical responsibility with a beta value of -0.018.

## 5.2 Conclusion

The study tried to examine the effect of corporate social responsibility on the financial performance of Nile Insurance share company. Hence, on the basis of the major findings the following conclusions were drawn.

Examining the data in more detail, we find that Nile insurance's financial performance, as determined by return on assets (ROA), is strongly correlated with its CSR efforts. In particular, the analysis reveals that the company's CSR initiatives account for an astounding 62.3% of the variation in the ROA, can be accounted for by its CSR initiatives, highlighting the substantial impact that responsible corporate practices can have on an insurance firm's profitability and overall financial well-being.

In this study, according to the analysis on the data gathered it's was founded that majority of the employees who work at Nile insurance share company head office are unsatisfied with the insurance company's transparency and communication policies. there's also uncertainty about responsiveness to community needs and concerns, job creation, and employee involvement in community service and the respondents do not believe the company does an adequate job of encouraging volunteerism among employees.

Accordingly, the regression analysis the study found that economic CSR had a statistically significant and a positive effect on the financial performance of insurance firm as measured by return on assets, implying that Economic responsibility has the highest impact on financial performance of the insurance firm among the other dimensions.

The study also sought to establish the effect of philanthropic CSR on the financial performance of Nile insurance firm. The study established that philanthropic CSR a statistically significant and positive effect on the financial performance of insurance firms as measured by return on assets, meaning that philanthropic CSR has effect on the financial performance of insurance firm.

Determining the effect of community development CSR on the financial performance of insurance firm was another objective of the study. The study revealed that the results indicate that community development CSR had a statistically significant positive effect on the financial performance of insurance firms as measured by return on assets. The study therefore concluded that CSR has effect on the financial performance of insurance firm.

The study also sought to establish the effect of ethical CSR on the financial performance of Nile insurance firm. The study established that ethical CSR a statistically insignificant and Negative effect on the financial performance of insurance firms as measured by return on assets, meaning that ethical CSR has no effect on the financial performance of insurance firm. Therefore, ethical responsibility is not considered as powerful explanatory variables to define the ROA of the insurance company.

### 5.3 Recommendation

- The company's employees are not fully aware of CSR issues so the company must give information about CSR (training). According to the findings, only a small fraction of respondents (5.5% to 15%) learned about CSR through the company's code and training programs the others through their own reading and education. This suggests that Nile Insurance needs to step up its efforts to raise staff knowledge and comprehension of CSR. The Insurance should create thorough CSR training programs that are required for all staff.
- According to the survey results, a sizable minority of respondents do not believe the company does an adequate job of encouraging volunteerism among employees. A focused study could assist the organisation understand its employees' hurdles, motives, and preferences for community service and volunteering. This could help establish a more impactful and engaging employee volunteer programme.
- The findings indicate that a notable proportion of respondents (49.1%) are unsatisfied with the insurance company's transparency and communication policies. The organisation should enhance its transparency, disclosure of information, and overall engagement with employee, customers and stakeholders.
- Nile Insurance should carefully reconsider its approach to ethical responsibility and corporate social responsibility (CSR) programmes in order to uncover the fundamental causes of the negative relationship.

The company should conduct a detailed analysis to uncover any trade-offs or unforeseen consequence between ethical standards and short-term financial performance, and then look into ways to optimise the balance between both. It should communicate with important stakeholders, including shareholders, customers, and the local community, to better understand their perspectives and expectations of the company's ethical and CSR policies.

This open engagement can assist the company in identifying areas where its ethical endeavours do not line with stakeholder interests or where communication of these efforts is lacking.

#### 5.4 Areas for Future Research

As it was indicated in this study The effect of CSR practice on financial performance is evaluated only from the perception, focused on head offices of Nile Insurance employees. Leaving out the perception of customers and other stakeholders. Hence, further study should use holistic approach to investigate the relations between the variables. So, it is recommended to widen the scope of the target population. There is a need for further analyses with respect to the external factors of financial performance. This research uses only five years' financial statements, which is a relatively short-time period, The study was limited due to its cross-sectional study design.

Since this study is limited to a particular insurance i.e. Nile Insurance company.; it is impossible to generalize to other insurance industries and other financial service giving organization in Ethiopia. Thus scholars, academicians, and institutions that have interest in this can conduct the impact of CSR on performance by taking both time series and cross-sectional data; and can compare the result in detail by adding more variables.

Further research is needed to explore what levels of investment in CSR are beneficial. These studies could provide information for management on apportioning scarce resources to competing stakeholders" demands and on evaluating cost in CSR investments. It is also important to suggest the timing in the relationship, since it would be valuable to investigate and to discover how long it takes for the impact of CSR on financial performance to be revealed. Further studies could be done on impact of Corporate Social Responsibility on other financial performance measurement variables like, ROE, net profit, Capital Adequacy Ratio (CAR), Efficiency Ratio and also from external factors like Macroeconomic Conditions: General economic growth, inflation, and interest rate trends

The study recommends that a similar study to be done on the relationship between corporate social responsibility and financial performance in other financial organizations in Ethiopia. This would allow for generalization of the study findings to other organizations.

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## ANNEX 1: QUESTIONNAIRE

ST MARY UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

As an employee working in the dynamic field of insurance, your unique perspective and insights are invaluable to me. This questionnaire aims to gather feedback from employees across various departments, including Finance, Marketing, Management level, and more.

The purpose of this questionnaire is to gather relevant data that will be used in undertaking MBA thesis on the topic “Effect of Corporate Social Responsibility on financial performance of insurance sector, as part of its main objective the research aims at investigating the relationship between Corporate Social Responsibility (CSR) practice and its impact on financial performance of the insurance.

Therefore, your cooperation in filling out the questionnaire carefully and genuinely, apart from contributing towards the successful completion of the study is a priceless input towards the creation of a level headed knowledge regarding the aforesaid issue.

Finally, I would like to kindly assure you that the items included in this questionnaire are not designed to test your ability and that all the information you provide will be confidential & will exclusively be used for research purpose.

I thank you in advance for your willingness to participate in filling the questionnaire. For more information please contact me through the following email address [ruthdonis.a@gmail.com](mailto:ruthdonis.a@gmail.com).

### Section One – **Background Information**

1. Gender

Male [    ]

Female [    ]

2. Age [    ]

3. Level of education

Diploma [  ]

B.A. Degree [  ]

Masters and above [  ]

4. Work experience in the Insurance [  ]

## II. Awareness & Practice of CSR in your insurance

Please Tick only one box for the following questions

6. Are you familiar with the concept of Corporate Social Responsibility (CSR)?

A. Yes [  ]

B. No [  ]

7. If you know the concept of CSR, how do you come to know about CSR?

A. Through formal education [  ]

B. Through my own reading [  ]

C. Through training provided by the Insurance

D. Your company's code

8. Does your Insurance have a CSR policy?

A. Yes [  ]

B. No [  ]

9. Does your insurance disclose his corporate social responsibility policy?

A. Yes [  ]

B. No [  ]

10. Which of the following concrete actions towards community were carried out by the insurance? Please tick all that are applicable

[  ] Donation to vulnerable groups and charitable nonprofit organizations

[  ] Sponsorship of Cultural or other events

[  ] Environmental Protection activities

[  ] Corporate Voluntary

[  ] Disaster management

[  ] Education

[     ] other

[     ] None

11. What type of CSR activities the insurance engages in?

- A) environmental sustainability
- B) Philanthropy
- C) Community development
- D) Ethical responsibility
- E) Economic responsibility
- F) Other activities

**Section two :Attribute related to corporate social responsibility and profitability**

The following statement relate to your opinion about basic facts related to corporate social responsibility attributes and profitability. For each item indicate the extent to which you agree or disagree with feature described by the statement.

1= strongly disagree (SD)    2= Disagree(D)    3 = Neutral(N)    4= Agree(A)    5= strongly agree(SA)

Put a check mark (√) in the column corresponding to one of the five points following the particular items to show the degree to which it relates to the insurance.

No	Statement	SA	A	N	D	SD
<b>1</b>	<b>Ethical Responsibility</b>					
	The insurance has well developed ethical business principal practice.					
	The insurance upholds high standards of integrity and ethical conduct in its business dealings.					

	The insurance operates in a manner consistent with expectations of societal and ethical norms and consistently complies with relevant laws, regulations, and industry standards					
	The insurance fosters a culture of social responsibility and ethical decision-making among its employees.					
	The company values and respects the rights and well-being of its employees.					
	The insurance works towards improving working conditions to its employees.					
	The insurance facilitates various training for its employees as to make them capable for ethical decision.					
	The insurance motivates its employees through recognition, appreciation, and reward.					
	The insurance has policies in place to prevent conflicts of interest and ensure fair treatment of customers					
	The insurance is transparent in its communication and disclosure of information.					
<b>2</b>	<b>Economic Responsibility</b>					
	The insurance has good risk management policy and strategy					
	The insurance effectively manages costs and expenses to maximize profitability					
	The insurance maintains a strong financial position compared to its competitors.					

	The insurance develops new product redefining the existing ones and creating new channels based on customer demand.					
	The insurance consistently achieves its financial goals and targets.					
	The insurance invests in research and development to drive innovation and competitive advantage.					
	The insurance is paying decent wage comparing with others					
	The insurance provides reasonable benefits for employees (medical services, performance bonuses, holiday pay, transport allowances etc.)					
	The insurance demonstrates a long-term perspective in its financial decision-making.					
	The insurance engaging in Economic CSR initiatives have a competitive advantage over those that do not.					
	Economic CSR activities contribute positively to the financial performance and profitability of businesses.					
	Economic CSR initiatives positively affect the overall sustainability and resilience of businesses.					
<b>3</b>	<b>Philanthropic Responsibility</b>					
	The insurance makes contributions and donations to charitable organizations, and community activities.					
	The insurance donates a significant portion of its profits to philanthropic initiatives.					
	The insurance engages in partnerships with nonprofit organizations to address societal issues					
	The insurance responds to natural and human made disasters					

	(E.g. providing food and shelter for victims)					
	The insurance promotes volunteerism among its employees for community service					
	The insurance measures and reports its philanthropic impact and outcomes.					
	Philanthropic responsibility enhances the reputation and goodwill of a company					
	The insurance philanthropic efforts positively contribute to society and make a difference					
	The insurance supports initiatives that promote education, healthcare, or environmental sustainability.					
4	<b>Community Development</b>					
	The insurance actively engages/ regularly in initiatives that contribute to the development of local communities.					
	The insurance provides scholarships for needy students.					
	The insurance supports and stimulates the national economy through supporting small and medium enterprises					
	The insurance listens to the needs and concerns of the local community and takes them into account in decision-making.					
	The insurance provides job opportunities and economic growth in the local community.					
	The insurance encourages employee involvement in community service activities.					
	The insurance community development efforts have a positive and lasting effect on the community.					
	The insurance implemented any community development					

	initiatives in the past 5 years					
	<b>Attribute of Financial performance</b>					
	The Insurance's CSR efforts significantly enhance and increasing the company's profitability in the long run and its over all profitability					
	The insurance's image improved by its CSR practice					
	The Insurance's CSR initiatives effectively differentiate it from competitors, contributing to its financial success					
	the insurance's CSR practice gives a postive reputation advantage to the company					
	the insurance's CSR initiatives are effectively integrated into its business model, resulting in improved profitability					